

MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 23

SPRINGFIELD, ILL., JANUARY 1, 1948

No. 10

HAPPY NEW YEAR

One sometimes wonders whether everyone who extends that greeting really means it in the full implication of those words.

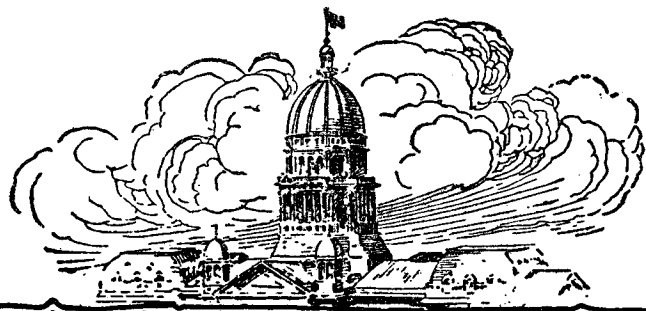
Happiness is a state of mind every person seeks and perhaps no wish is more welcome.

1947 has been a happier one for us because of the cooperative spirit in which our suggestions have been received, and it is our desire that the Bulletin may continue to be an instrument of helpfulness in the solution of our mutual problems in 1948.

We really mean it when we express our gratitude to all of our readers and wish them a

HAPPY NEW YEAR.

ARTHUR C. LUEDER AND STAFF.



APPRECIATION

In addition to the usual heavy volume of business and the seasonal demands that banks encounter at this part of the year, many blank forms will have reached them; which, in order to be completed, require more of the banker's already overtaxed time and effort.

The burden thus imposed upon the banker has not been lost sight of by this Department and the promptness with which our forms are usually returned is thoroughly appreciated.

Occasionally, after the forms have been remailed to this office, they are found to contain errors, omissions and seeming discrepancies, that necessitate returning the forms to the bank for corrections or explanations.

When this occurs the banker's task, which in its original dispatch was irksome to some measure, becomes more so and we sympathize with those whose exasperation it might arouse; however, in nearly every instance bankers have displayed courtesy and a gracious endeavor to correct or clarify exceptions when called to their attention.

The splendid cooperation extended to this office by bankers in their promptness and in their fine spirit is not only appreciated but gratifying.

CALL REPORTS

Bankers seemingly are thoroughly familiar with the statutory requirements concerning reports of condition and are aware that the Auditor is required by statute to call for such reports at least once every three months of each year.

Form No. 7 "Report of Condition" and Form No. 9 "Printer's Copy and Publisher's Certificate" are required to be filed with this office by every Illinois State bank in response to every quarterly call made by the Auditor for a statement of condition.

Form No. 8 "Proof of Report Submitted to Publisher for Official Publication" is not required at every call. It is only required when specifically requested in the call letter and, accordingly, included with the forms transmitted for that particular call.

This form (No. 8) formerly served a dual purpose. It was used by this Department in checking and tabulating reports of condition and twice each year was used as printer's copy for the book "Statement Showing Total Resources and Liabilities of Illinois State Banks."

Under the system now used by this Department in checking and tabulating, the value of Form No. 8 does not seem to justify its submission for that purpose and bankers are thus relieved of an unnecessary duplication of effort; however, it is necessary and will be required, on those occasions when the publication of the "Statement Book" is contemplated; at present this publication occurs but once in each year, usually as of the June Call.

EARNINGS REPORT AND NOTIFICATION OF DIVIDENDS

Form No. 48 "Report of Earnings, Expenses and Dividends" has been customarily used in recent years as an annual report to the Auditor of the bank's operational results for the calendar year.

Form No. 55 "Special Notification of Dividend Declared" is required to be filed with the Auditor promptly upon the declaration of a dividend to stockholders.

Form No. 48 is mailed to each bank with the letter requesting the report of earnings, expenses and dividends. Form No. 55, however, if not already on hand, should be requisitioned from this Department as soon as the declaration of a dividend is contemplated.

Neither of these forms is specifically required by statutory provision but are requirements requested by the Auditor, who is considered through interpretation of the general powers given him in various Sections of the Banking Act, to have the authority for making such or similar requests. Reference to this authority is usually directed to Section 4 which reads in part: "The directors shall cause to be kept suitable books of record of all the transactions of the bank or association, and shall furnish to the Auditor lists of the stockholders and copies of any other records the Auditor may require."

When an occasion has required the filing of these forms we suggest that directors call for the copies which are retained by the bank in order that they may have the opportunity of considering the story revealed by the reports and of discerning any unfavorable signs. If no appreciable gain is evidenced in the period under report, or, if a definite loss has occurred which would reduce the Undivided Profits account, the affairs of the institution should receive earnest thought and attention.

DIRECTORS' OATH OF FEALTY

Two copies of Form No. 6—Directors' Oath of Fealty—were forwarded to every Illinois State bank on December 27, 1947. These forms were sent both as a convenience and as a reminder inasmuch as most banks hold their annual election of directors at this time of the year and as Section 4 of the Illinois Banking Law requires each director to take and subscribe to an Oath of Fealty that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such bank or association and will not knowingly violate or willingly permit to be violated any of the provisions of this Act; and that he is the owner in good faith and in his own right of the number of shares of stock required by this Act; and that the same is not hypothecated or in any way pledged as security for any loan or debt.

The Act also provides that the form be such as the Auditor shall prescribe and that such Oath of Fealty subscribed to by the director making it and certified by a proper officer authorized to administer oaths shall be immediately transmitted to the Auditor and shall be filed and preserved by him in his office.

If it is not possible to obtain the Oath of Fealty of all directors immediately, the Oath of those directors who are available and who have qualified should be obtained, certified to and forwarded to this Department promptly, together with an explanation of the reason why the Oath of the legal number of directors is not furnished and with a request for any necessary additional blanks to be used in obtaining and forwarding the Oaths of the other directors as soon as possible.

Immediately following the annual election of directors by the shareholders, the newly elected Board usually holds an organization meeting for the purpose of the election of one of their number as President and

the appointment of such other officers as may be required. In order that the records of this Department may be kept in a current condition, advice of any change in administrative and executive officers should be forwarded promptly to this office.

If for any reason the full legal number of directors was not elected at the annual meeting of shareholders, this Department should also be notified with an explanation of the circumstances causing this condition and with advice as to any plans concerning the correction of such situation.

In the event that the legal number of directors was increased or decreased by at least the required two-thirds vote of the entire shares, or if any of the other corporate changes provided for in Section 12 were so approved at the shareholders' meeting, this Department should be notified immediately in order that the Auditor may give consideration to the matter of issuing the necessary approval. This approval in writing is required before such changes can be declared accomplished.

CHARTER ISSUED

		Capital	Surplus	Reserve	
Washington..Tazewell.....	Washington State Bank.....	\$50,000	\$15,000	\$15,000	Dec. 10, 1947
	101 Commercial Square				
	Rae C. Heiple, President				
	J. Robert Heiple, Cashier				

CAPITAL STOCK INCREASED

Glen Ellyn...DuPage.....DuPage Trust Company from \$50,000 to \$125,000.....Dec. 24, 1947

CONVERTED INTO NATIONAL BANKS

Byron.....Ogle.....	Rock River Community Bank to First National Bank of				
	Byron.....				July 1, 1947
Wheaton.....DuPage.....	Wheaton Trust and Savings Bank to Wheaton National				
	Bank.....				Oct. 1, 1947

TRUST CERTIFICATES ISSUED

		Deposit	
Pontiac.....Livingston.....	Bank of Pontiac.....	\$50,000	Dec. 4, 1947
Wheaton.....DuPage.....	Wheaton National Bank.....	\$50,000	Dec. 24, 1947

TRUST CERTIFICATES CANCELLED

Geneva.....Kane.....	The State Bank of Geneva.....	Dec. 24, 1947
Wheaton.....DuPage.....	Wheaton Trust and Savings Bank.....	Dec. 24, 1947

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	26
State Banks in Illinois outside Cook County.....	454
Total.....	504

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No. 11

NET RESULTS IN 1947

Total resources of the 504 Illinois State banks reporting at the close of business December 31, 1947, amounted to \$3,383,635,605.16 and were nearly two-hundred and fourteen millions of dollars greater than the total reported by 500 Illinois State banks at the close of 1946.

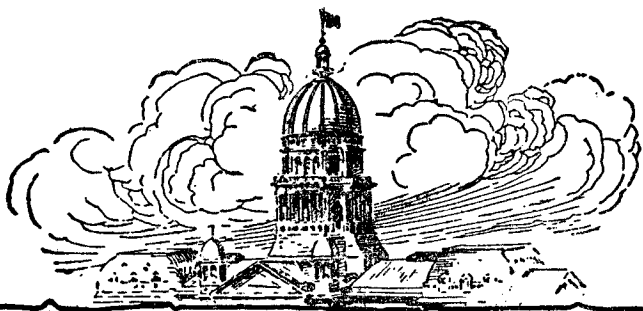
Deposits secured by pledge of assets decreased about twelve millions of dollars during the year although a net increase of one-hundred and seventeen millions of dollars is reported in demand deposits and time deposits are eighty-five millions greater than a year ago.

This net increase of over two-hundred and three millions of dollars in total deposits and a nearly nine million expansion of capital accounts were the principal sources of the funds accounting for the increase in total resources.

The two-hundred and fourteen million increase in total resources is reflected principally by net increases of thirty-six million in cash and due from banks, fifteen million in U. S. Government obligations, fifty-seven million in other bonds and nearly one-hundred and two million in loans and discounts.

Distribution of the principal resource accounts on the dates indicated are as follows:

	Dec. 31, 1946	Dec. 31, 1947
Cash and due from banks.....	22.78%	22.40%
U. S. Government obligations.....	53.98%	51.01%
Other bonds, stocks and securities...	7.29%	8.52%
Loans and discounts.....	15.25%	17.29%



