BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

VOL. 26—NO. 10 SPRINGFIELD JANUARY 1, 1951

Directors' Responsibility

With the possible exception of privately owned self-managed enterprises, there are few well run businesses that fail to have periodic audits of their affairs. Banking, because of its quasi-public nature, differs from the usual type of business. As a result, the management, which is the bank's board of directors, holds both collectively and individually, a unique position that demands the utmost in diligence and an additional degree of responsibility.

Although the Illinois Banking Law does not specifically charge directors with the responsibility, nevertheless, it has been quite clearly established that they are obligated to insist upon adequate methods of internal accounting and to conduct regular inspections into the affairs of their banks or to cause such periodical investigations to be made.

A few years ago, and for a time, considerable activity was initiated in this direction and an examination program of some type was being accomplished by the directors of practically every bank coming under the observation of this Department.

In many banks, these programs have expanded, becoming more comprehensive and continually being extended in phase. Some have retained the program as originally adopted, while a considerable number, unfortunately, have abandoned their efforts. This common failure of so many bank directors to attach importance to audit programs undoubtedly is founded on a dependence upon departmental examinations and upon internal self-audits; also, directors are frequently opposed to audits and control programs as they mistakenly view such activities as a form of snooping upon the operating staff or as creating unfounded reflection upon the integrity of officers and employees.

Examinations as made by this office and by other bank related authorities are primarily for the purpose of determining financial condition and compliance with the laws. Although irregularities are occasionally disclosed in conjunction with such departmental activities, nevertheless, these examinations are not designed, either in purpose or in scope, to delve as thoroughly into those matters which are fundamentally the responsibilities of management or to eliminate the moral and ethical duties that bank directors are obliged to perform.

Neither are these responsibilities and duties of directors fulfilled by dependence upon the degree of self-auditing that normally occurs between employees through the daily transaction of business.

Effective internal control is seldom accomplished except in those banks that are large enough to have established audit divisions that are independent of officer and employee influence. Much benefit to the smaller bank may be acquired, however, by the adoption of systems of self-audit such as that designed by the National Association of Bank Auditors and Comptrollers, and outlined in their publication "Audit Program for the Smaller Bank".

These systems of self-audit are the normal development in standard operating procedures. They definitely offer many precautionary advantages and control benefits that are so well recognized as to make their adoption advisable. Every bank in the ordinary course of business does a certain amount of self-auditing. These recently developed systems offer advances in effectiveness. The present acceptance by many of the smaller three and four employee banks indicates a likelihood that the installation of similar methods will become in time as common as the adoption of machine posting.

Insofar as there might be hesitancy to undertake audit-control activities for fear that they might embarrass or antagonize the operating staff, it should be remembered that professional audits and the adoption of internal control systems are commonplace in today's business enterprises and are accepted as a part of the normal course of affairs.

By far the greatest number of employees possess honesty, integrity and a very high degree of conscientiousness. In most cases they welcome periodic examinations into the duties performed by them. Executive officers especially like to be assured that they have properly fulfilled and administered their duties, that the errors and oversights normally expected in the press of business are not of great magnitude or occasion, and that a satisfactory account has been made of all matters coming under their custodianship.

Although these people would remain honest and faithful even in the complete absence of restraining forces, yet, they value systems of internal audit-control as checks against errors of omission and periodic accountings as establishing the efficiency and accuracy of their performance.

Some few persons, however, possess weaknesses which although not openly apparent lead to dishonesty and irregularities when confronted with particular sets of personal circumstances and opportunities that are suitable for manipulations.

Internal controls and audit programs are precautionary measures against those who might on pressing occasion yield to the opportunities offered by lax accounting and control.

Although bank directors are not liable for every act of officers and employees yet they can hardly avoid some share of the blame if they have failed to exercise ordinary care in setting up the necessary safeguards. It is the responsibility of directors to establish sound accounting methods and to exercise continued diligence against laxity in the application of those methods.

The board of directors appoint such officers and employ such others as are necessary to satisfactorily conduct the affairs of the bank. In fulfilling their duty to provide the operating staff, directors would not knowingly employ anyone of an unsuitable character, yet facts and experience show that a small number filter into the banking industry who possess dishonest tendencies and the ability to devise schemes of defeating even the most advanced methods of inspection and control.

Although systems of internal control and independent audit programs do not completely discourage operators of this type, these measures do limit the opportunities for manipulation and in many cases have exposed questionable transactions that eventually lead to a full disclosure before the institution had been more seriously victimized.

This Department in common with the general policy and viewpoint believes that the board of directors of every bank and each director individually should determine whether adequate measures of internal self-audit and a program of periodic audits conducted independently from the operating staff are in effect.

When considering these matters, it is important to keep in mind that systems of internal audits and controls are primarily for the purpose of providing the ordinary precaution of supplying a double check against occurrence of the normal errors and oversights that may be expected to arise in the daily transactions of business. Directors should recognize their responsibility to see that all earnings due their bank are properly collected, that care is used in the expenditure of funds and that all net earnings and profits rightfully accrue to capital accounts or their equivalents. Directors are also obligated to see that the assets of their bank are handled with the proper care and protection, that liabilities are not created by careless or inadequate practices and that avoidable losses do not occur.

In addition to offering precautionary measures against operating omissions the installation of improved internal systems also offers an effective coincidental means of discouraging dishonesty by minimizing the opportunities.

Periodic audits made independently of the active operating staff are of primary importance to directors when undertaken as the means of establishing reasonable proofs that the liabilities to depositors and to other creditors are correctly reflected by the records of the bank, that the assets owned by the bank are in actual existence and properly carried on the books and that the book value of such assets are supported by current and impartial valuations and appraisals.

Audits and examinations conducted by, or for, the board of directors, like internal control systems, assume their true importance to directors, both collectively and individually, when viewed as that measure of accounting which is normally required in the inherent duties of trustees and custodians.

Report of Changes

CAPITAL STOCK INCREASED

Oak Lawn....Cook......... Oak Lawn Trust & Savings Bank
from $50,000 to $100,000............................Dec. 22, 1950.

BANKS PLACED IN LIQUIDATION

Atlanta......Logan........Peoples Bank of Atlanta...............................Dec. 2, 1950.

Chenoa......McLean......State Bank of Chenoa.................................Dec. 4, 1950.

BANK DISSOLVED

Chenoa......McLean......State Bank of Chenoa.................................Dec. 14, 1950.
(In liquidation December 4, 1950)

RECAPITULATION

State Banks in Chicago	24
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	455
Total	507

Printed by Authority of the State of Illinois. (23106—6M—1-51)

BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

VOL. 26—NO. 11 SPRINGFIELD FEBRUARY 1, 1951

Examinations, Audits and Controls

The January 1, 1951 Banking Bulletin was devoted to a discussion of the responsibility of a director toward the internal affairs of his bank and his duty to cause periodic investigations to be made into those affairs. Because it is so important for every director to be fully aware of his responsibilities and to exercise diligence in carrying out his duties, the discussion is continued in this issue.

The position of a bank director is somewhat unique and extends over a greater area of responsibility than that ordinarily attached to directorships of other business enterprises. He serves varied and, at times, conflicting interests. He is responsible both to the stockholders for the proper management of their investment and to the depositors for the availability and safety of their funds. Overall there is a certain responsibility in the matter of community interest and well-being.

Although these interests which bank directors serve may be varied and seemingly conflicting on occasion, there is, nevertheless, a common desire of all for the maintenance of a sound banking institution and all have the common right to rely upon the directors for achieving that through the exercise of diligence and prudence.

Furthermore, the position of a bank director more closely approaches a fiduciary relationship than that of directorships in other business enterprises. Although not a trustee in the sense of an expressed trust, authorities have frequently held that a bank director is much more than a manager or agent and that the members of such boards are trustees of an implied or resulting trust.

Most directors know that these are serious responsibilities, demanding exercise of appropriate amounts of diligence and prudence. They may fail to realize that their obligation to exercise these duties cannot be delegated entirely to others. While they appoint officers carefully selected for their integrity and ability to carry on the business of the bank and to administer the policies adopted by the board, yet the moral and legal responsibility for the satisfactory operation of the bank still remains both individually and collectively with the directors.

Many bank directors have at some time served personally as a trustee or in a similar fiduciary capacity. Likely they recall the care and exactness that they assumed to be necessary in serving that capacity and in making proper accountings of their actions.

Likewise, a great many have had experience in other enterprises, either as directors or in official capacities. It is quite likely that these enterprises not only were audited regularly but also had some form of internal control embraced in their accounting procedures.

Examinations and audits made by or for the directors and the adoption of systems providing internal audit and control are good business conduct even after disregarding their advisability as means of protection against dishonesty or carelessness.

It is reasonable to believe that those directors who have not grasped the importance of examinations, audits and controls would come to a clearer realization if consideration of these affairs were reduced to the basic concepts attached to the fundamental purpose and functions of their position.

It has been thoroughly established that directors are not expected to take an active part in the normal routine operations of their bank and that they may delegate the administration of the ordinary affairs to officers selected by them. They are required, nevertheless, to have a general knowledge of the manner in which the business is being conducted and to be sufficiently intimate with the internal operations so they may exercise and maintain recognized standards of precaution and supervision.

Directors' examinations and audits as well as internal audit-control systems are continually acquiring wider recognition and acceptance as standard measures. There are wide variances in the scope and in the methods by which they are accomplished.

In the case of internal audit-control systems some degree of self-auditing usually occurs through the natural course of operation in every bank employing two or more employees. Since it is unusual for any one employee to conduct all of the operations that are required to be performed in most transactions, the dual or multiple contact of two or more employees with the items passing through the bank and the recording of each such transaction provides an automatic, although not always effective check of one employee against the work of another.

In those banks which do not have an auditor or comptroller working independently of the operating staff, systems have been designed to fit into the usual routine operations, whereby the checking of one employee against the work of another becomes more exacting and occurs through the course of the normal operating program.

More effective self-auditing or internal control can be accomplished in any bank of three or more employees by slight changes and adjustments in its present system of procedures and records.

A system such as that developed and outlined by the National Association of Bank Auditors and Comptrollers in their publications "Audit Program for the Smaller Bank" and "Audit Schedule Control Book" is neither complicated nor involved. It provides a simple and smoothly operating means of diminishing errors of omission and commission without impairing or impeding the flow of business and the performance of service to customers.

Examinations and audits performed by, or made for, the directors are variable in intensity and scope. They should be more than a perfunctory review of the assets and liabilities, but the scope of the audit is a matter for the considered judgment of the board. The most satisfactory plan for the average bank from an overall standpoint appears to be audit-examinations conducted by an outside accountant or other impartial person possessing the necessary techniques and accounting skills. Directors who are not active officers also participate in the work and deal with those phases with which they are most familiar.

Whether there should be a direct verification of the assets and of the liabilities at each of such periodic audits is also a matter of decision for the directors. This Department has frequently advocated that every bank adopt some program of direct verification.

The National Association of Bank Auditors and Comptrollers also published a "Direct Verification Manual" in which the forms and procedures are outlined for a program that may be accomplished by nearly any of the smaller banks that operate without the services of a trained auditing staff. In reviewing the publication the Association says: ". . . this Manual covering direct verification of deposit, loan, collection and safekeeping accounts, brings together for the first time the thought and experience of banking groups throughout the country concerning the best procedure for handling this important part of bank operations. As a pool of information on this subject, it should be found helpful to those who now verify their accounts and to those considering action toward this end."

One prominent firm of certified public accountants which frequently engages in bank audits outlines its scope of service in a directors' audit as follows:

1. Balance-sheet audit similar to that undertaken by the supervising authoritative office.
2. The tracing back and verification of all income and expense items.
3. Detailed reconciling of all items in the process of collection.
4. The test-checking of loans and deposits from a standpoint of proper resolutions, authorities, etc.
5. A detailed analysis of internal audit control factors with recommendations and suggestions to the management of the bank for improved or more efficient audit control.

The matter of direct verification of depositors' balances with the depositor always is a source of concern, particularly when such verification is undertaken by an outside firm. We, however, can undertake the direct verification in a manner which has not only resulted in getting almost complete returns but handles the situation in a manner which does not unduly disturb depositors. The procedure . . . is applicable to direct verification of commercial, savings, loan, collateral and mortgage accounts.

The cost of an outside audit, although not prohibitive, is frequently considered by directors as being beyond a reasonable item of expense to their bank. Nevertheless, many boards are engaging outside accountants at costs within the abilities of their banks and seemingly feel that these are valuable and of justifiable expense.

A current suggestion has been made that small groups of banks " . . . investigate the possibility of hiring an accountant firm jointly to audit various activities of their banks from time to time. The auditors could, for instance, directly verify the commercial accounts in one bank at one call—then later come back in and verify the savings accounts. Later a complete cash audit could be combined with audits of earning accounts, etc. These audits could be alternated between the group of banks . . . "

Defalcations and embezzlements are always of serious consequences to banks and cast questionable reflection upon the diligence used by the directors of the affected bank. Taxes are of such a major item of expense that it is important for directors to see that justifiable deductions and allowances are used to the best advantage and that overpayments are not made unnecessarily. With operating costs already high and continually rising and with the rate of income unlikely to improve or be benefitted, it is particularly important that adequate measures be taken in order to prevent avoidable losses and expenditures.

It is against these points, which are of paramount concern to directors, that the values of examinations, audits and proper internal controls are measured.

RECAPITULATION

State Banks in Chicago	24
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	455
Total (January 31, 1951)	507

Printed by Authority of the State of Illinois. (25690—6M—2-51)

BANKING BULLETIN

ISSUED BY

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Auditor of Public Accounts

STATE OF ILLINOIS

Vol. 26—No. 12 SPRINGFIELD **March 1, 1951**

1950 Reviewed

Total resources of Illinois state banks increased $192 million during 1950, during which time there were concurrent gains of over $166 million in total deposits, nearly $17 million in capital accounts and $9 million in other liabilities.

Major changes in resources for the year as a whole may be construed as representing a trend in management policies or as resulting from external circumstances. Because of controversial viewpoints concerning credit extensions, attention becomes focused upon the expansion of loans and discounts. In Illinois state banks this expansion amounted to $176 million, while a reduction of $86 million occurred in U. S. government obligations. At the same time the aggregate reports indicate a $61 million increase in cash and due from banks as well as the net investment of $36 million more funds in other bonds and securities. Other asset accounts increased a net of $5 million.

Although loans and discounts represented 21.86% of the total assets on December 30, 1950 as against 18.13% on December 31, 1949 and 12.09% on December 31, 1945, cash resources were equivalent to 23.74% of total deposits at the close of 1950, while 23.09% was reported one year ago and 23.98% five years ago. On corresponding dates the obligations of the U. S. government held by these banks were 44.64%, 49.42% and 56.37% of the total reported assets.

Capital structures as shown by the combined statements of Illinois state banks have more than kept pace with the increases in deposit volume and are now equivalent to 6.037% of total deposits as against 5.837% one year ago and 4.964% five years ago.

Details of the aggregate resources and liabilities of Illinois state banks as reported for each of the four quarterly calls in 1950 as well as for that of December 31, 1949 are contained in the inner pages.

Review of Call Reports [illegible]ove[illegible]g All Illinois State Banks

NUMBER OF BANKS	507	Increase or (—) Decrease	507	Increase or (—) Decrease	509	Increase or (—) Decrease	509	Increase or (—) Decrease	507
DATE OF CALL	December 31, 1949		March 10, 1950		June 30, 1950		September 29, 1950		December 30, 1950
RESOURCES:									
Cash and Due from Banks	$ 775,607,689.64	$ —89,830,518.22	$ 685,777,171.42	$ —853,405.53	$ 684,923,765.89	$ 17,218,628.45	$ 702,142,394.34	$ 134,493,580.04	$ 836,635,974.38
Outside Checks and Other Cash Items	3,333,559.40	—911,089.77	2,422,469.63	4,386,964.59	6,809,434.22	—3,896,318.95	2,913,115.27	939,504.74	3,852,620.01
U. S. Governments—Direct & Guaranteed	1,770,526,188.78	7,960,836.99	1,778,487,025.77	—45,004,381.86	1,733,482,643.91	—41,965,612.01	1,691,517,031.90	—6,987,897.00	1,684,529,134.90
Other Bonds, Stocks and Securities	360,625,482.22	8,442,085.27	369,067,567.49	33,232,861.09	402,300,428.58	1,637,855.33	403,938,283.91	—7,504,502.85	396,433,781.06
Loans and Discounts	649,154,931.47	29,763,001.58	678,917,933.05	42,382,928.71	721,300,861.76	38,748,607.97	760,049,469.73	64,840,318.87	824,889,788.60
Overdrafts	159,270.80	115,002.06	274,272.86	—69,370.54	204,902.32	117,630.66	322,532.98	—41,093.39	281,439.59
Banking House, Furniture & Fixtures	12,545,875.40	180,107.57	12,725,982.97	314,029.99	13,040,012.96	877,662.04	13,917,675.00	292,313.71	14,209,988.71
Other Real Estate	17,225.10	11,021.86	28,246.96	8,761.18	37,008.14	6,125.60	43,133.74	41.10	43,174.84
Customers' Liability—Letters of Credit	684,135.40	581,954.33	1,266,089.73	1,078,971.80	2,345,061.53	2,102,587.16	4,447,648.69	—153,336.26	4,294,312.43
Customers' Liability—Acceptances	500,268.49	5,383.99	505,652.48	—245,792.01	259,860.47	233,658.97	493,519.44	62,996.70	556,516.14
Other Resources	8,760,335.23	1,225,644.58	9,985,979.81	—1,282,066.99	8,703,912.82	—87,881.36	8,616,031.46	—396,661.02	8,219,370.44
GRAND TOTAL RESOURCES	$3,581,914,961.93	$ —42,456,569.76	$3,539,458,392.17	$ 33,949,500.43	$3,573,407,892.60	$ 14,992,943.86	$3,588,400,836.46	$ 185,545,264.64	$3,773,946,101.10
LIABILITIES:									
Capital Stock	$ 47,758,000.00	$ 882,500.00	$ 48,640,500.00	$ 400,000.00	$ 49,040,500.00	$ 2,065,000.00	$ 51,105,500.00	$ 350,000.00	$ 51,455,500.00
Income Debentures	253,000.00	None	253,000.00	—15,000.00	238,000.00	None	238,000.00	None	238,000.00
Surplus	66,013,017.30	418,300.00	66,431,317.30	570,000.00	67,001,317.30	419,032.70	67,420,350.00	3,169,500.00	70,589,850.00
Undivided Profits (net)	39,270,503.46	11,450.01	39,281,953.47	2,518,052.35	41,800,005.82	3,106,922.68	44,906,928.50	—3,637,788.96	41,269,139.54
Reserve Accounts	43,669,161.46	2,004,144.78	45,673,306.24	1,408,333.25	47,081,639.49	2,184,103.51	49,265,743.00	916,292.52	50,182,035.52
TOTAL CAPITAL STRUCTURE	$ 196,963,682.22	$ 3,316,394.79	$ 200,280,077.01	$ 4,881,385.60	$ 205,161,462.61	$ 7,775,058.89	$ 212,936,521.50	$ 798,003.56	$ 213,734,525.06
Demand Deposits	$2,119,087,609.70	$ —51,329,354.04	$2,067,758,255.66	$ 27,420,801.07	$2,095,179,056.73	$ 29,276,422.10	$2,124,455,478.83	$ 135,031,826.64	$2,259,487,305.47
Time Deposits	1,078,647,768.56	13,946,561.12	1,092,594,329.68	12,[illegible].56	1,104,603,554.24	—26,150,144.39	1,078,453,409.85	16,695,948.31	1,095,149,358.16
Due to Banks	176,129,230.11	—9,366,501.07	166,762,729.04	—12,5[illegible].86	154,169,008.18	—2,154,605.65	152,014,402.53	33,573,645.03	185,588,047.56
TOTAL DEPOSITS	$3,373,864,608.37	$ —46,749,293.99	$3,327,115,314.38	$ 26,836,304.77	$3,353,951,619.15	$ 971,672.06	$3,354,923,291.21	$ 185,301,419.98	$3,540,224,711.19
Bills Payable	$ None	$ 200,000.00	$ 200,000.00	$ —200,000.00	$ None	$ 500,000.00	$ 500,000.00	$ —493,500.00	$ 6,500.00
Rediscounts	35,829.40	—35,829.40	None	None	None	None	None	None	None
Dividends Unpaid	896,475.00	—521,239.00	375,236.00	192,269.00	567,505.00	—87,005.00	480,500.00	355,765.00	836,265.00
Letters of Credit	704,264.90	605,608.83	1,309,873.73	1,085,641.32	2,395,515.05	2,160,151.57	4,555,666.62	—162,472.76	4,393,193.86
Bank Acceptances	533,908.05	29,425.65	563,333.70	—303,473.23	259,860.47	268,825.77	528,686.24	42,192.83	570,879.07
Other Liabilities	8,916,193.99	698,363.36	9,614,557.35	1,457,372.97	11,071,930.32	3,404,240.57	14,476,170.89	—296,143.97	14,180,026.92
TOTAL OTHER LIABILITIES	$ 11,086,671.34	$ 976,329.44	$ 12,063,000.78	$ 2,231,810.06	$ 14,294,810.84	$ 6,246,212.91	$ 20,541,023.75	$ —554,158.90	$ 19,986,864.85
GRAND TOTAL LIABILITIES	$3,581,914,961.93	$ —42,456,569.76	$3,539,458,392.17	$ 33,949,500.43	$3,573,407,892.60	$ 14,992,943.86	$3,588,400,836.46	$ 185,545,264.64	$3,773,946,101.10
ANALYSIS:									
Deposits Secured by Pledge	$ 181,037,429.67	$ —25,237,546.51	$ 155,799,883.16	$ 6,169,028.92	$ 161,968,912.08	$ —2,310,945.16	$ 159,657,966.92	$ —3,754,619.99	$ 155,903,346.93
Deposits Not Secured by Pledge	3,192,827,178.70	—21,511,747.48	3,171,315,431.22	20,667,275.85	3,191,982,707.07	3,282,617.22	3,195,265,324.29	189,056,039.97	3,384,321,364.26
TOTAL—DEPOSITS	$3,373,864,608.37	$ —46,749,293.99	$3,327,115,314.38	$ 26,836,304.77	$3,353,951,619.15	$ 971,672.06	$3,354,923,291.21	$ 185,301,419.98	$3,540,224,711.19
Banking House	$ 9,622,454.63	$ 119,054.67	$ 9,741,509.30	$ 224,585.80	$ 9,966,095.10	$ 599,240.76	$ 10,565,335.86	$ 380,120.01	$ 10,945,455.87
Furniture & Fixtures	2,923,420.77	61,052.90	2,984,473.67	89,444.19	3,073,917.86	278,421.28	3,352,339.14	—87,806.30	3,264,532.84
TOTAL—Banking House, Furn. & Fixtures	$ 12,545,875.40	$ 180,107.57	$ 12,725,982.97	$ 314,029.99	$ 13,040,012.96	$ 877,662.04	$ 13,917,675.00	$ 292,313.71	$ 14.209,988.71
Commercial Paper	$ 20,326,279.84	$ —1,297,569.81	$ 19,028,710.03	$ —1,142,012.66	$ 17,886,697.37	$ 1,771,190.50	$ 19,657,887.87	$ 3,609,425.11	$ 23,267,312.98
Collateral Loans	178,854,473.95	19,277,477.67	198,131,951.62	29,014,433.25	227,146,384.87	—22,405,376.03	204,741,008.84	16,215,500.97	220,956,509.81
Other Loans	292,507,337.73	10,099,779.95	302,607,117.68	6,656,601.77	309,263,719.45	48,371,705.26	357,635,424.71	38,605,643.42	396,241,068.13
Farm Loans	16,631,168.18	154,789.62	16,785,957.80	3,228,105.52	20,014,063.32	—2,031,448.67	17,982,614.65	1,500,302.69	19,482,917.34
Other Real Estate Loans	140,835,671.77	1,528,524.15	142,364,195.92	4,625,800.83	146,989,996.75	13,042,536.91	160,032,533.66	4,909,446.68	164,941,980.34
TOTAL—LOANS AND DISCOUNTS	$ 649,154,931.47	$ 29,763,001.58	$ 678,917,933.05	$ 42,382,928.71	$ 721,300,861.76	$ 38,748,607.97	$ 760,049,469.73	$ 64,840,318.87	$ 824,889,788.60