**REVIEW OF CALL REPORTS
COVERING ALL ILLINOIS STATE BANKS**

NUMBER OF BANKS.....	500	Increase or Decrease (-)	496	Increase or Decrease (-)	501	Increase or Decrease (-)	505	Increase or Decrease (-)	504
DATE OF CALL.....	Dec. 31, 1946		March 29, 1947		June 30, 1947		Sept. 29, 1947		Dec. 31, 1947
RESOURCES:									
Cash and Due from Banks.....	\$ 722,003,208.26	\$ -141,000,246.57	\$ 581,002,961.69	\$ 91,686,329.65	\$ 672,689,291.34	\$ 18,387,677.51	\$ 691,076,968.85	\$ 66,858,927.13	\$ 757,935,895.98
Outside Checks and Other Cash Items.....	3,577,735.04	435,184.06	4,012,919.10	-209,327.18	3,803,591.92	-229,749.17	3,573,842.75	3,270,403.44	6,844,246.19
U. S. Governments—Direct & Guaranteed.....	1,710,844,447.48	-72,359,025.55	1,638,485,421.93	22,335,371.12	1,660,820,793.05	39,450,919.09	1,700,301,712.14	25,805,663.60	1,726,107,375.74
Other Bonds, Stocks & Securities.....	231,126,191.22	17,557,626.44	248,683,817.66	15,442,567.73	264,126,385.39	10,280,308.44	274,406,783.83	13,823,856.50	288,230,640.33
Loans and Discounts.....	483,240,811.22	25,478,836.37	508,719,647.59	13,052,610.26	521,772,257.85	48,457,497.02	570,229,754.87	14,733,244.16	584,962,999.03
Overdrafts.....	152,618.93	574,340.13	726,959.06	-520,329.99	206,629.07	44,824.39	251,453.46	-77,989.29	173,454.17
Banking House, Furniture & Fixtures.....	8,971,918.14	-76,451.96	8,895,466.18	134,058.08	9,029,524.26	310,057.98	9,339,582.24	100,333.01	9,439,915.25
Other Real Estate.....	39,473.15	3,577.78	43,050.93	-6,513.60	36,537.33	8,530.37	45,067.70	-14,262.54	30,805.16
Customers' Liability—Letters of Credit.....	2,775,104.81	259,320.72	3,034,425.53	-193,632.80	2,837,742.67	-1,008,517.49	1,829,225.18	563,318.32	2,392,543.50
Customers' Liability—Acceptances.....	884,827.38	-155,712.81	729,114.57	-125,877.58	603,236.99	-190,220.91	413,057.08	95,998.18	509,055.26
Other Resources.....	6,303,827.88	-457,140.44	5,846,687.44	1,248,916.73	7,095,604.17	112,845.26	7,208,449.43	-199,774.88	7,008,675.55
GRAND TOTAL RESOURCES.....	\$ 3,169,920,213.51	\$ -169,742,691.83	\$ 3,000,177,521.68	\$ 142,844,122.36	\$ 3,143,021,644.04	\$ 115,654,253.49	\$ 3,258,675,897.53	\$ 124,959,707.63	\$ 3,383,635,605.16
LIABILITIES:									
Capital Stock.....	\$ 45,225,550.00	\$ -344,000.00	\$ 44,881,550.00	\$ 735,000.00	\$ 45,616,550.00	\$ 550,000.00	\$ 46,166,550.00	\$ -25,000.00	\$ 46,141,550.00
Income Debentures.....	549,191.67	-100,000.00	449,191.67	-61,000.00	388,191.67		388,191.67	-93,791.67	294,400.00
Surplus.....	52,333,100.00	450,741.95	52,783,841.95	619,758.05	53,403,600.00	301,000.00	53,704,600.00	1,262,250.00	54,966,850.00
Undivided Profits (net).....	31,220,811.90	1,998,791.69	33,219,603.59	66,005.09	33,286,208.68	3,149,920.95	36,436,129.63	-1,840,659.09	34,595,470.54
Reserve Accounts.....	33,836,748.07	862,825.53	34,699,573.60	832,403.25	35,531,976.85	1,425,039.91	36,957,016.76	-905,946.68	36,051,070.08
TOTAL CAPITAL STRUCTURE.....	\$ 163,165,401.64	\$ 2,868,359.17	\$ 166,033,760.81	\$ 2,192,766.39	\$ 168,226,527.20	\$ 5,425,966.86	\$ 173,652,488.06	\$ -1,600,247.44	\$ 172,052,240.62
Demand Deposits.....	\$ 1,925,146,141.10	\$ -221,428,838.42	\$ 1,703,717,302.68	\$ 150,768.66	\$ 1,856,273,071.34	\$ 99,219,535.93	\$ 1,955,492,607.27	\$ 86,577,794.93	\$ 2,042,070,402.20
Time Deposits.....	897,826,040.94	16,229,399.53	914,055,440.47	1,417.09	944,178,457.56	9,508,677.00	953,687,134.65	29,091,103.41	982,778,238.06
Due to Banks.....	174,656,829.24	12,013,899.66	186,670,728.90	-21,439,275.83	164,931,453.07	1,343,214.40	166,274,667.47	9,825,450.11	176,100,117.58
TOTAL DEPOSITS.....	\$ 2,997,629,611.28	\$ -193,185,539.23	\$ 2,804,444,072.05	\$ 160,938,909.92	\$ 2,965,382,981.97	\$ 110,071,427.42	\$ 3,075,454,409.39	\$ 125,494,348.45	\$ 3,200,948,757.84
Bills Payable.....		\$ 20,099,983.56	\$ 20,099,983.56	\$ -20,099,983.56		\$ 99,986.30	\$ 99,986.30	\$ -99,986.30	
Rediscouts.....									
Dividends Unpaid.....	457,221.68	-218,438.34	238,783.34	36,605.00	275,388.34	159,811.66	435,200.00	308,348.68	743,548.68
Letters of Credit.....	2,801,754.53	238,781.00	3,040,535.53	-196,942.86	2,843,592.67	-884,330.01	1,959,262.66	465,282.00	2,424,544.66
Bank Acceptances.....	912,289.38	-178,544.81	733,744.57	-112,867.58	620,877.09	-295,148.91	325,728.08	180,317.18	509,055.26
Other Liabilities.....	4,953,935.00	629,706.82	5,583,641.82	85,625.05	5,669,266.87	1,076,646.17	6,745,913.04	211,645.06	6,957,458.10
TOTAL OTHER LIABILITIES.....	\$ 9,125,200.59	\$ 20,574,488.23	\$ 29,699,688.82	\$ -20,287,553.95	\$ 9,412,134.87	\$ 1,566,865.21	\$ 9,569,813.08	\$ 1,065,606.62	\$ 10,634,606.70
GRAND TOTAL LIABILITIES.....	\$ 3,169,920,213.51	\$ -169,742,691.83	\$ 3,000,177,521.68	\$ 142,844,122.36	\$ 3,143,021,644.04	\$ 115,654,253.49	\$ 3,258,675,897.53	\$ 124,959,707.63	\$ 3,383,635,605.16
ANALYSIS:									
Deposits Secured by Pledge.....	\$ 123,452,666.86	\$ 26,214,301.37	\$ 149,666,968.23	\$ -60,072,275.49	\$ 89,594,692.74	\$ 24,680,267.96	\$ 114,274,960.70	\$ -2,740,212.68	\$ 111,534,748.02
Deposits Not Secured by Pledge.....	2,874,176,944.42	-219,399,840.60	2,654,777,103.82	221,011,185.41	2,875,788,289.23	85,391,159.46	2,961,179,448.69	128,234,561.13	3,089,414,009.82
TOTAL—DEPOSITS.....	\$ 2,997,629,611.28	\$ -193,185,539.23	\$ 2,804,444,072.05	\$ 160,938,909.92	\$ 2,965,382,981.97	\$ 110,071,427.42	\$ 3,075,454,409.39	\$ 125,494,348.45	\$ 3,200,948,757.84
Banking House.....	\$ 7,802,575.90	\$ -140,166.53	\$ 7,662,409.37	\$ 15,692.00	\$ 7,678,101.37	\$ 98,849.64	\$ 7,771,951.01	\$ -48,860.43	\$ 7,723,090.58
Furniture & Fixtures.....	1,169,842.24	63,714.57	1,233,556.81	118,366.08	1,351,422.89	216,208.34	1,567,631.23	149,193.44	1,716,824.67
TOTAL—BANKING HOUSE, FURNITURE & FIXTURES.....	\$ 8,971,918.14	\$ -76,451.96	\$ 8,895,466.18	\$ 134,058.08	\$ 9,029,524.26	\$ 310,057.98	\$ 9,339,582.24	\$ 100,333.01	\$ 9,439,915.25
Commercial Paper.....	\$ 17,019,098.20	\$ 3,213,643.77	\$ 20,232,741.97	\$ 2,785,717.95	\$ 23,018,459.92	\$ 5,775,870.95	\$ 28,794,330.87	\$ -2,933,775.86	\$ 25,840,555.01
Collateral Loans.....	150,825,456.94	-4,407,651.96	146,417,804.98	-6,884,257.79	139,533,547.19	7,444,715.62	146,978,263.11	11,185,351.72	158,163,614.83
Other Loans.....	209,137,608.70	22,035,289.08	231,172,897.78	11,454,075.79	242,624,943.57	28,710,275.62	271,335,219.19	200,841.75	271,536,060.94
Farm Loans.....	14,724,521.41	-1,169,406.19	13,555,055.22	137,179.98	13,692,235.20	1,056,713.08	14,748,948.28	892,852.43	15,741,800.71
Other Real Estate Loans.....	91,534,125.97	5,809,051.67	97,343,177.64	5,559,894.33	102,903,071.97	5,469,921.45	108,372,993.42	5,307,974.12	113,680,967.54
TOTAL—LOANS AND DISCOUNTS.....	\$ 483,240,811.22	\$ 25,478,836.37	\$ 508,719,647.59	\$ 13,052,610.26	\$ 521,772,257.85	\$ 48,457,497.02	\$ 570,229,754.87	\$ 14,733,244.16	\$ 584,962,999.03

PERMITS ISSUED

Itasca.....DuPage.....	The Itasca State Bank.....	Capital	Surplus	Reserve	
Troy.....Madison.....	Troy Security Bank.....	\$40,000	\$20,000	\$20,000	Jan. 24, 1948
		\$35,000	\$ 7,000	\$10,500	Jan. 27, 1948

CHARTER ISSUED

Itasca.....DuPage.....	The Itasca State Bank.....	Capital	Surplus	Reserve	
	201 N. Walnut Street	\$40,000	\$20,000	\$20,000	Jan. 24, 1948
	Elmer H. Franzen, President				
	Arthur H. Binneboese, Cashier				

CAPITAL STOCK INCREASED

Mendota.....LaSalle.....	First State Bank				
	from \$50,000 to \$100,000.....				Jan. 27, 1948

CHANGE OF NAME

Itasca.....DuPage.....	Itasca State Bank				
	to Bensenville State Bank.....				Jan. 23, 1948

CHANGE OF LOCATION

Itasca.....DuPage.....	Itasca State Bank				
	from 201 N. Walnut Street, Itasca, Illinois				
	to 23 W. Main Street, Bensenville, Illinois.....				Jan. 23, 1948

DURATION OF CHARTERS EXTENDED

New Berlin.....Sangamon.....	First State Bank.....				Jan. 27, 1948
	Charter extended 25 years from				
	February 2, 1948				
Forreston.....Ogle.....	Forreston State Bank.....				Jan. 29, 1948
	Charter extended 99 years from				
	March 10, 1948				

TRUST CERTIFICATE ISSUED

Chicago.....Cook.....	Marquette National Bank.....	Deposit			
		\$200,000			Jan. 5, 1948

BANKS DISSOLVED

McLeansboro.....Hamilton.....	Cloud State Bank.....				Jan. 6, 1948
	(In liquidation December 29, 1923.				
	Dissolved by order of the Circuit Court				
	of Hamilton County.)				
Chicago.....Cook.....	Noel State Bank.....				Jan. 8, 1948
	(In receivership July 27, 1931.				
	Dissolved by order of the Circuit Court				
	of Cook County.)				

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	26
State Banks in Illinois outside Cook County.....	455
Total.....	505

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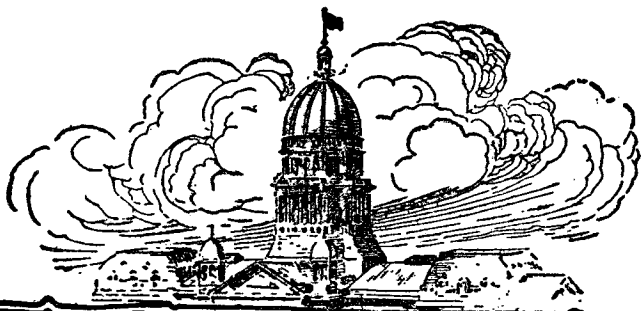
OPERATING RESULTS—1947

The operating reports of 493 Illinois State banks that operated in both 1946 and 1947 have been combined and tabulated for a general comparison.

The general comparison indicates that the average gross earnings in relation to each \$1,000 in deposits were practically the same in both years, \$19.68 against \$19.75, while average expenses increased from \$13.32 in 1946 to \$14.27 in 1947. Although all items of expense were higher in the aggregate in 1947, salaries increased from an average of \$5.83 to \$6.20 when computed on the basis of each \$1,000 in deposits.

The 1947 net profits aggregated \$12,484,213 of which cash dividends paid to stockholders equalled \$3,600,563 or 28.84% and \$737,468 was used to reduce outstanding balances on deferred certificates, which at the close of 1947 were reported at \$2,913,837. The major portion of net profits, however, was retained in capital accounts or established as reserve provisions.

The total capital structure of the 493 banks was reported at \$170,734,860 at the close of 1947, an increase of \$9,023,845 over the \$161,711,015 reported at the close of 1946.



**OPERATING RESULTS OF ILLINOIS STATE BANKS
FOR THE YEARS 1946-1947**

	GROUP 1 Under \$500,001		GROUP 2 \$500,001 to \$1,000,000		GROUP 3 \$1,000,001 to \$5,000,000		GROUP 4 \$5,000,001 to \$10,000,000		GROUP 5 \$10,000,001 and over		GENERAL COMPARISON	
	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947
Number of Banks.....	24	22	95	71	300	330	36	42	34	37	493	493
GROSS EARNINGS:												
Interest and discount on loans.....	32,074	40,442	443,157	392,068	3,903,922	5,222,273	1,459,371	2,041,871	7,978,286	10,586,142	13,691,319	18,262,020
Interest and dividends on securities.....	89,415	67,945	733,480	561,936	6,925,204	7,198,934	2,703,604	2,999,748	23,942,090	22,510,447	34,085,873	33,324,126
Exchange, collection charges, etc.....	6,540	4,035	55,087	39,017	450,554	454,307	155,001	165,388	950,919	777,874	1,500,377	1,455,945
Service charges on deposit accounts.....	10,664	9,918	110,007	77,359	928,268	984,932	370,277	433,946	1,469,655	1,798,139	2,858,236	3,299,721
Trust department.....					21,473	24,013	80,727	61,361	4,331,437	4,544,606	4,480,065	4,689,479
Miscellaneous.....	6,614	5,003	52,832	27,116	407,094	426,861	317,128	272,173	1,004,929	1,311,463	1,876,538	2,032,672
Total.....	142,307	127,343	1,394,563	1,097,496	12,636,515	14,311,320	5,086,108	5,974,487	39,677,316	41,528,671	58,502,408	63,043,963
UNIT AVERAGE.....	5,929	5,788	14,679	15,457	40,895	43,367	141,281	142,249	1,166,980	1,122,396	118,066	127,878
AVERAGE PER \$1,000 OF DEPOSITS.....	16.73	16.88	18.73	20.13	18.64	19.73	20.13	20.85	19.99	19.52	19.68	19.75
EXPENSES:												
Salaries.....	56,052	55,831	437,793	346,275	3,713,252	4,181,154	1,546,822	1,773,946	11,687,370	13,466,352	17,337,046	19,799,212
Interest on deposits.....	18,025	10,722	87,465	82,495	1,254,649	1,352,383	492,486	650,871	4,863,507	5,397,408	6,693,848	7,492,368
Taxes.....	14,858	10,871	128,028	95,848	1,272,510	1,444,832	475,224	599,759	3,519,577	4,011,724	5,352,722	6,169,223
Miscellaneous.....	41,561	36,043	250,682	196,846	2,152,289	2,507,767	918,484	1,138,540	6,933,964	8,288,834	10,228,465	12,001,707
Total.....	130,496	113,467	903,968	721,464	8,422,700	9,486,136	3,433,026	4,163,116	27,004,418	31,164,318	39,612,081	45,552,510
UNIT AVERAGE.....	5,437	5,157	9,515	10,161	27,258	28,746	95,362	99,121	794,248	842,279	80,349	92,398
AVERAGE PER \$1,000 OF DEPOSITS.....	15.34	16.04	12.14	13.23	12.43	13.08	13.59	14.53	13.61	14.65	13.32	14.27
NET EARNINGS.....	11,811	13,876	400,595	376,032	4,213,815	4,825,184	1,653,082	1,811,371	12,672,898	10,364,353	18,890,327	17,491,453
UNIT AVERAGE.....	492	631	5,164	5,296	13,637	14,621	45,919	43,128	372,732	280,117	38,317	35,480
AVERAGE PER \$1,000 OF DEPOSITS.....	1.39	1.84	6.59	6	6.1	6.65	6.54	6.32	6.38	4.87	6.36	5.48
RECOVERIES AND PROFITS:												
Recoveries on loans.....	4,407	885	32,285	34,909	306,827	270,448	207,485	91,831	682,505	349,420	1,230,883	749,332
Recoveries on securities.....	16,287	1,371	12,081	7,049	151,480	227,992	133,438	94,927	169,087	164,057	483,953	495,488
Profits on securities.....	33,378	913	24,325	18,570	379,958	314,733	158,524	122,512	1,615,133	784,888	2,175,491	1,241,609
Miscellaneous.....	684	2,791	16,653	9,072	198,588	126,302	95,274	90,023	481,430	309,525	793,247	560,654
Net earnings plus recoveries and profits.....	66,547	19,836	575,939	445,722	5,280,668	5,764,659	2,247,803	2,210,664	15,621,003	11,972,243	23,573,881	20,538,536
LOSSES, DEPRECIATION AND WRITE-OFFS:												
On loans.....	1,108	806	10,647	5,518	128,377	248,787	53,892	34,886	230,302	529,740	420,512	819,737
On securities.....	5,659	5,953	53,724	73,908	710,739	1,023,643	280,587	364,305	3,961,422	4,527,470	4,965,483	5,990,228
Banking house, furniture and fixtures.....	5,472	2,319	37,100	20,413	291,151	287,305	95,659	155,049	481,726	299,467	897,129	764,710
Miscellaneous.....	2,526	1,820	12,804	14,264	130,040	139,672	62,265	63,102	180,304	261,180	390,584	479,648
Total.....	14,765	10,898	114,275	114,103	1,260,307	1,699,407	492,403	617,342	4,853,754	5,617,857	6,673,708	8,054,323
NET PROFITS.....	51,782	8,938	461,664	331,619	4,020,361	4,065,252	1,755,400	1,593,322	10,767,249	6,354,386	16,900,173	12,484,213
UNIT AVERAGE.....	2,158	406	4,860	4,670	13,011	12,319	48,762	37,936	316,640	171,740	34,280	25,344
AVERAGE PER \$1,000 OF DEPOSITS.....	6.09	1.19	6.20	6.08	5.93	5.60	6.95	5.56	5.43	2.99	5.69	3.91
Cash dividends paid to shareholders.....	4,850	4,800	87,400	56,980	763,205	854,566	188,000	239,750	2,412,000	2,434,467	3,436,455	3,600,563
Percentage of Net Profits.....	9.36%	53.71%	18.93%	17.18%	18.98%	21.02%	10.75%	15.04%	22.40%	38.31%	20.33%	28.84%
Capital, Surplus, Undivided Profits and Reserves.....	926,479	943,563	4,755,396	3,474,105	35,650,527	38,457,483	13,242,602	14,831,045	108,287,017	114,005,401	161,711,015	170,734,860
Time Deposits.....	1,923,280	1,536,396	12,643,036	11,324,609	176,708,222	184,952,041	82,505,502	102,946,511	624,046,600	682,018,680	887,941,996	981,052,758
Total Deposits.....	8,507,519	7,544,651	74,465,869	54,528,533	677,772,896	725,326,399	252,601,235	286,484,821	1,984,282,092	2,127,064,354	2,972,591,884	3,191,039,224

Groups 1 to 5 show operating results of banks according to size as measured by total deposits of each. General Comparison is the aggregate of operating results as reported by the 493 Illinois State Banks that operated in both 1946 and 1947.

BANK PLACED IN LIQUIDATION

Pontiac.....Livingston.....Illinois State Savings Bank.....Feb. 18, 1948

TRUST CERTIFICATE CANCELLED

Chicago.....Cook.....Heitman Mortgage Company.....Feb. 3, 1948
(Formerly Heitman Trust Company)

BANKS DISSOLVED

West Point.....Hancock.....State Bank of West Point.....Jan. 19, 1948
(In liquidation April 3, 1941. Dissolved
by order of the Circuit Court of Hancock
County.)
Chicago.....Cook.....Reliance Bank and Trust Company.....Jan. 31, 1948
(In receivership June 22, 1932. Dissolved
by order of the Circuit Court of Cook
County.)
Chicago.....Cook.....West Town State Bank.....Feb. 13, 1948
(In receivership July 21, 1931. Dissolved
by order of the Circuit Court of Cook
County.)

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	26
State Banks in Illinois outside Cook County.....	454
Total.....	504

MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 24

SPRINGFIELD, ILL., APRIL 1, 1948

No. 1

YOUR COPY OF THE BANKING LAW

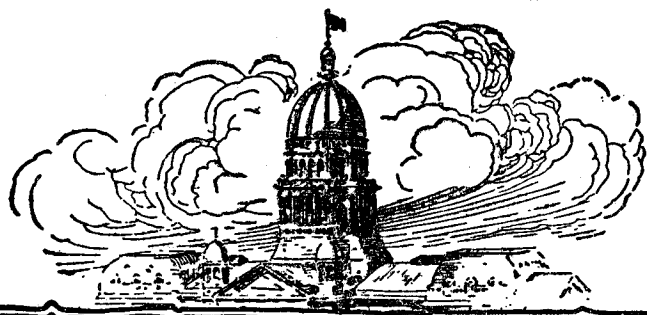
A copy of the Auditor's Edition 1944 of the Illinois Banking Law is being sent to every director of each Illinois state bank.

The 1944 edition was first published shortly after the latest change in the Banking Act which change amended Section 10 and became in force November 29, 1944.

A considerable number of directors of Illinois state banks have been elected to membership since the publication and distribution of the first 1944 edition; consequently, the present copy reprinted in 1948, is being distributed principally for their benefit as well as for other directors who may not have ready access to copies of the Act.

The Illinois Banking Act is probably the briefest and simplest of the various banking codes under which state and national banks are chartered, regulated and supervised. It is concise, easily understood and in itself is not subject to alteration or changes promulgated by a departmental agency or a supervising authority as there is no provision in the Illinois Banking Act for a supplemental code of Banking Department rules or regulations.

The sole authority for alterations or changes in the Act is vested in the voting citizens of Illinois. Laws in relation to banks and banking as well as amendments to the Banking



Act are proposed by the Illinois Legislature, but do not become valid until ratified by a referendum held at a general election.

While questions involving legal interpretations of the Act should be referred to an attorney, nevertheless, a familiarity with the Act and a general working knowledge of its provisions should be acquired by every director.

Directors of Illinois state banks should be familiar, especially, with the corporate powers as enumerated and limited in Sections 1 and 9; with references to the election, qualification and duties of directors as found in Sections 3 and 4; with the limitations placed on loans and investments by the provisions of Section 10 and with the restrictions upon dividends which are contained in Section 11 $\frac{1}{2}$.

Under the Act, Illinois state banks are established with local sponsorship, recognized as a corporation organized for pecuniary profit, and highly dependent upon community need and convenience. The Auditor of Public Accounts is given supervision in organization matters with powers of investigation and the authority to issue or to withhold the charter.

When the charter becomes effective, the sole authority and responsibility in management matters is placed entirely in the board of directors. They are charged, however, by statutory directive to operate their bank within the limitations of its charter powers, in accordance with the provisions and restrictions of the Banking Act and in a safe and sound condition.

The Auditor is required by statute to be fully informed as to the affairs and condition of banks organized under the Act and is provided with the means of examination and investigation. If any are found to be operating in an illegal or fraudulent manner or in an unsound and unsafe condition he has the authority to suspend their operation.

The philosophy incorporated in the Illinois Banking Act seems to be the encouragement of community enterprises, managed exclusively by a board of directors and with an elected public official empowered and required to act in any matters that are adverse to the public interest.

An interesting sidelight in this discussion of the Banking Act is that during this year, 1948, sixty years will have been completed since the first general banking act became in force which placed the authority and duties relating to the organization and examination of Illinois state banks with the Auditor.

That Act of the Illinois General Assembly was approved June 16, 1887, ratified by the people at an election held November 6, 1888 and declared in effect December 6, 1888.

REPLIES TO REPORTS OF EXAMINATION

A duplicate of our Examiner's Report is addressed to the Board of Directors and sent to the bank examined.

The transmittal letter (Form 60) requests the directors to consider the report at their next regular meeting and to cause a record of the action taken to be entered upon the minutes.

Form 60-A is attached to the transmittal letter and is to be returned to this Office. It is a certificate to be signed by the President and the Cashier acknowledging receipt of the duplicate report and certifying that the report was read and considered at a specified directors' meeting and that the action taken on matters referred to was recorded in the minutes.

Form 61 is also attached and is to be returned to this Office. It is a certification, over the signatures of the directors, that they have read and familiarized themselves with the conditions reflected in the report.

When a Letter of Remarks, signed by the Chief Examiner, is made a part of the Report it also is addressed to the Board of Directors and usually requests a detailed reply to the matters contained in the Letter as well as to any comments or conclusions of the Examiner that may appear in his Report.

The transmittal letter, the request for consideration and the request for a reply all are addressed to the Board of Directors; consequently, matters concerning reports of examinations are the affairs and responsibilities of the board.

Matters found to be in contravention of law and practices known to be in opposition to sound banking are given particular prominence in the Examiner's Report and are thereby called to the attention of the Directors. The Report also contains considerable detail concerning the affairs and condition of the bank as they appear, or are represented, to the Examiner and, in addition, the suggestions and recommendations that are found in the Letter of Remarks give the Directors an opportunity to learn of the Department's viewpoint regarding what might be constructively accomplished in their institution.

As directors have a statutory responsibility to be constantly informed concerning the affairs and condition of their institution, seemingly, because of the information and detail contained therein and through the expressions of an impartial examiner, it is incumbent upon each director to thoroughly read the report and to be aware of its contents.

Although this is accomplished, at least technically, by a perfunctory reading at a meeting of the board, the full benefits seldom are gained unless each director individually reads the report and thoroughly acquaints himself with the contents.

In some cases it has been found that directors have delegated their responsibility by instructing an executive officer to furnish this Department with a reply, formulating it as he deems best.

Undoubtedly such practice would be much more limited, if directors fully realized that in delegating this authority they nevertheless remain obligated to the statements of the officer even though they might not be aware of the actual contents of his reply.

Replies to reports of examination become a part of the official records of this Department. The means and manner by which a reply is formulated should be determined by the directors; for they are responsible for the statements contained therein. Undoubtedly, directors are not necessarily required to take an individual and personal participation in the actual composition and it is not always practical or possible for them to do so as the average bank director is primarily active in some other interest or enterprise.

A suggested method, which seems to work very well in many cases, is for the directors to be notified as soon as the report is received at the bank in order that they may have an opportunity to individually read and acquaint themselves with the contents. During the interval between the receipt of the report and the board meeting at which it is to be

acted upon, the cashier or another executive officer prepares a suggested reply. The directors, having individually familiarized themselves in the interim with the contents of the report, are presented the suggested reply and, after thoroughly discussing and considering the matters contained in the report and in the reply, they either approve the original draft or decide upon what they desire as contents of the final draft and the entire action is recorded in the minutes.

TRUST CERTIFICATE ISSUED

Chicago.....Cook.....	The Cosmopolitan National Bank of Chicago.....	Deposit \$200,000..	Mar. 22, 1948
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BANKS DISSOLVED

Chicago.....Cook.....	Depositors State Bank.....	Mar. 8, 1948
	(In receivership February 9, 1932. Dissolved by order of the Circuit Court of Cook County.)	
Chicago.....Cook.....	Cosmopolitan State Bank.....	Mar. 15, 1948
	(In receivership February 21, 1933. Dissolved by order of the Circuit Court of Cook County.)	
Chicago.....Cook.....	Marquette Park State Bank.....	Mar. 29, 1948
	(In receivership September 23, 1931. Dissolved by order of the Superior Court of Cook County.)	
Chicago.....Cook.....	Lincoln Trust and Savings Bank.....	Mar. 30, 1948
	(In receivership May 22, 1931. Dissolved by order of the Circuit Court of Cook County.)	
Chicago.....Cook.....	The Roseland State Savings Bank.....	Mar. 31, 1948
	(In receivership July 31, 1931. Dissolved by order of the Circuit Court of Cook County.)	

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	27
State Banks in Illinois outside Cook County.....	453
Total.....	504

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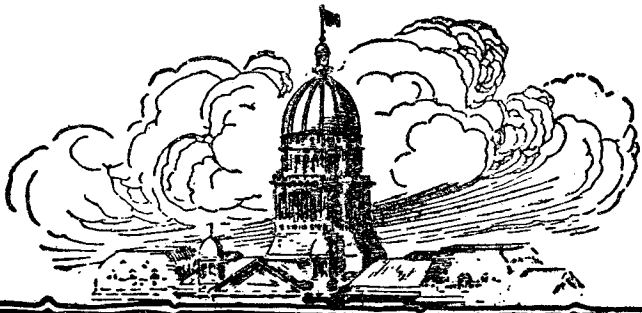
SPRINGFIELD, ILL., MAY 1, 1948

No.

AVAILABLE CASH vs. LIQUID ASSETS

The Illinois Banking Law contains no requirement for a specified percentage of cash reserve in relation to deposits. The only reference to this matter is contained in the enumeration of the Auditor's duties and powers as found in Section No. 11 of the Act, which Section reads in part, "if it appears from the reports made to the Auditor under this Act, or from any examination made by or on behalf of the Auditor that the conditions of any bank organized under this Act are such that . . . it is operating with an insufficient portion of its assets in cash or readily convertible securities, . . . he may, in his discretion, for the purpose of reorganization or liquidation through receivership, take possession and control of the banking house, furniture and fixtures, books, records, and assets of every description of such bank."

The amount of cash and due from banks that should be available from day to day and the amount and consistency of the secondary reserve are matters which are fundamentally problems of operation rather than of supervision. They consequently are responsibilities of the board of directors; remaining so as long as the bank meets the current demands of its depositors or unless its assets appear to have become so severely frozen as to jeopardize the rights and interest of depositors. When either occurs the responsibility then shifts to the Auditor, as he has a statutory duty to act in such cases.



RECAPITULATION

Aggregate Resources and Liabilities of the 504 Illinois State Banks at the close of business March 19, 1948, as compared with the next preceding statement issued by the Department.