Report of Changes

PERMIT ISSUED

			Capital	Surplus	Reserve
Chicago	Cook	West Irving State Bank of Chicago	$240,000	$60,000	$60,000
		6005 West Irving Park Road			Jan. 11, 1951

CAPITAL STOCK INCREASED

Reynolds.....Rock Island..Reynolds State Bank
from $50,000 to $75,000....Jan. 5, 1951

Verona.......Grundy......Verona Exchange Bank
from $30,000 to $50,000....Jan. 8, 1951

LaGrange....Cook.........LaGrange State Trust and Savings Bank
from $200,000 to $400,000....Jan. 9, 1951

Watseka......Iroquois......The First Trust and Savings Bank of Watseka
from $75,000 to $150,000....Jan. 9, 1951

Woodstock...McHenry.....The State Bank of Woodstock
from $100,000 to $150,000....Jan. 11, 1951

Peoria.......Peoria........South Side Trust & Savings Bank of Peoria
from $150,000 to $200,000....Jan. 15, 1951

Chicago......Cook.........Pioneer Trust & Savings Bank
from $1,000,000 to $1,500,000....Jan. 19, 1951

Chicago......Cook.........Chatham Bank of Chicago
from $210,000 to $350,000....Jan. 22, 1951

River Forest..Cook.........River Forest State Bank
from $125,000 to $150,000....Jan. 22, 1951

Algonquin....McHenry.....Algonquin State Bank
from $25,000 to $50,000....Jan. 23, 1951

Alpha........Henry........Farmers State Bank of Alpha
from $30,000 to $60,000....Jan. 23, 1951

Chicago......Cook.........Bank of Rogers Park
from $200,000 to $220,000....Jan. 24, 1951

Pontiac.......Livingston...Bank of Pontiac
from $60,000 to $100,000....Jan. 24, 1951

Milledgeville.Carroll.......Milledgeville State Bank
from $25,000 to $37,500....Jan. 25, 1951

Ladd.........Bureau.......The Farmers and Miners Bank of Ladd, Illinois
from $25,000 to $50,000....Jan. 29, 1951

CHANGE OF PAR VALUE OF CAPITAL STOCK

Woodstock...McHenry.....The State Bank of Woodstock
from $100.00 to $25.00....Jan. 11, 1951

Pontiac.......Livingston...Bank of Pontiac
from $100.00 to $33.33⅓....Jan. 24, 1951

Milledgeville.Carroll.......Milledgeville State Bank
from $100.00 to $50.00....Jan. 25, 1951

CHANGE OF NAME

LaGrange....Cook.........LaGrange State Trust and Savings Bank
to LaGrange State Bank....Jan. 9, 1951

RECAPITULATION

State Banks in Chicago	24
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	455
Total (January 31, 1951)	507

Printed by Authority of the State of Illinois. (25812—6M—3-51)

BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

Vol. 27—No. 1 SPRINGFIELD April 1, 1951

Earnings 1950

Banks must operate profitably. Earnings are desirable not only as they may affect the payment of dividends to stockholders, but more important because they are vital elements in the soundness of banking institutions. Adequate provisions against possible losses and depreciation as well as the maintenance of solid capital structures need to be accomplished when conditions permit, so that they may be available to absorb the effects of less favorable events.

The operating results recorded by Illinois State banks for the year ending December 31, 1950 are therefore significant. The general comparison of aggregate operating results reported by the 505 State banks that operated in the years of both 1949 and 1950 indicate continuing, as well as greater profits from current operations. And while the results for the year are very creditable, earnings do not appear fabulous as is often the impression of the general public and as frequently assumed.

Dividends paid to shareholders increased slightly in dollar amounts although the percentage paid out as dividends was equivalent to 19.2% of the net profits for 1950 as against 22.8% distributed to shareholders in 1949. These dividend payments amounted to about 8.3% return in 1950 on the par value of the shares held by stockholders and to just 2% of the aggregate reported book value of those shares. As it is impossible to compute the total amount of funds actually invested by the shareholders in the capital stock of these banks, the rate of yield on their direct investment cannot be determined although it is reasonable to assume that the average return would be somewhere between the 2% and the 8.3% rates computed above.

In view of the year's creditable results, the amount of earnings distributed to stockholders in all likelihood would be considered a modest portion in most any other type of business enterprise and the resulting average yield to the investors would appear conservative. The action taken by the managements of Illinois State banks whereby eighty cents of every dollar of net profits for the year remained in the banks for protection and safeguard to depositors as well as stockholders seems highly commendatory.

OPERATING RESULTS OF ILLINOIS STATE BANKS
FOR THE YEARS 1949 - 1950

	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	
	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950
Number of Banks	22	21	85	85	310	310	48	44	40	45	505	505
GROSS EARNINGS:												
Interest and discount on loans	119,995	120,193	733,408	808,129	7,572,290	8,381,019	3,343,022	3,473,173	13,469,668	15,868,445	25,210,469	28,644,528
Interest and dividends on securities	81,885	82,373	726,315	706,002	7,458,528	7,247,802	3,502,343	3,163,926	24,682,050	28,565,572	36,414,230	39,769,925
Exchange, collection charges, etc.	5,395	6,851	43,584	45,269	429,210	440,754	264,813	314,406	866,755	1,011,673	1,608,896	1,818,567
Service charges on deposit accounts	15,460	12,135	109,372	116,139	1,034,405	1,118,517	672,609	644,058	2,327,675	2,531,704	4,152,761	4,421,567
Trust Departments	....	....	....	....	32,190	42,887	70,982	85,538	5,054,889	5,959,560	5,229,743	6,162,448
Miscellaneous	7,351	3,350	37,146	37,902	436,877	483,790	377,420	347,253	1,465,180	1,781,552	2,322,826	2,651,047
Total	230,086	224,902	1,649,825	1,713,441	16,963,500	17,714,769	8,231,189	8,028,354	47,866,217	55,718,506	74,938,925	83,468,082
UNIT AVERAGE	10,458	10,709	19,410	2,016	54,721	57,144	171,483	182,463	1,196,655	1,238,189	148,394	165,283
Average Per $1,000 of Deposits	28.79	29.40	25.95	26.82	25.76	26.30	25.48	26.58	20.62	22.35	22.24	23.59
EXPENSES:												
Salaries	92,817	84,430	528,346	565,990	4,899,525	5,369,575	2,628,150	2,569,276	15,744,781	17,175,395	23,916,670	25,801,564
Interest on deposits	10,076	13,666	108,278	107,259	1,489,564	1,541,024	842,898	801,964	6,377,634	6,569,689	8,828,438	9,033,326
Taxes	21,901	25,764	150,337	170,610	1,555,927	1,830,721	689,447	1,401,569	3,325,178	3,826,474	5,737,905	6,592,277
Miscellaneous	49,675	44,462	298,710	306,286	2,697,832	2,845,190	1,487,490	729,519	9,551,190	9,600,353	14,082,824	14,196,509
Total	174,469	168,322	1,085,671	1,150,145	10,642,848	11,586,510	5,647,985	5,502,328	34,998,783	37,171,911	52,565,837	55,623,676
UNIT AVERAGE	7,930	8,015	12,773	13,531	34,332	37,376	117,666	125,053	874,969	826,042	104,091	110,152
Average Per $1,000 of Deposits	21.83	22.00	17.08	18.00	16.16	17.20	17.48	18.22	15.08	14.91	15.60	15.72
NET EARNINGS:	55,617	56,580	564,154	563,296	6,320,652	6,128,259	2,583,204	2,526,026	12,867,434	18,546,595	22,373,088	27,844,406
UNIT AVERAGE	2,528	2,694	6,637	6,627	20,3	19,768	53,817	57,410	321,686	412,147	44,303	55,137
Average Per $1,000 of Deposits	6.96	7.39	8.87	8.82		9.10	8.00	8.36	5.54	7.44	6.64	7.87
RECOVERIES AND PROFITS:												
Recoveries on loans	1,564	815	12,732	16,654	174,550	204,265	32,975	84,367	1,476,839	535,193	1,695,555	841,294
Recoveries on securities	74	2,756	7,029	5,437	206,733	192,688	41,854	26,835	103,130	160,160	358,819	387,876
Profits on securities	6,850	1,178	20,169	8,693	109,899	101,918	145,288	39,028	494,939	1,427,755	776,792	1,578,568
Miscellaneous	911	1,974	3,809	15,810	112,698	75,877	25,211	86,181	216,819	473,238	358,469	652,952
Net earnings plus recoveries and profits	65,016	63,303	607,893	609,890	6,924,532	6,703,007	2,828,532	2,762,437	15,159,161	21,142,941	25,562,723	31,305,096
LOSSES, DEPRECIATION AND WRITE-OFFS:												
On loans	5,114	1,192	27,545	29,571	315,794	353,451	158,247	133,606	1,150,813	353,138	1,657,472	870,960
On securities	2,578	2,940	41,381	25,378	519,152	431,445	303,708	212,267	3,774,642	5,127,186	4,641,144	5,799,217
Banking house, furniture and fixtures	5,330	3,587	28,765	31,258	420,481	417,335	204,765	263,606	500,605	810,934	1,160,843	1,527,441
Miscellaneous	1,318	384	5,571	12,007	147,710	112,039	75,005	132,214	200,731	292,073	430,322	549,378
Total	14,340	8,103	103,262	98,214	1,403,137	1,314,270	741,725	741,693	5,626,791	6,583,331	7,889,781	8,746,996
NET PROFITS	50,676	55,200	504,631	511,676	5,521,395	5,388,737	2,086,807	2,020,744	9,532,370	14,559,610	17,672,942	22,558,100
UNIT AVERAGE	2,303	2,629	5,937	6,020	17,811	17,383	43,475	45,926	238,309	323,547	34,996	44,669
Average Per $1,000 of Deposits	6.34	7.22	7.94	8.01	8.39	8.00	6.49	6.69	4.11	5.84	5.24	6.37
Cash dividends paid to shareholders	9,900	13,600	84,775	116,330	1,079,325	1,026,775	305,500	349,950	2,602,050	2,816,850	4,029,550	4,333,505
Percentage of Net Profits	19.54%	24.64%	16.80%	22.74%	19.55%	19.05%	14.64%	17.26%	27.30%	19.35%	22.80%	19.21%
Capital, Surplus, Undivided Profits and Reserves	977,759	929,221	5,121,588	5,563,632	43,317,784	47,358,799	19,028,337	18,837,183	128,160,021	140,682,039	196,704,852	213,586,201
Time Deposits	1,385,333	1,422,219	13,538,770	12,937,873	179,064,135	180,290,487	118,530,550	107,548,517	766,128,980	792,950,260	1,078,557,144	1,094,973,407
Total Deposits	7,993,086	7,650,292	63,581,165	63,889,887	429,	673,643,960	323,017,111	301,988,826	2,320,843,315	2,493,061,745	3,370,057,923	3,538,908,159

Group 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 505 Illinois State Banks that operated in both 1949 and 1950.

Report of Changes

CAPITAL STOCK INCREASED

Jerseyville	Jersey	Jersey State Bank from $75,000 to $100,000	Feb. 1, 1951.
Olney	Richland	Olney Trust and Banking Company from $50,000 to $100,000	Feb. 1, 1951.
Dongola	Union	The First State Bank of Dongola from $25,000 to $50,000	Feb. 10, 1951.
Braidwood	Will	State Bank of Braidwood from $25,000 to $40,000	Feb. 23, 1951.

CHANGE OF LOCATION

Braidwood	Will	State Bank of Braidwood from "Part of Lot 9, Block 2, C. & W. Coal Company's Subdivision" to "Part of Lot 9, Block 2, John H. Daniel's Subdvision. Town of Braidwood,"	Feb. 21, 1951.

RECAPITULATION

State Banks in Chicago	24
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	455
Total—February 28, 1951	507

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BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

Vol. 27 No. 2 SPRINGFIELD May 1, 1951

Progressive Benefits

The results of the January 1951 and the February 1951 BULLETIN articles appear very gratifying. The subject of both issues related to directors' responsibilities concerning audits, examinations and internal control systems.