Date of Call.....	December 31, 1947	Decrease (—) or Increase	March 19, 1948
Number of Banks.....	504		504
RESOURCES:			
Cash and Due from Banks.....	\$ 757,935,895.98	\$ —76,289,695.30	\$ 681,646,200.68
Outside Checks and Other Cash Items...	6,844,246.19	—3,681,052.23	3,163,193.96
U. S. Governments—Direct & Guaranteed	1,726,107,375.74	10,466,548.42	1,736,573,924.16
Other Bonds, Stocks & Securities.....	238,230,640.33	3,142,447.74	237,373,088.07
Loans and Discounts.....	584,962,999.03	4,839,913.73	589,802,912.76
Overdrafts	173,454.17	110,527.97	283,982.14
Banking House, Furniture & Fixtures...	9,439,915.25	1,528,737.07	10,968,652.32
Other Real Estate.....	30,805.16	—4,093.44	26,711.72
Customers' Liability—Letters of Credit..	2,392,543.50	289,533.17	2,682,076.67
Customers' Liability—Acceptances	509,055.26	85,690.42	594,745.68
Other Resources	7,008,674.55	—1,328,712.52	5,679,962.03
GRAND TOTAL RESOURCES.....	\$ 3,383,635,605.16	\$ —54,840,154.97	\$ 3,328,795,450.19
LIABILITIES:			
Capital Stock	\$ 46,141,550.00	\$ —60,000.00	\$ 46,081,550.00
Income Debentures	294,400.00		294,400.00
Surplus	54,966,850.00	459,007.97	55,425,857.97
Undivided Profits (net)	34,595,470.54	995,339.17	35,591,309.71
Reserve Accounts	36,053,970.08	894,458.94	36,948,429.02
TOTAL CAPITAL STRUCTURE.....	\$ 172,052,240.62	\$ 2,289,306.08	\$ 174,341,546.70
Demand Deposits	\$ 2,042,070,402.20	\$ —49,885,011.78	\$ 1,992,185,390.42
Time Deposits	982,778,238.06	9,899,623.34	992,677,861.40
Due to Banks.....	176,100,117.58	—20,280,135.81	155,819,981.77
TOTAL DEPOSITS	\$ 3,200,948,757.84	\$ —60,265,524.25	\$ 3,140,683,233.59
Bills Payable	\$	\$ 2,000,000.00	\$ 2,000,000.00
Rediscouunts.....			
Dividends Unpaid	743,548.68	—264,045.34	479,503.34
Letters of Credit.....	2,424,544.66	280,979.42	2,705,524.08
Bank Acceptances	509,055.26	85,690.42	594,745.68
Other Liabilities	6,957,458.10	1,033,438.70	7,990,896.80
TOTAL OTHER LIABILITIES.....	\$ 10,634,606.70	\$ 3,136,063.20	\$ 13,770,669.90
GRAND TOTAL LIABILITIES.....	\$ 3,383,635,605.16	\$ —54,840,154.97	\$ 3,328,795,450.19
ANALYSIS:			
Deposits Secured by Pledge.....	\$ 111,534,748.02	\$ 24,405,694.12	\$ 135,940,442.14
Deposits Not Secured by Pledge.....	3,089,414,009.82	—84,671,218.37	3,004,742,791.45
TOTAL—DEPOSITS	\$ 3,200,948,757.84	\$ —60,265,524.25	\$ 3,140,683,233.59
Banking House	\$ 7,723,090.58	\$ 1,348,295.99	\$ 9,071,386.57
Furniture & Fixtures.....	1,716,824.67	180,441.08	1,897,265.75
TOTAL—BANKING HOUSE, FURNI- TURE AND FIXTURES.....	\$ 9,439,915.25	\$ 1,528,737.07	\$ 10,968,652.32
Commercial Paper	\$ 25,840,555.01	\$ —7,866,233.20	\$ 17,974,321.81
Collateral Loans	158,163,614.83	—6,786,716.63	151,376,898.20
Other Loans	271,536,060.94	17,707,368.46	289,243,429.40
Farm Loans	15,741,800.71	410,425.28	16,152,225.99
Other Real Estate Loans.....	113,680,967.54	1,375,069.82	115,056,037.36
TOTAL—LOANS AND DISCOUNTS....	\$ 584,962,999.03	\$ 4,839,913.73	\$ 589,802,912.76

Admittedly, the cash and secondary reserve requirements of banking institutions vary. The requirements of the entire banking system are affected by trends and also by seasonal happenings. There are also wide variances between the requirements of the individual banks. The type of community, class of industries, character of inhabitants, and the nature of deposit accounts are some of the factors which confront the individual bank and tend to void the desirability of applying either a specified or a uniform requirement to all banks.

A primary reserve, however, of cash and due from banks totaling an amount equal to fifteen per cent of total deposits and bolstered by a substantial secondary reserve of readily convertible securities is generally considered by bankers and by qualified authorities to be the absolute minimum requirements.

Illinois State banks are usually found to have a higher percentage of cash reserve than this customary minimum requirement and at the recent Call reported an average of nearly 22%.

It has been the experience and observation of this Department that a bank cannot operate proficiently over extended periods of time with less than the fifteen per cent minimum even though that bank might happen to be one of those, which are occasionally encountered, where local needs and demands are normally less than for the average bank.

Cash resources should be maintained in an amount adequate to preserve at least a fifteen per cent ratio after meeting the transfer of funds occasioned in the usual course of business. Withdrawals, which customarily may be expected, should not cause the primary reserve to fall below the minimum requirement, and extraordinary or unusual demands should be anticipated, if possible.

March, as an example, is recognized as a month in which large transfers of funds may be expected; yet, it has come to the attention of this Office that in some instances, the settlement of cash letters occurred with a simultaneous conversion of secondary reserves—no advanced adjustment having been made in cash resources to meet the obvious transfers resulting from the income tax remittances of customers, which were due March 15th.

This necessity of a simultaneous conversion of secondary reserves did not occur because the banker was not alert and aware of what might be expected, but rather because a feeling seems to exist that Treasury Bills, Certificates and Notes are synonymous to cash and due from banks.

Invariably, when this Department calls attention to a low cash reserve, the reply from the banker will intimate that we have overlooked or failed to consider the large amount of such short term government paper held in the assets of his bank.

Treasury Bills, Certificates and Notes are neither cash nor due from banks; they are, like other obligations of the Government and other readily marketable securities, investments and, because of their convertible possibilities, desirable for secondary reserves.

Secondary reserves, being a provision for replenishing cash reserves when necessary, must possess a high marketability and be backed by unquestioned security. In addition to Government obligations, there are high grade municipal and corporate bonds that are actively traded on

established markets and may be found suitable for secondary requirements. Small issues, however, although possibly having unquestioned security, are generally limited to local markets and consequently not always are readily marketable. Unquestioned security may make them ideal as investments, but too great dependence should not be placed upon their performance as secondary reserves.

As conditions tighten up, the market for small local issues has a way of drying up surprisingly fast extinguishing their value as readily convertible assets at the very time that such liquidity is most needed.

In past years other types of marketable purchased paper were represented in secondary reserves. These included call loans, brokers' loans and bankers' acceptances. Purchased commercial paper is highly regarded by some banks as suitable for secondary reserves, but the holding of this class of paper is not widely practiced at present. Their low yield and the lack of a sufficient market volume of new offerings apparently accounts for their diminished popularity.

Bank directors are urged to continue frequent review of (1) loans and investments in order to currently evaluate their factor of liquidity, (2) secondary reserves for marketability and, (3) cash resources for adequacy as regards both current needs and expected requirements.

PERMIT ISSUED

		Capital Surplus Reserve	
Braidwood	Will	State Bank of Braidwood	Apr. 8, 1948
		\$35,000 \$10,000 \$5,000	

CAPITAL STOCK INCREASED

South Holland ..	Cook	South Holland Trust & Savings Bank	Apr. 2, 1948
		from \$100,000 to \$150,000	

BANKS DISSOLVED

Chicago	Cook	Chicago Lawn State Bank	Apr. 14, 1948
		(In receivership July 10, 1931. Dis-	
		solved by order of the Superior Court	
		of Cook County.)	
Chicago	Cook	United American Trust & Savings Bank ..	Apr. 15, 1948
		(In receivership June 17, 1932. Dis-	
		solved by order of the Circuit Court	
		of Cook County.)	
Chicago	Cook	Garfield State Bank	Apr. 22, 1948
		(In receivership August 12, 1931.	
		Dissolved by order of the Circuit	
		Court of Cook County.)	

RECAPITULATION

State Banks in Chicago	24
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SPRINGFIELD, ILL., JUNE 1, 1948

No. 3

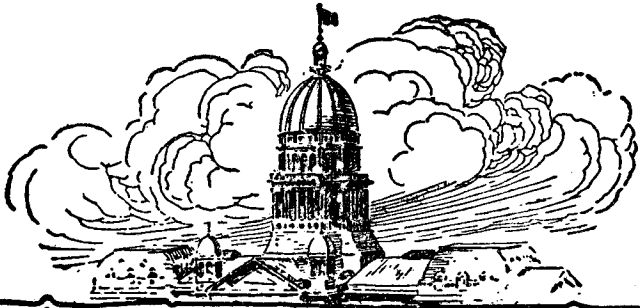
CREDIT PROBLEMS

During the past six months, especially, the need of comprehensive credit information has become more evident.

Lines of credit which had been in banks continuously for a number of years were so completely liquidated in their aggregate by the prosperity arising from or stimulated by the war that most of the problems encountered in the collection of credits became non-existent for the time. The thinly margined borrower, as well as those possessing sound established lines of credit, became free of debt and for the most part became in a position of having adequate cash means sufficient to avoid assistance in the form of borrowing.

While demands for credit were of a surprising volume during the war, they were, for the most part, a type of financing peculiar to a time of unusual conditions and situations. For a period of from five to eight years, this particular type of financing, as well as the extensions to established lines of credit, required little more than that the lender be alert to the terms of the loan; there were very few collection problems, for in practically every case payments were made according to the terms of the loan and frequently before maturity.

During this time, credit files were not widely considered to be necessary tools of loaning officers and, unfortunately, very little of such information was accumulated. For this



reason and because of the infrequent contacts due to the small demand for credit by normal borrowers, lenders lost much of their intimate knowledge concerning the financial condition and affairs of customers who were likely to have future needs for bank credit.

Some bankers, however, did continue to obtain periodic financial reports and profit statements from customers, both borrowers and prospective borrowers and, in addition, continued to assemble a file of pertinent credit information. The value of such efforts is reflected not only by the high quality of loans found in the portfolios of these banks, but, surprisingly, by the volume of desirable local credits that they have obtained.

Until credit files are restored, adequate current information is assembled and loaning officers reacquire the touch of their trade, banks may find themselves with unwise or unsatisfactory extensions, or, may find that essential credit has been denied to desirable and deserving customers and that the bank has been deprived of a profitable asset.

Unquestionably, a bank is in a better position with a few selected risks than with a volume of loans that contain collection problems; however, the loss experience in institutions whose loaning operations were marked with timidity and over-cautiousness has been on occasions more unfavorable than the loss experience of successful institutions practicing the important function of supplying the essential credit needs in their respective communities, when such needs could be advanced on a sound and bankable basis. A credit policy that is sound, workable, and understood, neither too restrictive nor too liberal, is a primary requisite of successful banking operations.

Credit policies are not formulated and adopted with the anticipation of suffering losses. Collection problems and losses are primarily the result of an unsatisfactory administration of credit policies. A comprehensive accumulation of credit information is a vital instrument in proper administration.

There have been a few recent demonstrations of the importance of such credit information. In the past few years a considerable shifting of affairs and financial conditions has occurred. Enhanced financial conditions have been so prevalent that the possibility of an opposite condition is readily overlooked.

The few troublesome cases which have come to light follow the same pattern; an apparently successful customer expands and it is later disclosed that the expansion was accomplished through acquiring credits rather than presumably from the accumulation of personal funds. The banker having advanced funds with confidence that he knew the exact financial condition of the borrower, later finds that the liabilities of the customer are much greater than he imagined and, usually, finds himself subordinated to other creditors.

The most serious collection problems confronting lenders are these borrowers with undisclosed liabilities. Liabilities which innocently are not disclosed, often are brought to light if the borrower prepares his statement in the presence of a loaning officer. Incorrect statements generally occur through a misunderstanding. An explanation of the forms by the officer and a few relative questions, usually result in a fairly accurate statement.

When anyone from out of the bank's trading area makes application for credit, it is usually the case that he is also a borrower elsewhere, at

least that possibility is worthy of inquiry and investigation. Transient borrowing and duplicate financing go hand in hand.

The abuse of confidence through undisclosed and carefully distributed credits frequently is detected by an analysis and comparison of periodic financial reports and operating statements.

The re-establishment and resumption of Bankers' credit bureaus as formerly operated may do much towards uncovering duplicate financing in banks located in the area covered by the bureau; however, the information supplied by such bureaus is limited as it is only an exchange between certain banks in a particular locality and would not reveal borrowings from other types of financial institutions, from merchants and dealers on time payments or from private individuals. Under the original plan of operation, the information was gathered after the loans were made and did not provide an opportunity for the subsequent lender to learn of the other liabilities of his customer until after he had advanced his funds.

This Department urges each bank to review and examine its credit policy for workability as well as weaknesses; to assemble comprehensive credit files containing relevant data in addition to the usual periodic financial statements and operating reports and to consider the resumption of credit bureau activities where possible. These are individual efforts which should be undertaken; however, before serious situations develop, the time seems particularly expedient that all banks, both State and National, combine their efforts towards devising means which will correct or restrict the known deficiencies encountered in exchanges of information such as the credit bureau plan.

LAWS CONCERNING TRUST COMPANIES

The third edition of LAWS OF THE STATE OF ILLINOIS CONCERNING TRUST COMPANIES, designated as "Auditor's Edition—1947" has been received from the printer and a copy has been sent to each State Bank and to each National Bank in Illinois. Trust Companies in Illinois and Trust Companies of other States which have qualified under the Illinois laws to accept and execute trusts, also have been furnished copies. In addition, the mailing list included many trust officers, county and probate court officials, attorneys and law schools registered in Illinois. The list is not complete enough to reach all who might have a use for or be interested in receiving copies, however, a supply is available and will be distributed upon request.

The pamphlet not only contains the Trust Companies Act, but the Probate Act and many of the other laws concerning and relating to transactions undertaken by trust companies and by banks.

The Auditor's Edition—1943, was the first attempt of this Department to compile in one pamphlet, the Trust Companies Act and other laws relevant to the administration of trust and fiduciary accounts. Because of important changes in trust laws enacted during the 1945 Session of the Illinois Legislature, the first edition was revised and republished as the Auditor's Edition—1945.

The present edition is a revision and republication which includes the laws and amendments enacted in 1947 by the Sixty-fifth General Assembly.

CHARTER ISSUED

Troy.....	Madison.....	Troy Security Bank.....	Capital	Surplus	Reserve			
			\$35,000	\$7,000	\$10,500	May 5, 1948		
		N.E. Corner Main and Market Streets						
		James L. Watson, President						
		Terence Henry, Cashier						

CAPITAL STOCK INCREASED

Reynolds.....	Rock Island.....	Reynolds State Bank					
		from \$40,000 to \$50,000.....				May 20, 1948	

TRUST CERTIFICATE CANCELLED

Pontiac.....	Livingston.....	Illinois State Savings Bank.....				May 27, 1948	
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BANK DISSOLVED

Brussels.....	Calhoun.....	Bank of Brussels.....				Mar. 3, 1948		
		(In liquidation April 13, 1939. Dissolved by order of the Circuit Court of Calhoun County.)						

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	27
State Banks in Illinois outside Cook County.....	454
Total	505

MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 24

SPRINGFIELD, ILL., JULY 1, 1948

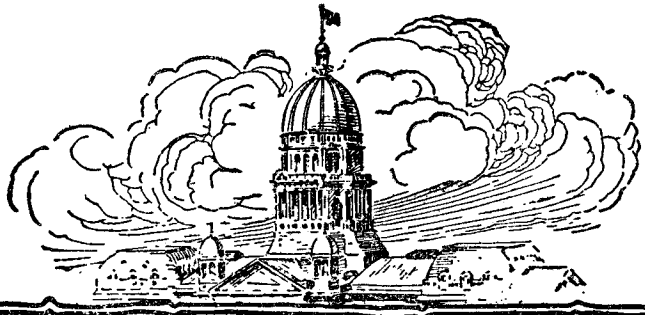
No. 4

STANDARDIZED BANKING

A good starting point on the subject of this Bulletin seems to be provided by a letter, widely circulated early this year and attached to which is an analysis of the overall bank fidelity insurance coverage in the banks of the United States, followed by a breakdown of those figures into analyses by states. The focal point or background of the entire analytical study is the blanket bond coverage schedule adopted by the American Bankers Association Insurance and Protective Committee.

The schedule, undoubtedly, was formulated and adopted by the Committee in order to provide a guide to the management of its member banks; but, whatever the original purpose of the A. B. A. schedule was, it seems quite obvious that it now has been adopted by others as a standard which this country's banking institutions will either fall short of or measure up to. We are not going to worry much about these statistics, but we are concerned about their cause,—the standard and the way it is being used. Therefore, let us speculate a bit as to the probable effect of this attempt at standardization in the matter of fidelity insurance.

This business of standardization does violence to our whole approach to bank supervision in Illinois. We have over 500 State chartered banking institutions. In size they range



from the smallest to among the largest in the nation. They are scattered out over an area of 56,000 square miles. They serve communities engaged in just about every form of human enterprise. No two of them are alike. Each one of them differs in some respect from all of the rest. They have a right to differ and we feel bound to respect that right. In examining and otherwise dealing with our State banks in Illinois, we feel it to be our duty to respect the individuality of each bank, rather than deal with it as a mere unit in a system.

We all know that fidelity risks vary among banks, just as credit risks vary among borrowers. There are banking institutions where some officers and employees are hired and fired very much the same as they would be in a factory. As may be expected such institutions carry large amounts of fidelity protection. Then there is another type of bank that operates in the old tradition of selecting employees carefully, paying and otherwise treating them well and training them for official positions.

Obviously the fidelity risk in these two types of banks is not the same and yet under standardization they are expected to conform to the same standard. The high risk bank by merely providing the standard coverage would be classified presumably as a conforming bank, while the low risk institution would be regarded as non-conforming and subject to criticism, if it failed to measure up to the same standard schedule.

Back in 1925, The Illinois State Banking Department made its first survey of fidelity insurance coverage and the result was appalling. That kind of insurance scarcely existed and what was in force was very largely in the form of personal surety. This Department recognized it as a major supervisory problem and went to work on it.

In those days any suggestion of the need of fidelity insurance was taken by most bank managements, individually and collectively, as a personal affront—as a reflection on their honesty and integrity; and, where they would go so far as to concede the possible need of such protection, they were usually unwilling to furnish any other than personal surety. The prevailing attitude among most of the bank managements of that day seemed to be that premiums paid for corporate fidelity insurance was money wasted.

Our problem then, had a dual aspect—(1) to eliminate personal surety and (2) establish corporate surety. Various means were used to bring the matter to the attention of bank managements and into open discussion. This Department had just started to publish its monthly bulletin, which was sent to the officers at the banks and to the directors at their homes. Articles on the need of corporate surety were injected at frequent intervals. A survey of fidelity insurance protection was inserted into our examination report form and this became a part of our analytical routine. Banker resistance was met at every opportunity by incessantly using every logical argument and piece of information that was available to this Department.

The result was that personal surety had been completely eliminated within a few years and corporate surety had been universally established. It is true that many of our State banks were under-insured against fidelity risk, but the main objective had been accomplished. Our Illinois State banks were maintaining corporate fidelity insurance and most of their managements had been sold on the need of it. All we had to do then was to raise our sights and strive for increased coverage where needed.

During our years of pioneering on this project, and later, this Department was frequently importuned by bankers to set up just such a standard as apparently has been put into force, but we always carefully avoided it. Our reason for doing so was, and still is, the conviction that **RESPONSIBILITY FOR PROTECTING A BANK AGAINST OPERATING HAZARDS BELONGS EXCLUSIVELY TO THE BOARD OF DIRECTORS.** And we also believe that if this Office as the supervisory authority gratuitously takes the burden upon its own shoulders, it is doing no good service either to the bank, the public or its own prestige.

Now let's examine two approaches to the question of adequate fidelity insurance coverage—The standardization method and one that we have frequently employed in Illinois over a long period of years.

Standardization lays down a uniform schedule and says, "conform to that". But here are some of the reactions to that approach that have been observed. A small group of bank managements will use their own independent judgment as a basis for compliance or non-compliance but the majority will comply. In doing so, however, they will adopt an attitude that augurs unfavorably for the future of independent bank operation. It can be summed up something like this, "If more fidelity insurance is being pushed onto us, let's get it. After all, it's only a matter of additional expense for the bank; so let's buy it, stay in official good graces and forget about it". And so they conform and forget about further responsibility concerning fidelity risk.

Compare the foregoing with the approach that we have used in Illinois to obtain increased fidelity insurance when the need for it was indicated. Deficiencies in this respect show up in our examination reports which provide for the examiner's analysis of insurance coverage and calls for his opinion as to the adequacy of coverage. On the basis of this showing, we suggest to the board of directors the advisability of re-surveying their fidelity risk and advising our office as to their opinion of its sufficiency; at the same time reminding them of their responsibility in the matter. In suggesting such surveys we recommend that they consult with their insurance counsellor. With very few exceptions this approach almost invariably has resulted in increased coverage. If the coverage is deemed insufficient it automatically comes up again at the next examination to be dealt with in the same manner.

In following this method, we have always felt reasonably sure of two results. The first is, of course, that a showing is made of record that the directors have accepted responsibility for fixing the amount of fidelity insurance. The second, which is even of greater importance, is the fact that the board has studied the matter. When bank executives and their directors actually sit down and discuss fidelity risks from time to time, they are very likely to hit upon ways and means of eliminating some of them. Greater confidence, unquestionably, is merited in a board of directors that will resist increasing fidelity insurance through elimination of fidelity risks than the board that will conform to a standard and forget about the risk.

The discussion devoted to this one phase of standardization although seemingly expansive is significant as a means of pointing out the apparent attempt to bring banking within a pattern of standards.

Another phase of standardization was adopted after statistical departments arrived at a national average ratio of capital accounts to deposits.

That furnished another schedule and banks are being pressed to conform to that standard.

We may be sure that there will be more standards proposed and there will be other attempts to standardize policies and practices; especially policies, for it is through control of policies that unification and centralization of banking could eventually be realized.

It can be predicted with confidence that the Banking Department of Illinois will have no part in any such programs of standardization. We shall continue to deal with our banks as individual businesses and not as mere parts of the economic machine; nor as risks to be viewed with constant apprehension. We shall continue to try to correctly appraise, not only the assets but the character, ability and operating results of the management of each individual bank. When we find a bank in sound condition and operating under a management that is conscientiously trying to run a good bank, we shall not only refrain from interference but do everything we can to defend its right to freedom of action and the exercise of independent judgment under the law.

PERMIT ISSUED

		Capital	Surplus	Reserve	
Dahlgren.....	Hamilton.....	Farmers State Bank of			
		Dahlgren.....	\$25,000	\$10,000	\$5,000... June 17, 1948

CAPITAL STOCK INCREASED

Chillicothe.....	Peoria.....	Truitt-Matthews Banking Co.			June 15, 1948
		from \$43,200 to \$50,000.....			
Dewey.....	Champaign.....	Dewey State Bank			June 17, 1948
		from \$20,000 to \$25,000.....			
Hamilton.....	Hancock.....	Security State Bank of Hamilton			June 29, 1948
		from \$25,000 to \$40,000.....			

BANKS DISSOLVED

Chicago.....	Cook.....	Union Bank of Chicago.....		May 24, 1948
		(In receivership June 28, 1932. Dissolved by		
		order of the Circuit Court of Cook County.)		
Kewanee.....	Henry.....	Savings Bank of Kewanee.....		June 1, 1948
		(In receivership February 29, 1928. Dissolved by		
		order of the Circuit Court of Henry County.)		

RECAPITULATION

State Banks in Chicago.....	24
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ARTHUR C. LUEDER
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 24

SPRINGFIELD, ILL., AUGUST 1, 1948

No. 5

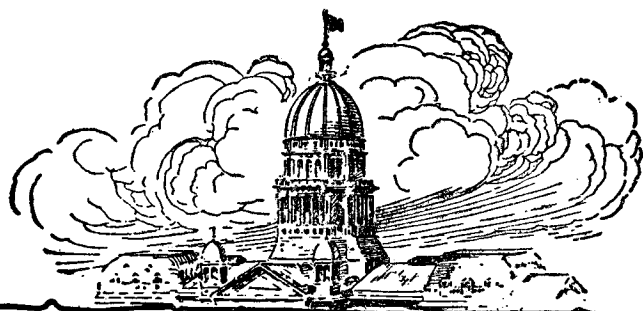
REMOVAL NOTICE

The Chicago offices of

ARTHUR C. LUEDER
AUDITOR OF PUBLIC ACCOUNTS
STATE OF ILLINOIS

are now located at

Suite 707 - 188 Randolph Tower
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Chicago 1, Illinois
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**REVIEW OF CALL REPORTS
COVERING ALL ILLINOIS STATE BANKS**

NUMBER OF BANKS.....	501	Increase or Decrease (—)	505	Increase or Decrease (—)	504	Increase or Decrease (—)	504	Increase or Decrease (—)	505
DATE OF CALL.....	June 30, 1947		Sept. 29, 1947		Dec. 31, 1947		March 19, 1948		June 30, 1948
RESOURCES:									
Cash and Due from Banks.....	\$ 672,689,291.84	\$ 18,387,677.51	\$ 691,076,968.85	\$ 66,858,927.13	\$ 757,935,895.98	\$ -76,289,695.30	\$ 681,646,200.68	\$ 26,988,200.49	\$ 708,634,401.17
Outside Checks and Other Cash Items.....	3,808,591.93	-229,749.17	3,578,842.75	3,270,403.44	6,844,246.19	-3,681,052.23	3,163,193.96	-304,161.89	2,859,032.07
U. S. Governments—Direct & Guaranteed.....	1,660,820,793.05	39,480,919.09	1,700,301,712.14	25,805,663.60	1,726,107,375.74	10,466,548.42	1,736,573,924.16	-25,822,420.88	1,710,751,503.28
Other Bonds, Stocks & Securities.....	264,126,385.39	10,280,398.44	274,406,783.83	13,823,856.50	288,230,640.33	9,142,447.74	297,373,088.07	-1,514,149.93	295,858,938.14
Loans and Discounts.....	521,772,257.85	48,457,497.02	570,229,754.87	14,733,244.16	584,962,999.03	4,839,913.73	589,802,912.76	18,837,136.81	608,640,049.57
Overdrafts.....	206,629.07	44,824.39	251,453.46	-77,999.29	173,454.17	110,527.97	283,982.14	-44,731.29	239,250.85
Banking House, Furniture & Fixtures.....	9,029,524.26	310,057.98	9,339,582.24	100,333.01	9,439,915.25	1,528,737.07	10,968,652.32	339,274.60	11,307,926.92
Other Real Estate.....	36,537.33	8,530.87	45,068.20	-14,262.54	30,805.16	-4,093.44	26,711.72	-1,173.49	22,538.23
Customers' Liability—Letters of Credit.....	33,742.67	-1,008,517.49	1,829,225.18	563,618.32	289,535.17	85,690.42	2,652,076.67	-283,854.92	2,368,221.75
Customers' Liability—Acceptances.....	603,286.99	-190,229.91	413,057.08	95,998.18	509,055.26	85,690.42	594,745.68	-138,293.80	456,446.88
Other Resources.....	7,095,604.17	112,845.26	7,208,449.43	-193,774.88	7,008,674.55	-1,328,712.52	5,679,962.03	1,857,347.44	7,537,809.47
GRAND TOTAL RESOURCES.....	\$ 3,143,021,644.04	\$ 115,654,253.49	\$ 3,258,675,897.53	\$ 124,959,707.63	\$ 3,383,635,605.16	\$ -54,840,154.97	\$ 3,328,795,450.19	\$ 19,910,668.14	\$ 3,348,706,118.33
LIABILITIES:									
Capital Stock.....	\$ 45,616,550.00	\$ 550,000.00	\$ 46,166,550.00	\$ -25,000.00	\$ 46,141,550.00	\$ -60,000.00	\$ 46,081,550.00	\$ 171,800.00	\$ 46,253,350.00
Income Debentures.....	388,191.67	.....	388,191.67	-33,791.67	294,400.00	.....	294,400.00	.....	294,400.00
Surplus.....	53,403,600.00	301,000.00	53,704,600.00	1,262,250.00	54,966,850.00	459,007.97	55,425,857.97	833,700.00	56,259,557.97
Undivided Profits (net).....	33,236,208.68	3,149,920.95	36,386,129.63	-1,840,659.09	34,545,470.54	935,839.17	35,581,309.71	1,130,021.12	36,721,330.83
Reserve Accounts.....	35,531,976.85	1,425,939.91	36,957,916.76	-938,046.68	36,053,970.08	894,458.94	36,948,429.02	832,185.23	37,830,614.25
TOTAL CAPITAL STRUCTURE.....	\$ 168,226,527.20	\$ 5,425,960.86	\$ 173,652,488.06	\$ -1,600,247.44	\$ 172,052,240.62	\$ 2,289,306.08	\$ 174,341,546.70	\$ 3,017,706.35	\$ 177,359,253.05
Demand Deposits.....	\$ 1,856,273,071.34	\$ 99,219,535.93	\$ 1,955,492,607.27	\$ 86,594.93	\$ 2,042,070,402.20	\$ -49,884,941.78	\$ 1,992,185,460.42	\$ -18,813,034.73	\$ 1,973,372,425.69
Time Deposits.....	944,178,457.56	9,508,677.09	953,687,134.65	29,003.41	982,778,238.06	9,899,623.34	992,677,861.40	30,433,206.39	1,023,111,067.79
Due to Banks.....	164,931,453.07	1,343,214.40	166,274,667.47	9,825,450.11	176,100,117.58	-20,280,135.81	155,819,981.77	7,375,739.72	163,195,721.49
TOTAL DEPOSITS.....	\$ 2,965,382,981.97	\$ 110,071,427.42	\$ 3,075,454,409.39	\$ 125,494,348.45	\$ 3,200,948,757.84	\$ -60,265,454.25	\$ 3,140,683,303.59	\$ 18,995,911.88	\$ 3,159,679,214.97
Bills Payable.....	.....	99,986.30	99,986.30	-99,986.30	.....	2,000,000.00	2,000,000.00	-2,000,000.00	.....
Rediscouts.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Dividends Unpaid.....	275,388.34	159,811.66	435,200.00	308,348.68	743,548.68	-264,115.34	479,433.34	30,545.00	509,978.34
Letters of Credit.....	2,843,592.67	-384,330.01	1,959,262.66	465,282.00	2,424,544.66	280,979.42	2,705,524.08	-235,756.15	2,469,767.93
Bank Acceptances.....	623,886.99	-295,143.91	328,743.08	130,317.18	509,055.26	85,690.42	594,745.68	-138,293.80	456,446.88
Other Liabilities.....	5,669,266.87	1,076,546.17	6,745,813.04	2,116,645.06	6,957,458.10	1,033,438.70	7,990,896.80	240,560.36	8,231,457.16
TOTAL OTHER LIABILITIES.....	\$ 9,412,134.87	\$ 156,865.21	\$ 9,569,000.08	\$ 1,065,606.62	\$ 10,634,606.70	\$ 1,335,993.20	\$ 13,770,599.90	\$ -2,102,949.59	\$ 11,667,650.31
GRAND TOTAL LIABILITIES.....	\$ 3,143,021,644.04	\$ 115,654,253.49	\$ 3,258,675,897.53	\$ 124,959,707.63	\$ 3,383,635,605.16	\$ -54,840,154.97	\$ 3,328,795,450.19	\$ 19,910,668.14	\$ 3,348,706,118.33
ANALYSIS:									
Deposits Secured by Pledge.....	\$ 89,594,692.74	\$ 24,680,267.96	\$ 114,274,960.70	\$ -2,740,212.68	\$ 111,534,748.02	\$ 24,405,694.12	\$ 135,940,442.14	\$ 430,758.47	\$ 136,371,200.61
Deposits Not Secured by Pledge.....	2,875,738,289.23	85,391,159.46	2,961,179,448.69	128,234,561.13	3,089,414,009.82	-84,671,148.37	3,004,742,861.45	18,565,152.91	3,023,308,014.36
TOTAL—DEPOSITS.....	\$ 2,965,382,981.97	\$ 110,071,427.42	\$ 3,075,454,409.39	\$ 125,494,348.45	\$ 3,200,948,757.84	\$ -60,265,454.25	\$ 3,140,683,303.59	\$ 18,995,911.88	\$ 3,159,679,214.97
Banking House.....	\$ 7,678,101.37	\$ 93,849.64	\$ 7,771,951.01	\$ -48,860.43	\$ 7,723,090.58	\$ 1,348,295.99	\$ 9,071,386.57	\$ 279,814.71	\$ 9,131,201.28
Furniture & Fixtures.....	1,351,422.89	216,208.34	1,567,631.23	149,193.44	1,716,824.67	180,441.08	1,897,265.75	579,459.89	2,176,725.64
TOTAL—BANKING HOUSE, FURNITURE & FIXTURES.....	\$ 9,029,524.26	\$ 310,057.98	\$ 9,339,582.24	\$ 100,333.01	\$ 9,439,915.25	\$ 1,528,737.07	\$ 10,968,652.32	\$ 339,274.60	\$ 11,307,926.92
Commercial Paper.....	\$ 23,018,459.92	\$ 5,775,870.95	\$ 28,794,330.87	\$ -2,953,775.86	\$ 25,840,555.01	\$ -7,866,233.20	\$ 17,974,321.81	\$ 5,498,119.35	\$ 23,472,441.16
Collateral Loans.....	139,533,547.19	7,444,715.92	146,978,263.11	11,185,351.72	158,163,614.83	-6,786,716.63	151,376,898.20	1,525,948.66	152,902,846.86
Other Loans.....	242,624,943.57	28,710,275.62	271,335,219.19	200,841.75	271,536,060.94	17,707,368.46	289,243,429.40	6,494,874.50	295,738,303.90
Farm Loans.....	13,692,225.20	1,056,713.08	14,748,938.28	992,852.43	15,741,800.71	410,425.28	16,152,225.99	-39,077.02	16,113,148.97
Other Real Estate Loans.....	102,908,071.97	5,469,921.45	108,377,993.42	5,307,974.12	113,680,967.54	1,375,069.82	115,056,037.36	5,357,271.32	120,413,308.68
TOTAL—LOANS AND DISCOUNTS.....	\$ 521,772,257.85	\$ 48,457,497.02	\$ 570,229,754.87	\$ 14,733,244.16	\$ 584,962,999.03	\$ 4,839,913.73	\$ 589,802,912.76	\$ 18,837,136.81	\$ 608,640,049.57