The purpose of the two articles was to generate and to revitalize interest among directors in these important phases of their vested responsibilities. By stimulating this interest it was felt that renewed consideration would be given to directors' examinations, audit programs and internal control systems.

All appearances and indications are that the interest of many directors in these important matters of responsibility has been aroused and that a considerable amount of investigation is now being conducted into the subjects.

From indications a number of banks where such has not been the practice are now considering or have arranged for audits or examinations to be made by or for the board of directors. Similar interest is evident in the matter of the installation of internal audit and control systems.

As might be expected, the greater interest has been shown in those banks that have had one or another of these programs in effect, the logical explanation being that the directors of those banks have participated in or have a closer understanding with these programs and systems. They more clearly recognize the value and the advantages gained from present activities; consequently, they realize and desire the progressive gains that are offered through the expansion of existing programs and by the adoption of improved methods.

Unfortunately, they are yet some few boards of directors failing to grasp the fundamental fact that these affairs are simply the exercise of ordinary prudence as well as of definite duty. Because these are but a relatively small number of Illinois State banks, further discussion is not being made in this article concerning the legal and ethical obligations of directors in these matters, other than to summarize the views of this Department.

In the matter of examinations and audits, it generally is felt that the minimum effort to be undertaken by boards of directors requires some systematic form of inspection into the affairs and records of the bank by those of the directors who are not actively engaged in the bank's daily operations.

Directors do have the legal responsibility of diligently administering the affairs of their bank and of causing suitable books of record to be kept. The value and necessity of internal audit-control systems as now recognized likely would be considered as factors in determining the degree to which such responsibilities had been performed. Without question the ethical responsibilities of bank directors also require some form of internal audit and control.

The various plans of examinations, audits and controls offer wide diversification in scope and in effectiveness. The degree of scope and effectiveness desired by the board as well as the practicability and adaptibility of the various programs to their bank should be determined by the directors.

If possible, in every bank at least one director who is not active in the daily operations should be in a position to offer to the members of the board an impartial and unprejudiced viewpoint based upon an intelligent analysis of the needs of his bank. In connection with such analysis the following principal variations in the programs should enter into the consideration:

DIRECTORS EXAMINATIONS AND AUDITS

1. Accomplished by the directors or a committee of the board
2. Conducted by outside accountants and participated in by directors.
3. Accomplished entirely by outside accountants
   - (a) Complete examination and audit.
   - (b) Partial—limited in certain phases.
   - (c) Spot audits at frequent intervals.

INTERNAL AUDIT-CONTROL SYSTEMS

1. Accomplished by operating staff
   - (a) Normal self-audit in present operating and accounting methods with possible minor changes and rearrangements.
   - (b) Application of more recently developed systems which have been the result of studies made by recognized authorities.
2. Auditing department headed by Auditor or Comptroller employed by the board and working independently of officers and operating staff.

DIRECT VERIFICATION OF ASSETS AND LIABILITIES

1. Means of accomplishment
   - (a) Bank staff under direction and control of board members.
   - (b) Outside accountants.
2. Type
   - (a) Positive form.
   - (b) Negative form.

Examinations made by directors or by a committee of the members usually fall short of the desired standards, although some benefit is certain to be gained even from an elementary attempt.

The skill and experience of a trained Auditor is rarely possessed by the usual bank director. Therefore, there are certain essentials that a professional accountant is better qualified to perform. At the same time, directors ordinarily are better fitted for those phases of an examination that usually requires the familiarity and knowledge of local conditions and affairs. With each working in his own field and correlating their work, directors-accountants examinations are usually considered to be the most satisfactory and of the greatest benefit.

Complete audit-examinations made entirely by outside accountants specialized in bank matters are favored by some boards. These are usually more thorough and the findings are entirely the viewpoints of an impartial outsider.

Partial audits and examinations by outside accountants are usually employed only when a certain phase or purpose is desired. Under this category, however, are a type of service offered by some firms which seem adequate and are considered satisfactory in many cases, although the extent and scope is limited.

Spot audits are a type that is finding increasing favor and are conducted by an accountant who visits the bank at frequent but irregular intervals. At each visit, a different phase or activity is performed.

Internal auditing and control is accomplished automatically and to some degree in every bank through the normal transacting and recording of business. While some instances exist where the methods of record keeping and of handling transactions are such that internal operations are particularly susceptible to shortages and errors, nevertheless, in most cases minor adjustments often bring about considerable improvement.

Most progressive and conscientious bankers have installed or favor the adoption of one of the recently developed systems of internal audit-control.

The "Audit Schedule Control Book" and the "Audit Program For the Smaller Bank," published by the National Association of Bank Auditors and Comptrollers, were mentioned in previous BULLETIN articles. The suggestion that they be used as guides and reference was made for the reason that they are the combined study of a group of men familiar with the problems and because the outlines are applicable to the small bank as well as to the larger institutions. There are a number of other publications as well as magazine articles on the same subject that offer practicable and adaptable systems.

A separate auditing department operated by a full time auditor or comptroller is practicable only in the larger bank.

The direct verification of assets and liabilities may be accomplished by the bank staff handling the clerical details under the direction and full control of any officer or director other than one who might be in a position to benefit by concealing an irregularity. There are outside accountants and agencies equipped to conduct such programs and the direct verification of assets and liabilities may be accomplished as a special service or as an accessory to the regular audit program.

The positive form supplies tangible evidence of the correctness of accounts and is more effective in disclosing differences with the customer. Under this plan a form is sent to each customer showing the balance and other particulars of his account with a request that he confirm its correctness by signing and returning it directly to the sender.

The negative form of verification calls for response by the customer only in the event that information appearing on the form does not agree with his records. This form is not suggested except as an alternative in cases when the positive form is prohibited on account of expense and facilities.

These descriptions of the various methods and procedures are only brief sketches, but they are offered as enlightenment to the many directors who have had difficulty in differentiating between the various types and proposals.

The interest in these matters manifested by directors and managing officers gives gratifying assurance of the conscientious management of Illinois State banks. Vast benefits are bound to result from such interest and such managements.

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BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

Vol. 27 No. 3 SPRINGFIELD June 1, 1951

Opening and Closing Hours

The third edition of the booklet listing the daily business hours of Illinois banks will be ready for distribution shortly after the first of June.

All banks in Illinois, national as well as state, will be listed in the booklet with their business hours shown as reported by the individual bank. In addition to showing the regular opening and closing hours, the pamphlet will also show special service hours, summer schedules and other scheduled variations. For the first time, this edition will show banking locations that are reported to be operating on Daylight Saving Time during the summer months. This information formerly has been compiled as a supplement to the book.

A copy of the printed booklet will be sent to each Illinois bank. Banks may obtain additional copies by notifying this office as to the number desired. Similarly, we shall be pleased to furnish copies to bank officers and to others who have uses for the booklet.

The splendid cooperation of the Illinois banks, both national and state, in providing my office with the information necessary to the compilation of the booklet is most appreciated.

Benjamin O. Cooper

BENJAMIN O. COOPER,
Auditor of Public Accounts.

Total Resources and Liabilities of Illinois State Banks

as reported at the close of business March 27, 1951

(Grouped as to location and showing changes since December 31, 1950)

	City of Chicago 24 Banks	Increase or (-) Decrease	Seventh Federal Reserve District but outside the City of Chicago 344 Banks	Increase or (-) Decrease	Eighth Federal Reserve District 139 Banks	Increase or (-) Decrease	Entire State of Illinois 507 Banks	Increase or (-) Decrease
RESOURCES:								
Cash and Due from Banks	$ 479,307,007.20	$ -38,307,340.51	$ 220,420,247.73	$ -25,091,174.62	$ 57,742,469.01	$ -15,767,735.31	$ 757,469,723.94	$ -79,166,250.44
Outside Checks and Other Cash Items	1,575,118.70	-351,557.29	955,643.99	-820,946.36	330,152.49	180,798.82	2,860,915.18	-991,704.83
U. S. Governments—Direct & Guaranteed	895,254,471.23	2,979,615.43	608,668,417.63	-10,094,101.58	170,862,535.46	-2,629,224.43	1,674,785,424.32	-9,743,710.58
Other Bonds, Stocks and Securities	246,983,264.15	-16,082,846.79	100,784,778.15	5,015,791.66	37,945,520.45	346,836.82	385,713,562.75	-10,720,218.31
Loans and Discounts	492,238,116.10	16,624,345.45	276,879,585.74	8,029,717.99	83,437,826.74	3,011,676.54	852,555,528.58	27,665,739.98
Overdrafts	52,706.97	-109,057.80	161,196.72	59,929.27	56,755.60	38,348.23	270,659.29	-10,780.30
Banking House, Furniture & Fixtures	6,922,508.37	50,841.54	5,633,457.51	117,633.15	1,874,727.31	52,229.79	14,430,693.19	220,704.48
Other Real Estate	12.00	-19,000.00	9,602.14	-99.83	16,780.87	2,320.00	26,395.01	-16,779.83
Customers' Liability—Letters of Credit	4,395,618.85	134,588.92	82,687.63	49,405.13	None	None	4,478,306.48	183,994.05
Customers' Liability—Acceptances	428,638.20	-127,877.94	None	None	None	None	428,638.20	-127,877.94
Other Resources	4,453,800.30	-1,857,857.87	1,572,290.53	55,339.44	617,908.08	227,146.90	6,643,998.91	-1,575,371.53
GRAND TOTAL RESOURCES	$ 2,131,611,262.07	$ -37,066,146.86	$ 1,215,167,907.77	$ -22,678,505.75	$ 352,884,676.01	$ -14,537,602.64	$ 3,699,663,845.85	$ -74,282,255.25
LIABILITIES:								
Capital Stock	$ 23,340,000.00	$ 660,000.00	$ 21,797,500.00	$ 637,500.00	$ 7,715,500.00	$ 100,000.00	$ 52,853,000.00	$ 1,397,500.00
Income Debentures	200,000.00	None	38,000.00	None	None	None	238,000.00	None
Surplus	40,272,500.00	840,000.00	24,630,850.00	202,500.00	6,761,000.00	32,000.00	71,664,350.00	1,074,500.00
Undivided Profits (net)	17,166,586.73	-851,441.06	18,467,943.92	660,570.45	5,656,259.37	212,521.09	41,290,790.02	21,650.48
Reserve Accounts	35,145,781.14	450,234.07	12,007,930.52	474,128.08	4,030,887.12	78,201.11	51,184,598.78	1,002,563.26
TOTAL CAPITAL STRUCTURE	$ 116,124,867.87	$ 1,098,793.01	$ 76,942,2[illegible]	[illegible] 1,974,698.53	$ 24,163,646.49	$ 422,722.20	$ 217,230,738.80	$ 3,496,213.74
Demand Deposits	$ 1,177,033,154.36	$ -42,025,679.36	$ 769,315,2[illegible]	[illegible]25,680,198.73	$ 229,473,631.92	$ -15,959,344.73	$ 2,175,822,082.65	$ -83,665,222.82
Time Deposits	633,809,590.16	-4,878,572.58	362,186,882.10	1,580,036.60	97,031,328.14	1,176,978.22	1,093,027,800.40	-2,121,557.76
Due to Banks	150,942,747.67	-29,390,919.54	3,228,352.54	-460,705.06	1,451,270.91	-114,051.84	155,622,371.12	-29,965,676.44
TOTAL DEPOSITS	$1,961,785,492.19	$ -76,295,171.48	$ 1,134,730,531.01	$ -24,560,867.19	$ 327,956,230.97	$ -14,896,418.35	$ 3,424,472,254.17	$ -115,752,457.02
Bills Payable	$ 38,000,000.00	$ 38,000,000.00	$ None	$ None	$ 6,500.00	$ None	$ 38,006,500.00	$ 38,000,000.00
Rediscounts	None	None	None	None	None	None	None	None
Dividends Unpaid	497,000.00	37,250.00	56,527.00	-233,088.00	4,000.00	-82,900.00	557,527.00	-278,738.00
Letters of Credit	4,502,973.05	149,743.19	96,515.13	56,551.13	None	None	4,599,488.18	206,294.32
Bank Acceptances	497,337.68	-73,541.39	None	None	None	None	497,337.68	-73,541.39
Other Liabilities	10,203,591.28	16,779.81	3,342,110.19	84,199.78	754,298.55	18,993.51	14,300,000.02	119,973.10
TOTAL OTHER LIABILITIES	$ 53,700,902.01	$ 38,130,231.61	$ 3,495,152.32	$ -92,337.09	$ 764,798.55	$ -63,906.49	$ 57,960,852.88	$ 37,973,988.03
GRAND TOTAL LIABILITIES	$ 2,131,611,262.07	$ -37,066,146.86	$ 1,215,167,907.77	$ -22,678,505.75	$ 352,884,676.01	$ -14,537,602.64	$ 3,699,663,845.85	$ -74,282,255.25
ANALYSIS:								
Deposits Secured by Pledge	$ 158,137,363.36	$ 60,793,166.59	$ 48,997,559.22	$ 7,860,244.93	$ 18,661,646.86	$ 1,239,810.99	$ 225,796,569.44	$ 69,893,222.51
Deposits Not Secured by Pledge	1,803,648,128.83	-137,088,338.07	1,085,732,971.79	-32,421,112.12	309,294,584.11	-16,136,229.34	3,198,675,684.73	-185,645,679.53
TOTAL—DEPOSITS	$ 1,961,785,492.19	$ -76,295,171.48	$ 1,134,730,531.01	$ -24,560,867.19	$ 327,956,230.97	$ -14,896,418.35	$ 3,424,472,254.17	$ -115,752,457.02
Banking House	$ 5,646,687.30	$ 26,016.73	$ 3,976,129.58	$ 39,052.75	$ 1,416,941.62	$ 29,233.15	$ 11,039,758.50	$ 94,302.63
Furniture & Fixtures	1,275,821.07	24,824.81	1,657,327.93	78,580.40	457,785.69	22,996.64	3,390,934.69	126,401.85
TOTAL—Banking House, Furn. & Fixtures	$ 6,922,508.37	$ 50,841.54	$ 5,633,457.51	$ 117,633.15	$ 1,874,727.31	$ 52,229.79	$ 14,430,693.19	$ 220,704.48
Commercial Paper	$ 8,908,987.45	$ -3,288,643.57	$ 9,637,628.12	$ -652,964.88	$ 510,847.59	$ -268,241.37	$ 19,057,463.16	$ -4,209,849.82
Collateral Loans	156,281,293.32	5,587,134.68	59,391,878.60	3,953,413.49	15,532,192.17	708,306.11	231,205,364.09	10,248,854.28
Other Loans	265,459,124.85	11,126,194.57	111,426,652.72	3,024,492.23	34,882,565.01	1,376,587.65	411,768,342.58	15,527,274.45
Farm Loans	1,227,362.23	753,468.33	12,664,557.76	-179,637.07	6,353,520.84	188,692.23	20,245,440.83	762,523.49
Other Real Estate Loans	60,361,348.25	2,446,191.44	83,758,868.54	1,884,414.22	26,158,701.13	1,006,331.92	170,278,917.92	5,336,937.58
TOTAL—LOANS AND DISCOUNTS	$ 492,238,116.10	$ 16,624,345.45	$ 276,879,5[illegible]	$ 8,029,717.99	$ 83,437,826.74	$ 3,011,676.54	$ 852,555,528.58	$ 27,665,739.98

Report of Changes

PERMITS ISSUED

			Capital	Surplus	Reserve	
Maroa	Macon	Bank of Maroa	$ 40,000	$20,000	$10,000	Mar. 27, 1951
Chicago	Cook	Mount Greenwood State Bank 3052 West 111th Street	$200,000	$20,000	$30,000	Apr. 27, 1951

CHARTER ISSUED

			Capital	Surplus	Reserve	
Chicago	Cook	West Irving State Bank of Chicago 6005 W. Irving Park Rd. Henry J. Beutel, President Harry J. Hoffman, Cashier	$240,000	$60,000	$60,000	Apr. 11, 1951

CAPITAL STOCK INCREASED

Bartonville....Peoria............Bartonville Bank
from $30,000 to $75,000....................................**March 1, 1951**

Villa Grove....Douglas..........Villa Grove State Bank
from $25,000 to $50,000....................................**March 31, 1951**

CHANGE OF PAR VALUE OF CAPITAL STOCK

Bartonville....Peoria............Bartonville Bank
from $100 to $50 and the
number of shares from
300 to 1,500....................................**March 1, 1951**

BANKS PLACED IN LIQUIDATION

Armington.....Tazewell.........The Verry Bank....................................**April 14, 1951**

BANKS DISSOLVED

Bloomington..McLean..........First Trust and Savings Bank of Bloomington.........**April 6, 1951**
(In Liquidation Nov. 1, 1930)
Dissolved by order of the Circuit Court
of McLean County.

TITLE GUARANTEE CERTIFICATE ISSUED

			Deposit	
Louisville	Kentucky	Louisville Title Insurance Company (Registered office and agent— Springfield, Sangamon County, Illinois)	$25,000	Feb. 5, 1951

TRUST CERTIFICATE ISSUED

			Deposit	
Aurora	Kane	Aurora National Bank	$50,000	March 26, 1951

TRUST CERTIFICATE CANCELLED

New York......New York......The Commercial National Bank
and Trust Company of New York....................**Apr. 2, 1951**

RECAPITULATION

State Banks in Chicago	25
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	454
Total....April 30, 1951	507

Printed by Authority of the State of Illinois. (30549—6M—6-51)

BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

Vol. 27—No. 4 SPRINGFIELD July 1, 1951

Affairs of Directors

In the more than five hundred Illinois State banks there are bound to be wide differences in procedures and methods as well as extremities in the way affairs are handled and accomplished. Consequently it is felt that the attention of directors might well be called to the importance of certain items that most frequently appear to be overlooked or to be accorded perfunctory treatment. In addition it is quite frequently observed that if certain topics do come before the board for consideration, the expressions and decisions concerning them are only sketchily recorded in the minutes.

The board of directors in an Illinois State bank has the primary responsibility for all matters affecting the safety and soundness of their bank. These directors seem to understand thoroughly that the Illinois Banking Law clearly states that they are elected by the stockholders to serve as managers. The law also places upon them the responsibility to carry on the business of the bank and obligates them to administer its affairs diligently and honestly.

Policy matters regulating the conduct of the bank's affairs are determined and formulated by the board of directors although in many instances, such as those concerning operating policies, an executive officer usually administers the board's decision, acting as closely as possible to such directives. Other matters are strictly affairs of the board and can only be accomplished by them.

Some of the matters falling into the above categories and which are most frequently overlooked by directors or lack evidence that they have received a reasonable amount of consideration seem to justify further discussion. The topics selected for expanded comment are by no means a complete and conclusive listing of topics requiring directors' attention but are affairs that many boards have seemingly not accorded reasonable deliberation or substantiated such deliberation by adequate recording in the minutes of their proceedings.

These items are offered not as matters of general criticism but rather as an itemization of instances that might be reviewed by directors in order that they may consider whether adequate and proper action has been taken and whether such action has been made a matter of corporate record. With a clear and detailed recording of the board's deliberations, the possibility is greatly reduced that complaints, charges and controversies may arise in the future as to whether certain affairs of the board received proper consideration and were accomplished according to the best judgment of the members.

One of the most obvious omissions in the recording of minutes is in their failure to neither detail nor summarize the discussions concerning proposals that end in adverse decisions of the board. For example, in many banks the minutes reflect the directors' approvals of loan applications but contain no mention of applications that have been denied. From such lack of record, where loans have been denied, it might be assumed that every application for credit receives favorable consideration and with no evidence to the contrary the directors might have considerable difficulty in establishing that they have practiced the proper degree of review in credit matters.

Any director dissenting from or disagreeing with a board action should request that the minutes record his stated position. This is of particular importance to a dissenting director if the board's action might involve the directors in a possible personal liability. One instance illustrating this point would be in regard to excess loans whereby the penalty in Section 10 is assessed against those directors and officers who assent to or permit such violations.

It might be well to mention at this point that in matters requiring the decision of the board, all directors are equal. Each has equal power in voting and equal privilege to dissent. The number of shares owned, controlled or represented by a director is of no effect as against the rights of another director and gives no advantage in the exercise of individual opinions.

CASH AND READILY CONVERTIBLE SECURITIES are extremely important matters at all times and bank directors should be constantly familiar with cash positions and secondary reserves. Directors should cause a report on these matters to be made at least at each regular meeting of the board. An analysis of deposits and other public liabilities should be submitted at the same time. This analysis should contain a summary of large deposits and should show any large balances where heavy withdrawals are impending or anticipated. Without all of this information directors are poorly prepared to properly evaluate the immediate operating position of their bank and the board can only assume that their bank is safely within the provisions of Section 11.

FIDELITY COVERAGE, BURGLARY AND ROBBERY INSURANCE AND OTHER INSURABLE RISKS are also important topics to be decided by the board. Since the prevention of losses is a paramount duty of directors, all insurable risks to which the bank is exposed should be thoroughly determined. Because of the wide variety of risks and the different types of coverage, it is usually advisable for the board to have a survey made by a capable insurance adviser. After the directors have decided which risks to insure and have obtained such coverages, however, the board should be constantly alert for changes in the risks to which the bank is exposed as well as for changes in insurable values.

Banking risks such as fidelity, burglary and robbery, forgery, misplacement and mysterious disappearance, messenger, etc. are usually covered in a bankers blanket bond. These bonds are commonly purchased for a three year term although conditions affecting the risks covered by such bonds are subject to changes. Coverages of this type should be reviewed at least once each year so that any advisable revisions may be inserted for the balance of the contract.

Current appraisals on property and equipment are essential elements both in determining values necessary to be insured and in establishing claims for losses. While this is equally important to the board as concerns property of any nature owned or held by the bank, in many cases directors seemingly are not considering present insurable or replacement values and especially in the case of the banking house these properties are often insured only against book values or upon a depreciated cost basis of value. It is generally felt that directors have the responsibility of providing protection against possible losses in actual existing values and that replacement estimates or insurable limits should be checked periodically.

OVERDRAFTS, CASH ITEMS AND OTHER ADVANCES TO CUSTOMERS (other than loans and discounts) are forms of borrowing and are usually unauthorized. The directors should know and control the amount of advances that fall into this nature. The bank's daily record of overdrafts, cash items, withdrawals against float balances and other advances to customers, including cash advanced to trust accounts, should be inspected by the directors at least as frequently as at each regular meeting. By making these periodic inspections the board gains knowledge concerning the extent of such accomodations.

EXPENSE ACCOUNT AND EXPENDITURES OF CAPITAL FUNDS, INCLUDING PURCHASES OF FURNITURE AND EQUIPMENT, are not difficult to examine if properly recorded, and these accounts should be inspected at each regular meeting.

LOANS TO EXECUTIVE OFFICERS (BY OTHER BANKS AND LENDERS). A board of directors or at least its executive committee is entitled to know **and should know** the financial position of the executive officers of their bank.

EXAMINERS' REPORTS AND IMPORTANT LETTERS FROM THIS DEPARTMENT are official communications from the Auditor of Public Accounts and have a direct relationship to the bank's corporate existence. Our examination is therefore an event of importance to the bank and its occurrence should be recorded in the bank's minutes. Likewise, when the report containing the results of the examination is received from this Department, the event should be noted and the letter that usually accompanies the report should be entered upon the corporation minutes. This is particularly so if the letter contains formal requests for corrections and adjustments. The board's reply as well as actions complying with such requests should be shown as they are apt to have a bearing upon the legal status of the bank.

There are many other important matters requiring the board's action. Those listed above most commonly lack satisfactory evidence that proper action has been taken. This Department feels that most of the criticism in these matters actually arises from obscure or incomplete minutes rather than from the lack of adequate consideration by the board.

It is to the interest of every director in fulfilling his obligations and responsibilities that the above items have board action as often as necessary and at least on one occasion during each year. It is equally important that the minutes clearly and accurately record the proceedings pertaining thereto.

Minutes should be written and attested as soon as possible after each meeting. Those written largely from memory and impressions are very apt to produce sketchy and inaccurate records.