PERMIT ISSUED

	Capital	Surplus	Reserve	
Braidwood.....Will.....	State Bank of Braidwood	\$25,000	\$10,000	\$8,333.17
	(Previous permit cancelled and capital structure revised.)			
				Apr. 8, 1948

CHARTER ISSUED

	Capital	Surplus	Reserve	
Braidwood.....Will.....	State Bank of Braidwood	\$25,000	\$10,000	\$8,333.17
	Sub-lot 3 of Lot 9 in Block 2, C. & W. Coal Company's Subdivision of the Town of Braidwood			
	Jerry Grinchuck, President			
	Mary Bibly, Secretary and Treasurer			
				July 27, 1948

CAPITAL STOCK INCREASED

Aviston.....Clinton.....	State Bank of Aviston			
	from \$15,000 to \$30,000			
				July 26, 1948

TRUST CERTIFICATE ISSUED

Centralla.....Marion.....	The City National Bank of Centralla	Deposit	\$50,000	July 15, 1948
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BANK PLACED IN LIQUIDATION

Toledo.....Cumberland.....	Farmers State Bank of Toledo	July 29, 1948
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BANKS DISSOLVED

Chicago.....Cook.....	City State Bank of Chicago	July 8, 1948
	(In receivership November 11, 1929. Dissolved by order of the Circuit Court of Cook County.)	
Chicago.....Cook.....	Kimbell Trust and Savings Bank	July 8, 1948
	(In receivership February 9, 1932. Dissolved by order of the Circuit Court of Cook County.)	

RECAPITULATION

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MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 24

SPRINGFIELD, ILL., SEPTEMBER 1, 1948

No. 6

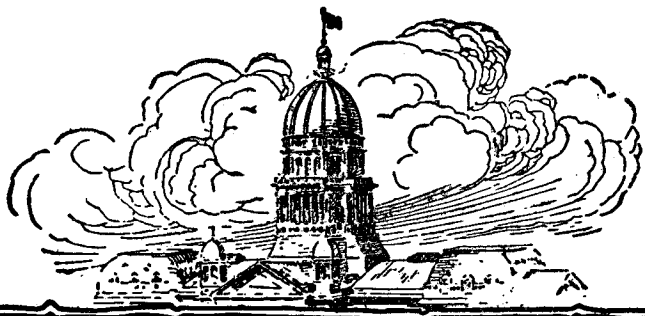
EARLY CHARTERS

Occasionally inquiries are received relative to early bank charters in Illinois and frequently interest is shown concerning the caption "Special Charters in force December 6, 1888", which appears in the "General Recapitulation" of charters issued and changes made in organizations.

This recapitulation is found in various official publications of this office in the biennial reports of the Auditor of Public Accounts and also appears in the publication "Statements of Resources and Liabilities of Illinois State Banks." It is an accounting of the activities of this office since the supervision of State chartered banks was placed here in 1888.

Prior to that time corporations and associations with banking powers were authorized and created by special acts of the General Assembly. In tabulating the number of banks, whose organization and affairs have been supervised by this Department, twenty-six banking institutions operating under the authority of such acts of the Legislature are used as a starting point and, because of their corporate origination, are classified as a separate item in the official recapitulation.

Recently we had an occasion to refer to a Biennial Report of the Auditor of Public Accounts to the Governor of Illinois. The report was dated November 1, 1890. The Honorable Joseph W. Fifer was Governor at the time and



the Honorable Charles W. Pavey was the Auditor. Inasmuch as twenty-six banks ascertained to be in existence on December 6, 1888, the effective date of "An Act concerning corporations with banking powers", are listed therein and because the report also relates to the formation of our present State banking system, we are quoting a portion of early reports for the reason that they seemingly are of historical interest to the readers of our monthly Bulletin.

"BANKING CORPORATIONS

"Under the provisions of 'An act concerning corporations with banking powers,' approved June 16, 1887, which was ratified by vote of the people on November 6, 1888, and took effect December 6, 1888, the responsible duty of the supervision of State banks was imposed upon this department. Upon the taking effect of said act steps were at once taken to ascertain what corporations with banking powers were existing under the provisions of special charters, as under said act such corporations are made subject to its provisions and requirements in every particular, as if organized thereunder.

"It was ascertained that the following banks were existing under special charters, and thus made subject to State supervision:

Name	Location	Capital stock
Alton Savings Bank	Alton	\$ 100,000.00
Bank of Illinois	Chicago	100,000.00
Chicago Trust and Savings Bank	Chicago	350,000.00
Corn Exchange Bank of Chicago	Chicago	1,000,000.00
Dime Savings Bank	Chicago	69,475.00
Enterprise Savings Bank	Cairo	50,000.00
Home Savings Bank	Chicago	5,000.00
Illinois Trust and Savings Bank	Chicago	1,000,000.00
International Bank	Chicago	486,000.00
Northwestern Bond and Trust Company	Chicago	100,000.00
People's Bank of Rockford	Rockford	125,000.00
Pullman Loan and Savings Bank	Pullman	100,000.00
Springfield Marine Bank	Springfield	85,500.00
The Belleville Savings Bank	Belleville	150,000.00
The East St. Louis Bank	East St. Louis	40,000.00
The Elgin City Banking Company	Elgin	60,000.00
The Farmers' and Mechanics' Bank	Galesburg	100,000.00
The Hibernian Banking Association	Chicago	111,000.00
The Merchants' Loan and Trust Company	Chicago	2,000,000.00
The Moline Savings Bank	Moline	None
The Montgomery County Loan and Trust Company	Hillsboro	50,000.00
The People's Bank of Bloomington	Bloomington	100,000.00
The Sangamon Loan and Trust Company	Springfield	58,322.65
The Union Trust Company	Chicago	500,000.00
The Workingmen's Banking Company	East St. Louis	50,000.00
Western Trust and Savings Bank	Chicago	100,000.00
Total		\$6,890,297.65

"Under the provisions of the new banking law applications have been received and permits issued for the organization of banks, as follows:

Name	Location	Capital stock
Abingdon Safety Bank	Abingdon	\$ 25,000.00
Alexander County Savings Bank	Cairo	50,000.00
Bank of Blue Island	Blue Island	25,000.00
Bank of Schuyler County	Rushville	25,000.00
Bank of Tennessee	Tennessee	25,000.00
Bank of Tuscola	Tuscola	25,000.00
Bank of the Farmers' Mutual Benefit Association	Maroa	25,000.00
Calumet State Bank	Blue Island	25,000.00
Central Bank and Trust Company	Jefferson	50,000.00
Chemical Trust and Savings Bank	Chicago	350,000.00

Name	Location	Capital stock
Citizens' Loan and Savings Bank	Chicago	200,000.00
Columbia Banking Association	Chicago	250,000.00
Commercial Bank of New Holland	New Holland	25,000.00
Farmer's Bank of Alexis	Alexis	25,000.00
Farmer's Bank of Assumption	Assumption	25,000.00
Farmer's State Bank	Mt. Sterling	25,000.00
Farmer's State Bank of Illinois	Illioopolis	40,000.00
Farmer's State Bank of Monmouth	Monmouth	100,000.00
First State Bank of Beardstown, Illinois	Beardstown	25,000.00
First State Bank of Mound City, Illinois	Mound City	25,000.00
Franklin Grove Bank	Franklin Grove	25,000.00
Globe Savings Bank	Chicago	200,000.00
Henderson County State Bank	Stronghurst	25,000.00
M. B. Lane & Company	Hamilton	25,000.00
Moline State Savings Bank	Moline	100,000.00
People's Bank of Chicago	Chicago	1,000,000.00
Peoria Savings, Loan and Trust Company	Astoria	50,000.00
Peru State Bank	Peoria	100,000.00
Pittsfield Bank	Peru	25,000.00
Rock Island Savings Bank	Pittsfield	30,000.00
South Chicago Savings Bank	Rock Island	100,000.00
State Bank of Alpha	Chicago	200,000.00
State Bank of Clinton	Alpha	25,000.00
State Bank of Hamilton	Clinton	50,000.00
State Bank of Orion	Hamilton	25,000.00
State Bank of Orion	Orion	25,000.00
State Merchant's Exchange Bank	Englewood	50,000.00
Stock Yard Bank of Brooklyn	National Stock Yards	50,000.00
Stronghurst State Bank	Stronghurst	25,000.00
The American Trust and Savings Bank	Chicago	1,000,000.00
The Bank of Arthur	Arthur	25,000.00
The Bank of Elkhart	Elkhart	25,000.00
The Bank of Illioopolis	Illioopolis	25,000.00
The Citizens' State Bank of Kankakee	Kankakee	50,000.00
The Farmers' and Miners' Bank of Ladd, Illinois	Ladd	25,000.00
The German American Bank	Aurora	100,000.00
The Industrial Bank of Chicago	Chicago	200,000.00
The Iron Loan and Trust Company	Chicago	500,000.00
The Northern Trust Company	Chicago	1,000,000.00
The People's Bank of Belvidere	Belvidere	50,000.00
The Prairie State Savings and Trust Company	Chicago	200,000.00
The Real Estate Loan and Trust Co. of Chicago	Chicago	200,000.00
The State Bank of Jerseyville	Jerseyville	25,000.00
The State Bank of Woodstock	Woodstock	25,000.00

In addition to the twenty-six banking corporations, whose supervision was made a responsibility of the Auditor's office by the Act, the report of 1890 relates that under the provisions of the new banking law applications had been received and that permits had been issued for the organization of fifty-four banks as listed above, of which twenty-four had completed their organization.

Auditor Pavey expressed in his report, " * * * that an active interest has already been taken, and confidence manifested, in the State banking system." and that "The supervision of banking in the States by the State, including inspections and examinations, reports and the administration of the law regulating the operations of such corporations, has been productive of such results during the past two years as demonstrated to my mind beyond question the wisdom of such a policy on the part of the State."