Report of Changes

PERMIT ISSUED

			Capital	Surplus	Reserve	
Carrier Mills	Saline	The Egyptian State Bank, 17 North Main Street	$35,000	$14,000	$10,500	May 31, 1951

CAPITAL STOCK INCREASED

New Berlin	Sangamon	First State Bank, from $25,000 to $40,000	May 17, 1951
Chicago	Cook	West Irving State Bank of Chicago, from $240,000 to $350,000	May 25, 1951

CHANGE OF PAR VALUE OF CAPITAL STOCK

New Berlin	Sangamon	First State Bank, from $100.00 to $40.00	May 17, 1951

BANK DISSOLVED

Armington	Tazewell	The Verry Bank (In liquidation April 14, 1951)	May 10, 1951

TRUST CERTIFICATE ISSUED

			Deposit	
Mattoon	Coles	The Central National Bank of Mattoon	$50,000	May 9, 1951
Chicago	Cook	Southmoor Bank of Chicago	$200,000	May 25, 1951

RECAPITULATION

State Banks in Chicago	25
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	454
Total.....May 31, 1951	507

Printed by Authority of the State of Illinois. (33544—6M—7-51)

BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

Vol. 27 No. 5 SPRINGFIELD August 1, 1951

Comparative Figures

The aggregate amounts reported by Illinois State banks on June 30th of the years indicated are tabulated below. The amounts as shown are in millions of dollars.

RESOURCES	1947	1948	1949	1950	1951
Cash and due from banks	$ 672.7	$ 708.6	$ 712.3	$ 684.9	$ 767.9
U. S. gov't obligations	1,660.8	1,710.7	1.708.8	1,733.5	1,682.1
Other bonds, etc.	264.1	295.9	321.1	402.3	402.5
Loans and Discounts	521.8	608.6	642.4	721.3	866.5
All other resources	23.6	24.9	24.1	31.4	31.7
Total resources	$3,143.0	$3,348.7	$3,408.7	$3,573.4	$3,750.7
LIABILITIES					
Deposits	$2,965.4	$3,159.7	$3,209.9	$3,353.9	$3,500.6
Other liabilities	9.4	11.7	10.4	14.3	29.2
Total public liabilities	$2,974.8	$3,171.4	$3,220.3	$3,368.2	$3,529.8
Capital accounts	$ 168.2	$ 177.3	$ 188.4	$ 205.2	$ 220.9

Based on each $100 of deposits and other public liabilities, the following tabulation shows average distribution of resources and the comparative ratio of capital funds:

RESOURCES	1947	1948	1949	1950	1951
Cash and due from banks	$ 22.61	$ 22.34	$ 22.12	$ 20.33	$ 21.75
U. S. gov't obligations	57.77	53.94	53.06	51.47	47.65
Other bonds, etc.	8.88	9.33	9.97	11.94	11.40
Loans and discounts	17.54	19.19	19.95	21.41	24.55
All other resources	.79	.79	.75	.94	.91
Total resources	$ 105.65	$ 105.59	$ 105.85	$ 106.09	$ 106.26
LIABILITIES					
Deposits	$ 99.68	$ 99.63	$ 99.68	$ 99.58	$ 99.17
Other liabilities	.32	.37	.32	.42	.83
Total public liabilities	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00
Capital accounts	$ 5.65	$ 5.59	$ 5.85	$ 6.09	$ 6.26

Total Resources and Liabilities of Illinois State Banks

as reported at the close of business June 30, 1951

(Grouped as to location and showing changes since March 27, 1951)

	City of Chicago 25 Banks	Increase or (-) Decrease	Seventh Federal Reserve District but outside the City of Chicago 343 Banks	Increase or (-) Decrease	Eighth Federal Reserve District 139 Banks	Increase or (-) Decrease	Entire State of Illinois 507 Banks	Increase or (-) Decrease
RESOURCES:								
Cash and Due from Banks	$ 468,152,610.10	$ -11,154,397.10	$ 236,009,681.95	$ 15,589,434.22	$ 63,781,128.91	$ 6,038,659.90	$ 767,943,420.96	$ 10,473,697.02
Outside Checks and Other Cash Items	2,089,016.88	513,898.18	1,644,666.80	689,022.81	273,,693.21	-56,459.28	4,007,376.89	1,146,461.71
U. S. Governments—Direct & Guaranteed	898,369,318.66	3,114,847.43	609,648,115.16	979,697.53	174,052,282.48	3,189,747.02	1,682,069,716.30	7,284,291.98
Other Bonds, Stocks and Securities	260,010,702.06	13,027,437.91	104,404,977.69	3,620,199.54	38,130,248.06	184,727.61	402,545,927.81	16,832,365.06
Loans and Discounts	496,903,712.89	4,665,596.79	281,887,557.70	5,007,971.96	87,706,318.02	4,268,491.28	866,497,588.61	13,942,060.03
Overdrafts	108,782.67	56,075.70	104,031.47	-57,165.25	30,848.41	-25,907.19	243,662.55	-26,996.74
Banking House, Furniture & Fixtures	6,983,795.75	61,287.38	5,622,251.74	-11,205.77	2,006,267.61	131,540.30	14,612,315.10	181,621.91
Other Real Estate	12.00	None	41,223.30	31,621.16	19,378.49	2,597.62	60,613.79	34,218.78
Customers' Liability—Letters of Credit	3,716,550.86	-679,067.99	14,445.50	-68,242.13	None	None	3,730,996.36	-747,310.12
Customers' Liability—Acceptances	536,066.78	107,428.58	35,000.00	35,000.00	None	None	571,066.78	142,428.58
Other Resources	6,172,002.71	1,718,202.41	1,507,868.59	-64,421.94	759,265.73	141,357.65	8,439,137.03	1,795,138.12
GRAND TOTAL RESOURCES	$ 2,143,042,571.36	$ 11,431,309.29	$ 1,240,919,819.90	$ 25,751,912.13	$ 366,759,430.92	$ 13,874,754.91	$ 3,750,721,822.18	$ 51,057,976.33
LIABILITIES:								
Capital Stock	$ 23,690,000.00	$ 350,000.00	$ 21,827,500.00	$ 30,000.00	$ 7,715,500.00	$ None	$ 53,233,000.00	$ 380,000.00
Income Debentures	200,000.00	None	38,000.00	None	None	None	238,000.00	None
Surplus	40,492,500.00	220,000.00	24,835,600.00	204,750.00	7,059,500.00	298,500.00	72,387,600.00	723,250.00
Undivided Profits (net)	18,642,757.35	1,476,170.62	18,875,977.03	408,033.11	5,783,887.11	127,627.74	43,302,621.49	2,011,831.47
Reserve Accounts	35,569,064.61	423,283.47	12,207,389.82	199,459.30	4,027,209.21	-3,677.91	51,803,663.64	619,064.86
TOTAL CAPITAL STRUCTURE	$ 118,594,321.96	$ 2,469,454.09	$ 77,784,46[illegible]	$ 842,242.41	$ 24,586,096.32	$ 422,449.83	$ 220,964,885.13	$ 3,734,146.33
Demand Deposits	$ 1,187,569,170.54	$ 10,536,016.18	$ 783,881,5[illegible]	$ [illegible]4,566,280.31	$ 242,011,878.89	$ 12,538,246.97	$ 2,213,462,626.11	$ 37,640,543.46
Time Deposits	652,130,598.79	18,321,008.63	372,880,055.92	10,693,173.82	98,179,178.70	1,147,850.56	1,123,189,833.41	30,162,033.01
Due to Banks	159,902,914.88	8,960,167.21	2,809,276.98	-419,075.56	1,240,749.85	-210,521.06	163,952,941.71	8,330,570.59
TOTAL DEPOSITS	$ 1,999,602,684.21	$ 37,817,192.02	$ 1,159,570,909.58	$ 24,840,378.57	$ 341,431,807.44	$ 13,475,576.47	$ 3,500,605,401.23	$ 76,133,147.06
Bills Payable	$ 10,000,000.00	$ -28,000,000.00	$ None	$ None	$ 3,250.00	$ -3,250.00	$ 10,003,250.00	$ -28,003,250.00
Rediscounts	None	None	None	None	None	None	None	None
Dividends Unpaid	473,250.00	-23,750.00	131,650.00	75,123.00	38,000.00	34,000.00	642,900.00	85,373.00
Letters of Credit	3,731,900.86	-771,072.19	27,357.00	-69,158.13	None	None	3,759,257.86	-840,230.32
Bank Acceptances	565,732.22	68,394.54	35,000.00	35,000.00	None	None	600,732.22	103,394.54
Other Liabilities	10,074,682.11	-128,909.17	3,370,436.47	28,326.28	700,277.16	-54,021.39	14,145,395.74	-154,604.28
TOTAL OTHER LIABILITIES	$ 24,845,565.19	$ -28,855,336.82	$ 3,564,443.47	$ 69,291.15	$ 741,527.16	$ -23,271.39	$ 29,151,535.82	$ -28,809,317.06
GRAND TOTAL LIABILITIES	$ 2,143,042,571.36	$ 11,431,309.29	$ 1,240,919,819.90	$ 25,751,912.13	$ 366,759,430.92	$ 13,874,754.91	$ 3,750,721,822.18	$ 51,057,976.33
ANALYSIS:								
Deposits Secured by Pledge	$ 151,109,277.98	$ -7,028,085.38	$ 48,045,615.83	$ -951,943.39	$ 18,129,748.12	$ -531,898.74	$ 217,284,641.93	$ -8,511,927.51
Deposits Not Secured by Pledge	1,848,493,406.23	44,845,277.40	1,111,525,293.75	25,792,321.96	323,302,059.32	14,007,475.21	3,283,320,759.30	84,645,074.57
TOTAL—DEPOSITS	$ 1,999,602,684.21	$ 37,817,192.02	$ 1,159,570,909.58	$ 24,840,378.57	$ 341,431,807.44	$ 13,475,576.47	$ 3,500,605,401.23	$ 76,133,147.06
Banking House	$ 5,618,121.71	$ -28,565.59	$ 3,907,295.59	$ -68,833.99	$ 1,540,152.37	$ 123,210.75	$ 11,065,569.67	$ 25,811.17
Furniture & Fixtures	1,365,674.04	89,852.97	1,714,956.15	57,628.22	466,115.24	8,329.55	3,546,745.43	155,810.74
TOTAL—Banking House, Furn. & Fixtures	$ 6,983,795.75	$ 61,287.38	$ 5,622,251.74	$ -11,205.77	$ 2,006,267.61	$ 131,540.30	$ 14,612,315.10	$ 181,621.91
Commercial Paper	$ 6,215,747.99	$ -2,693,239.46	$ 9,220,235.38	$ -417,392.74	$ 458,705.92	$ -52,141.67	$ 15,894,689.29	$ -3,162,773.87
Collateral Loans	142,180,991.85	-14,100,301.47	58,144,293.68	-1,247,584.92	16,640,493.42	1,108,301.25	216,965,778.95	-14,239,585.14
Other Loans	282,349,957.05	16,890,832.20	115,990,292.23	4,563,639.51	37,319,037.10	2,436,472.09	435,659,286.38	23,890,943.80
Farm Loans	1,270,412.61	43,050.38	12,279,861.12	-384,696.64	6,484,168.50	130,647.66	20,034,442.23	-210,998.60
Other Real Estate Loans	64,886,603.39	4,525,255.14	86,252,875.29	2,494,006.75	26,803,913.08	645,211.95	177,943,391.76	7,664,473.84
TOTAL—LOANS AND DISCOUNTS	$ 496,903,712.89	$ 4,665,596.79	$ 281,887,5[illegible]	$ 5,007,971.96	$ 87,706,318.02	$ 4,268,491.28	$ 866,497,588.61	$ 13,942,060.03

Report of Changes

CHARTER ISSUED

			Capital	Surplus	Reserve	
Maroa	Macon	Bank of Maroa	$40,000	$20,000	$10,000	
		101 E. Main Street				July 13, 1951

George H. Waller, President
Roy T. Carlisle, Cashier

PERMIT ISSUED

			Capital	Surplus	Reserve	
Armington	Tazewell	Armington State Bank	$30,000	$10,000	$12,500	
		Northwest Corner of Third and Maple Streets				July 6. 1951

PERMIT CANCELLED

Franklin Park....Cook..........Franklin Park State Bank..............................June 11, 1951

CAPITAL STOCK INCREASED

Hinckley.............DeKalb......Hinckley State Bank..................................June 26, 1951
from $50,000 to $75,000

DURATION OF CHARTER EXTENDED

Chrisman...........Edgar.........State Bank of Chrisman
Charter extended 25 years
from December 21, 1951..............................July 31, 1951

RECAPITULATION

State Banks in Chicago	25
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	455
Total...............July 31, 1951	508

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BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

VOL. 27 -- NO. 6 SPRINGFIELD SEPTEMBER 1, 1951

Legislation

Two measures approved by the 67th General Assembly directly affect banks and while passed by both branches of the Legislature, neither is now in effect as law, since their actual adoptions are dependent upon the action taken by the voters at the next general election.

House Joint Resolution No. 15 is one of these measures. The resolution, as adopted by the General Assembly, proposes a constitutional amendment to replace Section 6 of Article XI. Section 6, as now written in the constitution, provides for a double liability on the stockholders of Illinois banks. The suggested amendment proposes to remove that provision from the constitution and would abolish any similar liability arising from statutes.

Constitutional amendments, when approved by the General Assembly, are required to be submitted to the electors of this State for adoption or rejection at the next election of members of the General Assembly.

The adoption of this amendment to the constitution requires approval by the votes of two-thirds of those voting on this particular amendment or the votes of a majority of those voting at the election, whichever number is less.

A similar amendment to remove the double liability on bank stockholders was submitted to the voters in 1938 and, although receiving the favorable vote of nearly three-fourths of those who voted on the proposal, its adoption failed because at that time the approval of a majority of all persons voting at the general election was required for passage.

House Bill No. 655 is the other measure, and it also must be submitted to a vote of the people at the next general election. This proposal, however, is not a constitutional amendment but is an amendment to the Banking Act, and its ratification therefore requires only a majority of those voting upon that particular question.

Under this proposal, Section 13 of the Banking Act is amended and four new sections (12¼, 12½, 12¾, and 13½) are added. The purpose of these measures is to provide permissive legislation for the conversion of national banks to institutions under state charters and for the merger of national banks with state banks under a state charter.

Explanations of both measures as prepared and distributed at the time that they were under consideration in the Legislature follow in this Bulletin, although those who are taking active interest in the adoption of these measures undoubtedly will prepare and circularize additional information during the interim before the proposals are put to vote.

EXPLANATION OF HOUSE JOINT RESOLUTION NO. 15

The proposed constitutional amendment replaces the present provision imposing bank stockholder liability (Section 6 of Article XI).

I. The amendment has been drafted with the purpose of accomplishing the following:

A. It removes the present double liability provisions from the Constitution and abolishes any similar liability arising from statutes.

B. Constitutional considerations account for the careful language of the amendment. The Federal Constitution (Amendments 5 and 14) and the Constitution of Illinois (Article II, Sections 2 and 14) under the due process provisions and the provisions forbidding the passage of any law impairing the obligation of contract, require that rights which have already vested be protected. This is accomplished as follows:

(a) All creditors entitled to the present double liability provision to whom any bank may already be liable at the date this amendment goes into effect will have one year **after** that date in which to enforce their rights under the terms of the double liability provision.
This is exactly the **same** length of time which they now have. In other words, any such creditor now has one year from the date the liability accrues in which to enforce his claim. (Ill. Rev. Stats. 1949, Ch. 16½, Par. 6 (a) and (b)

(b) Any such creditor whose transaction with a bank occurred **before** this amendment goes into effect, but whose right of action against the bank, by virtue of the terms of the present agreement between the bank and the depositor, does not happen to accrue or arise until **after** this amendment goes into effect, will still have one year **after** the liability becomes enforceable by suit in which to take action on the basis of the **present** double liability provisions.
To illustrate, if a man deposits $50,000 in a bank in 1951 under an agreement to leave the money on deposit until March 10, 1960; and if this amendment is adopted on November 4, 1952; and if this depositor on March 10, 1960 tries to withdraw it and is told that the bank has insufficient funds on hand to pay him then the depositor can at any time, between March 10, 1960 and March 10, 1961 file a suit under the **present** double liability provision. As in (a) above, this is exactly the same time as the **present** law allows.

(c) Any such creditor whose right of action would accrue whenever he makes a demand on the bank is by this amendment allowed one year **after** the amendment goes into effect in which to make this demand and file suit under the **present** double liability provision.
If he does **not** make demand and file suit within one year after this amendment goes into effect, then he cannot bring any action at any time under the double liability provision. This again is the same as the **present** law.

C. Future laws imposing any similar double liability are prohibited.

II. The purpose of this proposed amendment is to strengthen the financial condition of our Illinois state banks and encourage their growth. The present constitutional provision (a) discourages investment of additional capital in existing state banks, and (b) tends to discourage formation of new state banks, and to encourage conversion of state banks into national banks.

Only two other states (Minnesota and Arizona) retain a provision similar to the present Illinois provision.

The Federal government abolished the double liability of the stockholders of **national** banks in 1935.

The present Federal Deposit Insurance Act gives 100% protection to all deposits of $10,000 or less in every bank (either state or national) which is a member of the FDIC. (Only 9 banks in the entire State of Illinois do not belong.)

EXPLANATION OF HOUSE BILL NO. 655 IN SENATE

House Bill No. 655 is a bill for an act to amend one section of the banking law and to add four sections thereto. Its purpose is to provide enabling legislation so that national banks may consolidate with state banks under state charter or may convert from a national bank to a state bank if the stockholders of the national bank so desire.

For many years the federal laws have authorized a state bank in any state to consolidate with a national bank under national charter, or to convert from a state bank to a national bank, but the federal laws have not previously authorized a national bank to become a state bank. It was the consensus that any bank should be free to transfer from the national banking system to the state banking system, as well as from the state banking system to the national banking system, in order to make the dual system of banks effective and provide proper checks and balances. Accordingly, Congress, in the Fall of 1950, enacted H. R. 1161, which provides for the conversion of national banking associations into and their merger or consolidation with state banks if the national banking associations and their stockholders follow the course of action prescribed in the federal act.

In order to make H. R. 1161 effective in the various states, it is deemed necessary to have enabling legislation in the state banking laws. House Bill No. 655 has been prepared for this purpose. It authorizes one or more national banks, upon the approval of the Auditor of Public Accounts, to consolidate with one or more state banks under state charter if the national bank takes the action prescribed by the laws of the United States. In addition, it permits a national bank in Illinois, upon approval by the Auditor, to convert into a state bank if the national bank follows the procedure prescribed by federal law. The act also sets up certain requirements which the banks must meet before the Auditor shall approve any such proposed consolidation or conversion.

This amendatory act must be submitted to a vote of the people for their ratification in accordance with Section 5 of Article XI of the Constitution of Illinois.

Report of Changes

CHARTER ISSUED

			Capital	Surplus	Reserve
Chicago	Cook	Mount Greenwood State Bank	$200,000	$20,000	$30,000
		3052 W. 111th Street			August 8, 1951

Albert A. Payne, President
George A. Noonan, Cashier

DURATION OF CHARTER EXTENDED

Mount Sterling . . Brown . . . Brown County State Bank
Charter extended 50 years
from September 3, 1951 .... August 24, 1951

BANK DISSOLVED

Atlanta ...... Logan .... Peoples Bank of Atlanta .... August 17, 1951
(In liquidation December 2, 1950)

RECAPITULATION

State Banks in Chicago	26
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	455
Total—August 31, 1951	509

Printed by Authority of the State of Illinois. (37284—6M—10-51)

BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

VOL. 27—NO. 7 SPRINGFIELD OCTOBER 1, 1951

Bank Supervisors Convention

Illinois was the host state at the 50th annual convention of the National Association of Supervisors of State Banks held in St. Louis, Missouri, during the latter part of September. Because the address of State Auditor Benjamin O. Cooper to the convention group so clearly outlined the philosophy and policies of the Illinois banking department, we believe it will be of interest to Illinois bankers. The text follows:

"I don't know whether it is apparent to you or not, but this morning I'm filled with pardonable (I hope) regional pride. I'm happy to welcome you to the great Middlewest. We out here think our make-up is a happy synthesis of the staid, conservative east, the rugged open-minded west, the steady, solid north, and the hospitable south. So I hope that among the many facets of our personality all of you will find some common qualities to make you feel at home while you are among us. . . . .

"This year's convention is a very special landmark in the association's history—the fiftieth year since a small group of bank supervisors from nine states met in the Cadillac Hotel at Detroit, Michigan, to form this organization. It was a progressive band of state supervisors who foresaw the need for such a medium of communication and action even before three of our present commonwealths had attained statehood. In that first convention in 1902 the supervisors represented the states of Michigan, Minnesota, South Dakota, New York, Iowa, Maine, Wisconsin, Illinois and Ohio.

"And the next year 1903, representatives of those states and supervisors from nine additional states, joined in a session at Buffalo, New York. There they formalized their objectives in our association constitution.

"Since that time this nation has passed from the gaslight era to the atomic age, but our founders' ingenuity, their wisdom, and their zeal for better public service is as fresh and as compelling and as sound today as it was fifty years ago.

"In this our golden anniversary may we examine ourselves to see how well we are living up to the purport, the aims and the desires of that original group as they expressed themselves in the preamble to our Constitution. I quote from the text as it appeared in the 1903 proceedings:

'In order to increase the usefulness and efficiency of the state banking departments, and to promote the general welfare of the institutions under their supervision by securing a greater uniformity of methods among the departments and in the laws of the various states; and for the practical benefits to be derived from personal acquaintance and the discussion of subjects of importance to the banking and commercial interests of this country, and especially in order to secure the proper consideration of questions regarding the supervision and examination of banks and the banking laws of various states, and for the mutual assistance and benefit to each other; we, the state officials having supervision of all kinds of state banking institutions, have associated ourselves together'.

"Two kinds of examinations during this anniversary meeting suggest themselves from this preamble—a review and testing of our activities and our mutual undertakings as an association, and a self-appraisal of our individual operations as supervisors. It remains, of course, for others and even time, to pass the final judgment on the success or failure of our work.

"As for myself, I can say with a clear conscience that I have tried to administer the Illinois banking law impartially and fearlessly, never losing sight of the fact that the ultimate result must serve the public whose money is entrusted to institutions under my supervision. Most of the time the course is clearly marked with no alternative; again it may be fraught with many angles, many problems, with many pressures so that the final decision is arrived at only after long hours of deliberation and weighing of the facts at hand.

"It was at our Reno Convention in 1949 that I first met with members of this Association. Some of you may recall that I referred to myself quite frankly and humbly as a tyro in the business of bank supervision. At that time the phrase 'dual banking system' simply meant to me that there were two banking systems operating in the United States, namely, State and National. During the ensuing two years I can fairly and frankly say that my understanding and appreciation of the meaning of the dual banking system to our 48 States has fully matured. I have learned what the right to create and supervise the operation of its own financial institutions means to an individual State.

"I learned this not only as the supervisor of 508 state chartered banks with resources in excess of 2 billion dollars, but as the supervisor of 472 state chartered building and loan associations with resources of approximately 1 billion dollars; as the supervisor of 860 Credit Unions with a membership of nearly half a million, and resources in excess of 100 million dollars; as the supervisor of 590 Currency Exchanges with resources of 14 million dollars that annually issue over 360 million dollars in money orders and that last year cleared over one-and-a-fourth billion dollars of checks; as the supervisor of 879 Cemetery Authorities holding Cemetery Care Funds of over 20 million dollars; as the supervisor of 166 corporations accepting and executing Trusts with trust property holdings in excess of nine billion dollars.

"Here we have 3,475 public financial institutions that are creatures of the laws of the State of Illinois and 88 that receive a part of their powers from the State of Illinois holding property of citizens of the State of Illinois in excess of 12 billion dollars. These institutions represent an important segment of our Illinois economy. Their governing laws may be expanded or abridged to meet the economic needs of the citizens of Illinois by their legislative representatives. Having seen these institutions at work and having participated in the deliberations of our recently adjourned legislature in which the laws governing the institutions under my supervision were considered and needed amendments enacted, I am now able to say that I clearly understand the meaning of the dual banking system and all that the terminology implies. I understand with equal clarity the vital need for not only preserving the dual banking system, but strengthening it wherever we can.

"When I speak out and resist efforts to encroach on the dual banking system, as I have, I do so without any selfish reasons or bias, but simply because I believe that preservation and maintenance of the dual banking system is vital, because no single system could ever be as responsive to the varying needs and the peculiarities that exist in banking needs across the country.