In his next biennial report (November 1, 1892) he states:

"The duty of supervision of State banks was imposed on the Auditor of Public Accounts under the provisions of 'An Act concerning corporations with banking powers,' in force December 6, 1888. Prior to this act there was no State supervision, and little was known concerning the amount of business transacted by such institutions. An investigation disclosed the fact that there were at the time the act went into force twenty-six banks operating under special charters which were, by the provisions of the act, made subject to State supervision. On Feb-

ruary 15, 1889, the date of the first call for reports, under the new law, the combined paid up capital of these twenty-six banks was ascertained to be \$5,331,000. The reports made to this department show a rapid increase in the organization of banks since the institutions were brought under State supervision; on October 8, 1890, the number of banks had increased to fifty, the capital stock being \$10,212,500; on November 14, 1891, there was eighty-seven, with capital stock amounting to \$16,047,500, and October 26, 1892, the number of banks had increased to one hundred and ten, with an aggregate capital stock of \$17,512,500. It will be seen from this increase that an active interest is manifested in the State banking system which has not only stimulated the organization of banks but furnished banking facilities where most needed. In pursuance of the provisions of the law, regular examinations have been made, under the directions of the department, of all banks under State supervision, and full reports thereof have been filed in this office.

"The favorable results produced by the supervision of banking corporations by the State demonstrates the wisdom of such a policy; and while I believe the operation of the present law has more than met expectations in producing such favorable results during the past four years, it is possible that amendments may be made that will make the law still more effective."

PERMITS ISSUED

			Capital	Surplus	Reserve	
Viola.....	Mercer.....	Farmers State Bank of Viola.....	\$25,000	\$10,000	\$5,000	Aug. 4, 1948
Dahlgren.....	Hamilton.....	Farmers State Bank of Dahlgren (Previous permit cancelled and capital structure revised.)	\$35,000	\$10,500	\$7,000	Aug. 9, 1948
Canton.....	Fulton.....	Canton State Bank.....	\$100,000	\$25,000	\$25,000	Aug. 12, 1948

CHARTER ISSUED

			Capital	Surplus	Reserve	
Dahlgren.....	Hamilton.....	Farmers State Bank of Dahlgren North Side of B Street F. L. Aydt, President C. G. Bauer, Vice President and Cashier	\$35,000	\$10,500	\$7,000	Aug. 16, 1948

CAPITAL STOCK INCREASED

Elmwood Park.....	Cook.....	First State Bank of Elmwood Park from \$100,000 to \$200,000.....				Aug. 4, 1948
Opdyke.....	Jefferson.....	Security State Bank of Opdyke from \$25,000 to \$50,000.....				Aug. 27, 1948
Opdyke.....	Jefferson.....	Security State Bank of Opdyke from \$50,000 to \$200,000.....				Aug. 30, 1948

CHANGE OF LOCATION

Opdyke.....	Jefferson.....	Security State Bank of Opdyke from Opdyke, Illinois, to 119 North Ninth Street, Mt. Vernon, Illinois.....				Aug. 30, 1948
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CHANGE OF NAME

Opdyke.....	Jefferson.....	Security State Bank of Opdyke to Security Bank of Mt. Vernon.....				Aug. 30, 1948
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BANK PLACED IN LIQUIDATION

Thawville.....	Iroquois.....	Thawville State Bank.....				Aug. 19, 1948
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BANKS DISSOLVED

Chicago.....	Cook.....	Central Manufacturing District Bank (In receivership August 4, 1932. Dissolved by order of the Circuit Court of Cook County.)				July 30, 1948
Chicago.....	Cook.....	Woodlawn Trust and Savings Bank (In receivership July 1, 1932. Dissolved by order of the Circuit Court of Cook County.)				Aug. 16, 1948
Chicago.....	Cook.....	North-Western Trust and Savings Bank (In receivership August 12, 1931. Dissolved by order of the Superior Court of Cook County.)				Aug. 20, 1948

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	27
State Banks in Illinois outside Cook County.....	454
Total.....	505

MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

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SPRINGFIELD, ILL., OCTOBER 1, 1948

No. 7

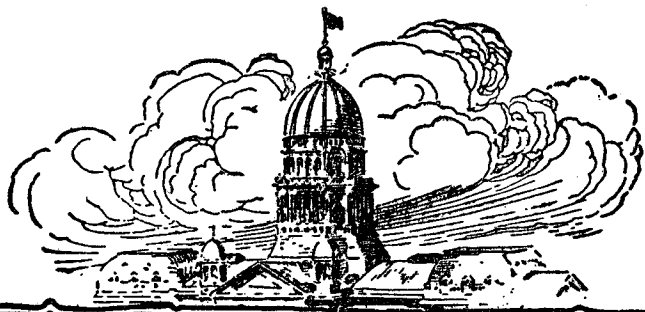
A MESSAGE TO BANKERS

BY
ARTHUR C. LUEDER, AUDITOR OF PUBLIC ACCOUNTS

My second term in the office of Auditor of Public Accounts of the State of Illinois will be completed in January, 1949. As I have announced previously, I am not a candidate for re-election and as the time approaches when I shall retire from active service as Auditor, I deem it appropriate for me to review some of the accomplishments attained during the eight years of my administration. To consider this subject properly, I think it is first necessary to make a few observations concerning the nature, variety and complexity of the many duties which devolve by law upon the Auditor of Public Accounts.

Numerous acts of the General Assembly have become in force from time to time setting forth varied and extensive functions which the Auditor must perform. In addition to state-chartered banks and trust companies, my office supervises the operations of building and loan associations, credit unions, community currency exchanges, title guarantee companies, foreign exchange agencies, pawners societies and cemetery trust funds.

The proper supervision of all these institutions involves such detailed matters as the granting of new charters and licenses to operate, changes of name and location, increases or decreases of authorized capital stock, extension of corporate



duration, periodic examinations, mergers, consolidations, and, occasionally, reorganization, liquidation and receivership proceedings.

This may seem to cover a pretty wide field of responsibility, but it is by no means all that the Auditor is required to do. There are also a great many other things which must be done every business day. All warrants for the expenditure of state monies are drawn on the State Treasurer by the Auditor of Public Accounts. Proper records of all such warrants must be kept and the Auditor must be sure that every expenditure is within an authorized appropriation.

The work of the office has greatly increased in recent years with the addition of new Departments handling payments of Old Age Assistance, Aid to Dependent Children, The World War II Soldiers' Bonus and the withholding of the federal income taxes due from the salaries and wages of State employees.

By the Act of May 21, 1879, the Auditor of Public Accounts was designated as the custodian of all transcripts and the documents and records pertaining to the United States Land Office, located at Springfield, Illinois and transferred to the State by a previous Act of Congress. My duties today require keeping and maintaining the land office records for public use.

While all of these functions are being performed continuously, the Auditor of Public Accounts serves as a member of the State Election Canvassing Board, a member of the Illinois Public Aid Commission, a member of the Board of Trustees of the State Employees' Retirement System, a member of the State Electoral Board and a trustee of the Kaskaskia Common School Fund.

As the Banking Department Bulletin is devoted to subjects relating to and affecting banks and bankers, it seems particularly fitting that I dwell upon the changes which have occurred in bank affairs and in the character of banking transactions. These changes accompanying the phenomenal expansion of bank resources and in funds on deposit, have had their influence upon the policies and functions of this Department.

When I assumed office in January, 1941, there were 509 state-chartered banks in Illinois, with total assets aggregating \$1,492,984,300.99, holding \$1,367,760,927.07 of depositors' funds. Each year since that time there has been a steady and consistent growth. As of June 30, 1948, there were 505 State banks in operation with total assets of \$3,348,706,118.33 against \$3,159,679,214.97 in deposits. Although the number of banks has remained about the same, in less than eight years the volume of assets and deposits increased about 2½ times, which has consequently and concurrently added to the responsibilities of the Auditor.

Eight years ago the total capital structure of all Illinois State banks was \$120,254,956.60 and the total now stands at \$177,359,253.05, after known losses and depreciation had been removed and after substantial write-downs and prudent revaluations have been made in many cases as cushions against any possibility of a serious reversal of the present economic prosperity.

It has been my policy, as well as that of my official staff, to advocate the retention of a substantial amount of the net earnings and profits remaining after the charge-offs, depreciation and proper reserve provisions have been made, while at the same time encouraging reasonable

dividends to shareholders as the just expectation of proprietorship, where such dividends appeared feasible.

The constitutionality of an amendment to the Banking Act, originated by the Sixty-first General Assembly in 1939 and coming into force November 20, 1940 after being ratified by a vote of the People, was being questioned during the early days of my administration. Shortly thereafter the Supreme Court of Illinois removed all question as to the constitutionality of the amendment and the effect of that decision cleared the way for the establishment of banking facilities in a number of small communities where such facilities were badly needed but where the volume of business did not warrant the investment required by the minimum in capital stock of \$50,000 as previously specified by the Banking Act. The amendment reduced the minimum requirement to \$25,000 in towns of 2500 or less inhabitants and removed certain former limitations regarding the changing of bank locations.

A law was enacted by the General Assembly in 1941 limiting the right of action against Illinois State bank stockholders, on their constitutional liability, to one year from the date of liability accrual. This law is an independent statute of limitations determining and terminating stockholders' liability to creditors.

In 1943 an amendment to Section 10 of the Banking Act was approved by the General Assembly and, after being submitted to a referendum, became in force November 29, 1944. This amendment contained a clarification of the provisions concerning loaning limitations, established limitations on investments and liberalized the restrictions applying to certain types of government and municipal financing with the effect that Illinois State banks might participate in such financing on nearly the same basis as National banks were being permitted to engage.

At the present time, my associates in the Auditor's Office and myself, are engaged in deliberations relative to some suggested banking amendments which are proposed to be recommended to the next General Assembly. These proposed amendments were drafted by the Illinois Bankers Association. After studying the suggested amendments, both myself and my staff have accepted them in principle, subject to any necessary corrections in language which may develop upon further consideration.

I am mindful that this proposed legislation will not have had an opportunity to be presented to the next General Assembly until after my retirement from office and that any official recommendation for its passage very likely will depend upon the policy and the explanatory understanding of my successor.

It has been my constant aim to keep in step with changing conditions and with the progress which is always taking place. The legislation I have mentioned is a manifestation of that policy. With this in view, I have kept my office in close touch with individual bankers and with representatives of the bankers' associations. Such working harmony has been a very helpful factor in bringing about needed improvements and has done much to facilitate the orderly process of supervision.

In making this review I wish to acknowledge and compliment the invaluable contribution which has been made by Mr. Simon A. Murray in helping me to bring about all the many accomplishments which have

been achieved during my eight years in office. Mr. Murray has served me as Assistant Auditor during my two terms, is thoroughly familiar with every function that is performed in the various Departments of the office of Auditor of Public Accounts and is well qualified. I take this occasion to express to him, as well as to Mr. F. A. Adams, Chief Examiner in the Springfield and Southern District, to Mr. A. A. Mueller, Chief Examiner in the Chicago and Northern District, to the several examiners and to all the members of the office staffs in Springfield and Chicago, my sincere gratitude for their loyalty and their efficient work.

I should feel remiss if I did not at the same time, make known to all banking institutions and to all officers and directors, the fact that I am deeply appreciative for the sincere and helpful cooperation they have extended to me at all times. That has made my job easier and, I am sure, has helped to improve the quality of our supervisory work. As I look forward to the future, I know that I shall cherish many pleasant memories of the splendid friendships and associations I have been privileged to enjoy during my eight years as Auditor of Public Accounts.

Arthur C. Guerin

BANK DISSOLVED

Chicago.....Cook.....Stony Island State Savings Bank.....Aug. 30, 1948
 (In receivership July 10, 1931. Dissolved by
 order of the Superior Court of Cook County.)

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	27
State Banks in Illinois outside Cook County.....	454
Total.....	505

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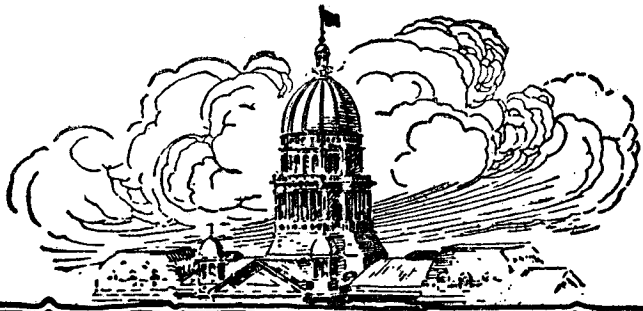
NO. 8

DIVIDENDS

The legal requirements and provisions concerning the declaration and payment of dividends as found in Section 11½ of the Illinois Banking Law seem very well understood by the management of those banks coming under the Act and this Department recognizes that our well managed Illinois State banks pay out only such portion of their earnings in the form of dividends as their profits and financial positions warrant, endeavoring to strengthen their capital resources through the retention of a major share of each year's earnings.

Subject to the provisions of the Illinois Banking Act, the directors of any Illinois State bank may from time to time declare such dividends as they shall judge expedient; consequently, after the directors have determined the legal ability of their bank to declare a dividend, it then becomes their responsibility to determine the expediency of such payment.

The determination as to whether or not the declaration of a dividend would meet the legal provisions and requirements ordinarily is accomplished with very little difficulty by anyone having an intimate knowledge of the bank's affairs and the quality of its assets. With this knowledge, the determination then is purely a mathematical process; however, the question of expediency involves an analysis of the bank's



RECAPITULATION

Aggregate Resources and Liabilities of the 505 Illinois State Banks at the close of business September 20, 1948, as compared with the next preceding statement issued by the Department.

NUMBER OF BANKS.....	505	Increase or Decrease (—)	505
DATE OF CALL.....	June 30, 1948		September 20, 1948
RESOURCES:			
Cash and Due from Banks.....	\$ 708,634,401.17	\$ 9,824,577.64	\$ 718,458,978.81
Outside Checks and Other Cash Items.....	2,859,032.07	6,441,234.69	9,300,316.76
U. S. Governments—Direct & Guaranteed.....	1,710,751,503.28	7,306,662.72	1,718,058,166.00
Other Bonds, Stocks & Securities.....	298,858,938.14	-6,623,289.21	289,232,648.93
Loans and Discounts.....	608,649,959.57	25,114,032.40	633,754,081.97
Overdrafts.....	239,250.85	154,871.71	394,122.56
Banking House, Furniture & Fixtures.....	11,307,923.92	500,026.97	11,807,947.89
Other Real Estate.....	22,533.23	-431.53	22,106.70
Customers' Liability—Letters of Credit.....	2,398,221.75	-1,033,345.10	1,364,876.65
Customers' Liability—Acceptances.....	456,446.88	-132,383.65	324,063.23
Other Resources.....	7,537,809.47	-987,024.96	6,550,784.51
GRAND TOTAL RESOURCES.....	\$3,348,706,118.33	\$40,561,975.68	\$3,389,268,094.01
LIABILITIES:			
Capital Stock.....	\$46,253,350.00	\$ 290,000.00	\$46,543,350.00
Income Debentures.....	294,400.00		294,400.00
Surplus.....	56,259,537.97	314,000.00	56,573,537.97
Undivided Profits (Net).....	36,721,330.83	2,656,145.93	39,377,476.76
Reserve Accounts.....	37,830,614.25	1,508,163.23	39,338,777.48
TOTAL CAPITAL STRUCTURE.....	\$177,359,213.05	\$4,765,309.16	\$182,124,562.21
Demand Deposits.....	\$1,973,372,425.69	\$38,775,412.54	\$2,012,147,838.23
Time Deposits.....	1,023,111,067.79	-1,821,183.50	1,021,289,884.29
Due to Banks.....	163,195,721.49	-570,713.38	162,625,008.11
TOTAL DEPOSITS.....	\$3,159,679,214.97	\$36,383,515.66	\$3,196,062,730.63
Bills Payable.....			
Rediscounts.....			
Dividends Unpaid.....	\$ 509,978.34	-\$193,278.34	\$ 316,700.00
Letters of Credit.....	2,469,767.93	-1,076,871.78	1,392,896.15
Bank Acceptances.....	456,446.88	-59,937.70	396,509.18
Other Liabilities.....	8,231,457.16	743,238.68	8,974,695.84
TOTAL OTHER LIABILITIES.....	\$11,667,650.31	-\$586,849.14	\$11,080,801.17
GRAND TOTAL LIABILITIES.....	\$3,348,706,118.33	\$40,561,975.68	\$3,389,268,094.01
ANALYSIS:			
Deposits Secured by Pledge.....	\$ 136,371,200.61	\$ 4,592,403.13	\$ 140,963,603.74
Deposits Not Secured by Pledge.....	3,023,308,014.36	31,791,112.53	3,055,099,126.89
TOTAL—DEPOSITS.....	\$3,159,679,214.97	\$36,383,515.66	\$3,196,062,730.63
Banking House.....	\$9,131,201.28	\$201,502.71	\$9,332,703.99
Furniture & Fixtures.....	2,176,725.64	298,518.26	2,475,243.90
TOTAL—BANKING HOUSE, FURNITURE AND FIXTURES.....	\$11,307,926.92	\$500,026.97	\$11,807,947.89
Commercial Paper.....	\$ 23,479,441.16	\$ -978,489.78	\$ 22,499,951.38
Collateral Loans.....	152,902,846.86	3,557,847.47	156,460,694.33
Other Loans.....	295,738,303.90	18,029,174.48	313,767,478.38
Farm Loans.....	16,113,148.97	-570,514.74	15,542,634.23
Other Real Estate Loans.....	120,413,308.68	5,049,014.97	125,462,323.65
TOTAL—LOANS AND DISCOUNTS.....	\$608,649,959.57	\$25,114,032.40	\$633,754,081.97

financial position by the directors in addition to their ability to determine the legality.

The method in general usage by directors of Illinois State banks in their determination of dividend declarations involves a careful calculation of the net undivided profits on hand as of the date that consideration is given to the declaration. From the net undivided profits so calculated, all known losses and all bad debts, as defined by statute, are deducted. The resulting figure is then adjusted to meet the known or estimated requirements for write-downs or for reserve provisions, whichever appears fitting or more advisable, particularly against the following contingencies:

- (1) Asset items which upon analysis reflect elements of doubt or probable loss, that, while not actually determined to be losses but possessing unfavorable elements, are more easily and advantageously adjusted upon the first indication of weakness than at some future date when such needs have accumulated and ballooned into sizeable amounts.
- (2) Depreciation in the bond account occasioned by weaknesses in particular issues and by the failure of the security market to support the carrying values of such issues. Consideration relative to the elimination of premium balances on every issue that may be carried on the books at a value which includes a premium advance is also advisable, especially for the reason that premium values are certain to vanish entirely as the issue matures.
- (3) The normal reoccurring depreciation on fixed assets and adjustments arising from obsolete or inactivated property and equipment that might be carried on the books at amounts greater than actual worth may justify, plus a reasonable provision for anticipated outlays for future equipment and building needs.
- (4) All unpaid bills and expenses, including accrued expense liabilities, such as taxes against the current year's income and for interest accruals on time deposits.

When all factors relating to the bank's financial position have been determined and taken into account, consideration then may be given to the expediency and to the amount of the proposed dividend. In some instances it may be found in the judgment of the directors that the declaration of a smaller amount than that originally proposed is advisable or that the retention of all profits is more expedient than the payment of a cash dividend.

Stock dividends have been proposed in some instances and are being considered by the directors. If the board decides that a dividend payable in capital stock is advisable and wishes to declare such dividend, additional action is required as its payment would result in an increase of capital stock. Changes in capital stock, either increases or decreases, are controlled by the provisions of Section 12 of the Illinois Banking

Law which deals with certain enumerated changes in corporate organization. Shareholders owning at least two-thirds of the whole stock must vote in favor of the proposal and the written approval of the Auditor is required as well before the proposal may be finally accomplished.

The form and manner necessary to accomplish such corporate changes as are specified in Section 12 should be discussed with this Department as early as possible, preferably before the proposal is presented for stockholders' action. A discussion of the proposal with this Office in advance of a request for the Auditor's approval is often advantageous.

BANKS DISSOLVED

Thawville.....Iroquois.....	Thawville State Bank.....	Sept. 16, 1948
	(In liquidation August 19, 1948.)	
Toledo.....Cumberland.....	Farmers State Bank of Toledo.....	Sept. 16, 1948
	(In liquidation July 29, 1948.)	
Chicago.....Cook.....	Lake View State Bank.....	Oct. 6, 1948
	(In receivership October 15, 1930. Dissolved by order of the Circuit Court of Cook County.)	
Chicago.....Cook.....	West Englewood Trust & Savings Bank.....	Oct. 27, 1948
	(In receivership July 10, 1931. Dissolved by order of the Superior Court of Cook County.)	

RECAPITULATION

State Banks in Chicago.....	24
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State of Illinois

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SPRINGFIELD, ILL., DECEMBER 1, 1948

NO. 9

Merry Christmas--Happy New Year

Again we are approaching that season when expressions of gratitude and good will are particularly timely.

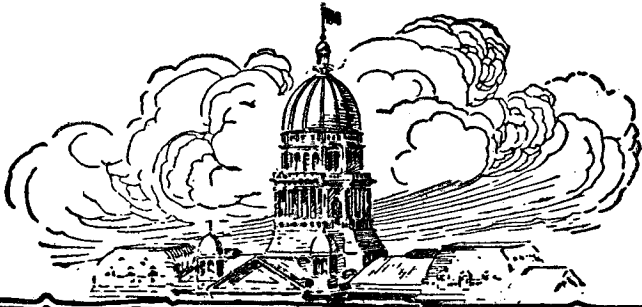
As I look back upon the past eight years during which many of my hopes have become a reality, the warmth of friendships that I have been privileged to enjoy, fill my heart with a deep sense of appreciation.

Whatever the accomplishments may have been, they are the result not only of an honest effort on the part of the staff and myself to devote ourselves to an efficient administration of the affairs of the office, but also to the helpful cooperation we have met with from all sides.

And so we acknowledge with grateful appreciation the many contributions for good that have been made by those whom we have endeavored to serve.

It is in that spirit that I greet you in the closing days of my administration, with my best wishes for the Holidays and the years that lie ahead.

Arthur C. Lueder



ANNUAL MEETING OF STOCKHOLDERS

The board of directors has the responsibility to see that the annual meeting of stockholders is held on the appointed date and that all provisions and requirements of the statute and of the by-laws, concerning such meetings, are fulfilled.

Each stockholder must be given proper notice concerning the time and place of meeting. The purpose of the meeting should be stated in the notice, particularly, if any unusual business is contemplated.

Most by-laws provide that the directors shall appoint, previous to the date of the annual meeting, a committee of stockholders, who are serving neither as directors nor candidates for the position of director, to have charge of the election of directors at the said annual meeting. The prior appointment of such committee is not only usually required, but permits a determination of the qualifications of proxy holders, as well as of attending stockholders to be made a matter of record without undue delay as soon as the meeting has been convened and before any voting takes place.

This annual meeting has its importance for many reasons other than that it is required by law. The election of a board of directors to serve as the bank's management for the forthcoming year is an important accomplishment but too frequently the prominence given to this election causes other important matters which might be affairs of the shareholders, to be overlooked or neglected.

Every stockholder of an Illinois State Bank is a part owner of the enterprise. The amount of his stock holdings has a direct relationship to amount of benefits accruing to his ownership and to the amount of voice that he may use in the determination of corporate matters. But, small or large, each stockholder is entitled to impartial treatment in many matters such as proper notice concerning the time and place of the shareholders' meeting, the right to attend or to be represented at that meeting, an opportunity to be heard and to offer proposals, a disclosure of official information concerning the bank's affairs and a proper accounting of the trusteeship as exercised by the board of directors.

The annual meeting is one certain and specified occasion when the shareholder has the opportunity to exercise his proprietary rights, to inquire into the affairs and condition of his bank and to consider whether his agents, the directors, have acted wisely and diligently. These meetings consequently are of personal importance to the shareholder; however, it is common to find that shareholders display an unnatural lack of interest in these affairs. The reason for this failure to exercise fully their rights of ownership, may be assessed to a number of causes.

Whatever may be the cause, the promotion of good public relations begins by the bank first acquiring the loyalty, co-operation and support of its stockholders.

There are many reasons for encouraging stockholder participation and it is very apparent to this Department that the encouragement of shareholders' interest in the affairs of their bank is highly desirable and, in some cases, of vital importance to the continuance of a successful enterprise.

The annual stockholders' meeting too frequently is conducted as a routine operation and is not interesting enough to attract the personal attendance of many stockholders. The meetings are usually of short duration and the time consumed for other than the routine re-election of directors is used for a recitation of cold analytical figures. Many stockholders do not possess the ability to grasp the significance which such figures are supposed to display.

Undoubtedly, much could be gained in the relationship between banks and stockholders if the policy was more generally used of supplying clear, explanatory reports relating to the bank's progress and stability which the layman can easily grasp and understand.

It is possible that during the passing year some unusual action may have been taken by the directors which they may wish to have approved by the stockholders, or they may wish to be granted special authority for some future action.

If some special authority was granted to the board at a previous meeting of shareholders, a report relating to the matter should be presented at the meeting for the approval of the stockholders.

No annual meeting of shareholders should be concluded without electing the full legal number of directors. The legal number of directors is that which was established at the original organization meeting or was changed by subsequent action of the stockholders pursuant to the requirements of Section 12 of the Illinois Banking Act.

If, for any reason, it is found impossible to elect a full membership to the board, steps should be taken, before the annual meeting is finally adjourned, to reduce the legal number of directors.

A reduction in the number of directors necessitated by vacancies on the board is usually not a satisfactory method of dealing with this problem. It may serve very well as a temporary measure but certainly it is not a solution to the condition found in many banks where the stock list does not contain sufficient qualified director material to provide a reasonable assurance of continually being in a position to supply a sound, capable and understanding board of directors.

This problem appears in many of the banks where the board is composed of men who are at retirement age or past and whose life expectancy is such that it carries a constant and increasing threat to the maintenance of a working membership.

While it is where boards of directors are entirely or predominantly composed of aged members that the problem is most urgent, yet any board, regardless of its composition, stands to find itself with a vacancy. The necessity for having qualified director material available is so obvious that it is difficult to understand why such provisions are so often neglected.

Provision for the maintenance of an adequate board of directors, which, although brought to the attention of bank officers and directors in previous BULLETIN articles and which, also, has been discussed at many personal conferences with bank managements, continues to exist as a serious problem.

Frequently enough to cause concern, banks have found themselves unable to obtain adequate membership to fill their board of directors.

Director material either was not available or, at least, not qualified by ownership of the required amount of stock. Failure to provide the required working membership has resulted in some undesirable situations.

A strong impression and belief exists that the board of directors has a responsibility beyond an accounting of their current trusteeship and that they have a duty to inform the owners of impending problems which may threaten the health and progress of their institution. Consequently, where this problem threatens or is evident but unsolved, the board may have a duty and the responsibility of bringing the possible consequences to the attention of the stockholders and of informing them as to the seriousness of the problem.

PERMIT ISSUED

Lyons.....Cook.....	Bank of Lyons.....	Capital	Surplus	Reserve	
		\$50,000	\$10,000	\$15,000	Nov. 24, 1948

CAPITAL STOCK INCREASED

Iroquois.....Iroquois.....	Iroquois Farmers State Bank	
	from \$25,000.00 to \$40,000.00	Nov. 8, 1948

CHANGE OF LOCATION

Heyworth.....McLean.....	Farmers State Bank of Heyworth	
	from 335 Main Street, Heyworth, Illinois	
	to 336 Main Street, Heyworth, Illinois	Nov. 1, 1948

BANK PLACED IN LIQUIDATION

Petersburg.....Menard.....	The Schirding State Bank	Nov. 8, 1948
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BANKS DISSOLVED

Chicago.....Cook.....	Citizens State Bank of Chicago	Nov. 5, 1948
	(In receivership June 6, 1932. Dissolved by	
	order of the Circuit Court of Cook County.)	

Chicago.....Cook.....	Sheridan Trust & Savings Bank	Nov. 12, 1948
	(In receivership July 18, 1931. Dissolved by	
	order of the Circuit Court of Cook County.)	

Chicago.....Cook.....	Chicago Bank of Commerce	Nov. 29, 1948
	(In receivership June 28, 1932. Dissolved by	
	order of the Circuit Court of Cook County.)	

Chicago.....Cook.....	The West Side Trust & Savings Bank of Chicago	Nov. 30, 1948
	(In receivership January 12, 1934. Dissolved by	
	order of the Superior Court of Cook County.)	

RECAPITULATION

State Banks in Chicago.....	24
State Banks in Cook County outside Chicago.....	27
State Banks in Illinois outside Cook County.....	453
Total.....	504