"Supervision of the national system must necessarily express a broad national viewpoint and objective, while state supervision must necessarily recognize the economy of the individual locality.

"Our Illinois law is the simplest and clearest code of banking statutes of any of the 48 States. It avoids operating patterns, but sets up barriers beyond which sound bank operation may not go. It looks on the banks it charters as independent enterprises of individual and distinctive characters.

"The individual character of the various state banks is not peculiar to Illinois; it exists in all states, and that is why I feel so strongly that we cannot delegate our statutory authority for examinations and supervision to others, or permit others to assume those prerogatives. This responsibility is primarily ours and in Illinois I have no alternative but to perform, for in the final analysis, if I permit the organization of a bank, or refuse a charter, or for that matter, if adversity strikes a bank the statutory responsibility or official decision and action lies in my office, and no matter what some other agency might have had to do with it, the responsibility is mine by law, and certainly in the eyes of the public.

"In supervising Illinois state banks, we do not use the statistical approach to individual problems. We do not think that mathematical formulae provide the solution to such problems. For example, we in Illinois have never standardized fidelity bond coverage. For the past 30 years we have dealt with it as an individual bank problem and obtained complete coverage before present standards were even thought of. Likewise, in capital problems there have been desirable increases, but unfortunately the method advocated by others to bring adjustments about has caused some managements to resist providing the capital that they actually needed.

"My suggestion would be that we continue to resist this blue print type of supervision. There is no substitute for independent judgment based upon experience and local analysis. Even though it is subject to human error, it will remain the best system yet devised for dealing with community enterprises.

"It goes without saying that a capable staff is essential to such a sound system of examinations. In Illinois we feel that we have a highly professional and stabilized staff. Even though the staff is not under Civil Service, more than 50 percent of the examining personnel have been with the department 10 years or more; many have been on the staff upwards of 15 years; and eight men in key positions have been in the banking department more than 25 years. In keeping the staff built up, trainees must qualify with educational and work backgrounds that point to their eventual competence as bank examiners.

"The stability of the Illinois examining staff reflects not only my own desire to have the finest, most qualified staff available, but that of my predecessors before me. This is a too highly specialized field of public service to be subjected to political whims or political expediency.

"Perhaps something of the esprit de corps among the Illinois examiners may be found in the oft-repeated statement of one of my head examiners who has been with the department 25 years.

"Though he has had many offers during the years to join private institutions, he could never bring himself to leave the department. For as he says, 'I can truthfully say that I have never had a dull or uninteresting day since I joined the department.'

"In conclusion, may I say that when we finally wind up our program on Saturday, I can only wish that the concensus will be that this has been the most informative, the most helpful and the most entertaining convention of any of the 49 which have gone before."

Report of Changes

PERMIT ISSUED

			Capital	Surplus	Reserve
Palmyra	Macoupin	Bank of Palmyra	$50,000	$10,000	$20,000
		100 South Main Street			Sept. 12, 1951

CHARTER ISSUED

			Capital	Surplus	Reserve
Carrier Mills	Saline	The Egyptian State Bank	$35,000	$14,000	$10,500
		17 North Main Street			Sept. 27, 1951

Clyde O'Keefe, President
Walter J. Forester, Cashier

RECAPITULATION

State Banks in Chicago	26
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	456
Total—September 30, 1951	510

Printed by Authority of the State of Illinois. (39141—6M—10-51)

BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

VOL. 27 — NO. 8 SPRINGFIELD NOVEMBER 1, 1951

A Banker Looks at His Supervisor

Excerpts from the address of C. Francis Cocke, President of the American Bankers Association (also President of The First National Exchange Bank of Roanoke, Roanoke, Virginia) at the Golden Anniversary Convention of the National Association of Supervisors of State Banks, St. Louis, Mo., September 27, 1951.

"My understanding of the technical aspects of your work is too limited for me to venture on such a subject. You deal with the administration of banking laws daily; and although I am a lawyer by training, I could scarcely hope to prepare for and intelligently discuss the banking laws of even a few states in the time at my disposal. It occurred to me, however, that you might be interested, and perhaps find something of value, in a brief resume of a banker's view of supervision and supervisors. I think it does us all good on occasion to learn how the other fellow regards us and our work. On such a subject I feel qualified to speak, for, through the year, I have had many intimate contacts with supervisors and sat across the desk from examiners on many and many an occasion. But more than that, I have heard the complaints, justified and unjustified, that have been leveled at examiners, as I have mingled at state and national gatherings of bankers . . . .

"With you, I rejoice that the examiner is no longer regarded as a 'detective', to be dealt with at arm's length. We have made great strides in achieving mutual understanding and developing greater cooperation. With increasing infrequency do we find examiners whose approach to each examination is one of: what can I find to criticize in this bank? There is still room, however, for further improvement. Many examiners and some supervisors might well take a leaf from the salesman's book with profit to themselves and to banking.

"No American can be driven into cooperation. On this score, bankers are true Americans. They resent the idea of supervision even when acknowledging its need—and surely the horrible record of bank closings in the '20s and '30s clearly emphasized this need, in a banking system comprised of thousands of individual banks. Nevertheless, the idea of regimentation is abhorrent to the banker. Consequently, the 'big stick' approach only makes matters worse and is to be avoided. We just naturally resent coercion. Supervisors and examiners, then, should adopt the salesman's approach and 'sell' their product on its merits.

"Such an approach involves an appreciation of the other fellow's viewpoint and scrupulous avoidance of unnecessary provocation. Perhaps nothing upsets the bank executive more than to receive a copy of a report, which he must present to his directors, that lists criticisms and adverse loan classification that the examiner never discussed with him. If the criticisms are sound, he resents not having had the opportunity to take prompt corrective action; if they are ill founded—a fact that could have been developed by discussion in the bank—respect for the examiner and for supervision reaches a new low. The cardinal rule for an examiner should be to get his facts first, and such facts can scarcely be developed without discussion of the matter with the bank executive. Moreover, the simple element of courtesy dictates that the officer be advised of the examiner's views and be given an opportunity to offer an explanation or additional facts in extenuation. The report should take cognizance of such discussion by citing the explanation or at least the fact of the officer's disagreement with the finding, when such is the case.

"Another source of irritation is the tendency of too many examiners to pull out the book and cite 'violations.' So often, when the banker undertakes to sit down and discuss the logic and reason behind the rule or regulation, he finds the examiner no better posted than he is, except for the knowledge that such a limitation exists. Most of our laws, regulations, and administrative rules were developed out of sad experience and are founded on sound concepts. It should be part of the bank examiner's training to be well grounded in the 'raison d'etre' of the laws, regulations, and orders that it is his responsiblity to enforce. Most of us yield to reason, even when we don't feel that our particular situation warrants the prohibition.

"Examiners naturally employ ratios as rules-of-thumb for expressing various relationships, and that is wholly proper. Some examiners, however, come to regard ratios as important 'per se'—almost sacrosanct. In these recent postwar years, loan volume has been a frequent subject of comment in examination reports and in letters from bank supervisors. Likewise, considerable reference has been made to the inadequacy of capital. When is loan volume too high? What constitutes adequate capital? These questions are reminiscent of the words of a popular song, 'How deep is the ocean; how high is the sky?' Whether loans are too high or capital too low is not simply a matter of ratios. It is dependent upon a variety of factors; such as, the character and composition and quality of the portfolio, the deposit structure, the capacity of management, and local and general economic conditions at the time and in prospect. These are matters for determination in the case of each individual bank—certainly no 'average' is an adequate guide. An average includes extremes: like the man with his feet in the fire and his head on a block of ice—a statistician might say that 'on the average' he was comfortable. So, I say beware of making a fetish of ratios; on the contrary, use them for their true purpose—as danger flags—and support your criticisms with competent analysis of the particular situation.

"Still another irritant—and a wholly unnecessary one—is the tendency among so many examiners to overemphasize technical exceptions and matters of minor importance. If supervision is to enjoy the wholesome respect of bankers, then it is essential that examiners distinguish between the truly significant and the relatively inconsequential. That is one reason why I urge that examiners be men of perspective; men with a proper sense of values, who will not detract from the value of their reports by cluttering it up with matters of slight consequence. Usually the mere mention of such features during the course of the examination will be sufficient. Only when continued disregard and the cumulative effect reflects upon management is it worthy of being brought to the attention of directors. Bankers simply cannot avoid placing less value upon the examination and having less respect for the examiners when trivia are so dignified.

"As part of his job, the examiner must inquire into and express opinions on all phases of a bank's operations. Generally he is as well qualified to do this, as are most bankers. The attitude with which he approaches the job, however, is all-important, for nothing is more irritating than the occasional examiner who poses as an expert in all fields. If he is dogmatic in his 'Monday morning quarterbacking,' he will arouse resentment even when he is right. In other words, it is not the act itself—the opinion expressed—but the manner in which it is done that draws the banker's criticism.

"Finally, though it is so obvious as to require no elaboration, none of us likes to be told how to run our business. I am sure that supervisors generally recognize that no phase of their work requires greater care than recognition and observance of the tenuous line of demarcation between the banker's responsibility for operating the bank and the examiner's responsibility for pointing out weak spots and unsound policies. In his discussions and in his report, the examiner should exercise extreme care not to invade the province of management. Failure to hew to the line in this respect will invariably impair the close working relationship that holds maximum benefits for both banker and supervisor. . . .

"Fundamentally, examinations and supervision should be constructive. Better trained and better informed examiners will undoubtedly contribute to this end. Maximum results can be achieved only through cooperation and mutual respect and understanding. Supervisors and examiners work toward that goal when, in salesmanlike fashion, they take pains to explain, to analyze, and to marshal facts so that bankers will feel constrained to accept the obvious conclusions. Logic and moral suasion will win more real victories than any other approach; if not, then most likely the facts, logic, or salesmanship fell short in some respect. I say most likely, for there are extreme exceptions. There are bankers, too, with dangerously swollen loan portfolios and woefully inadequate capital structures—bankers sorely in need of guidance; and that is what they should receive—guidance rather than arbitrary demands and dogmatic requirements. It is with these banks that a time-consuming selling job is most important; it is with these banks that supervisors can make their largest contribution.

"Banker and supervisor, each in his own sphere working toward the goals of a stronger banking system offering improved banking services, have much to offer each other. Greater understanding and mutual respect between them will bring these goals much closer to realization."

Report of Changes

PERMITS ISSUED

			Capital	Surplus	Reserve
Charleston	Coles	Coles County State Bank	$100,000	$50,000	$25,000
		600 Sixth Street			October 15, 1951
Hanover	Jo Daviess	Hanover State Bank	60,000	6,000	6,000
					October 15, 1951

CHANGES OF LOCATION

Western Springs . . Cook . . . . . Western Springs State Bank
from 901 Burlington Street,
to 833 Burlington Street . . . . October 8, 1951

Riverdale . . . . Cook . . . . First Trust and Savings Bank of Riverdale
from 13702 Indiana Avenue,
to 13704 Indiana Avenue . . . . October 15, 1951

CAPITAL STOCK INCREASED

River Forest . . Cook . . . . River Forest State Bank
from $150,000 to $200,000 . . . . October 29, 1951

TRUST CERTIFICATE ISSUED

			Deposit	
St. Louis	Missouri	Mercantile Trust Company	$125,000	October 16, 1951

RECAPITULATION

State Banks in Chicago	26
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	456
Total—October 31, 1951	510

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BANKING BULLETIN

ISSUED BY

BENJAMIN O. COOPER

Auditor of Public Accounts

STATE OF ILLINOIS

VOL. 27 — NO. 9 SPRINGFIELD DECEMBER 1, 1951

1952

As we enter into the New Year, may I extend the sincere good wishes of myself and my staff.

The splendid cooperation that has been given to me and to my office is greatly appreciated. It is my desire that it be maintained in the same friendly spirit, and that the BULLETIN will continue to be an instrument of helpfulness and of interest to you.

Sincerely,

Benjamin O. Cooper

Total Resources and Liabilities of Illinois State Banks

as reported at the close of business September 28, 1951

(Grouped as to location and showing changes since June 30, 1951)

	City of Chicago		Seventh Federal Reserve District but outside the City of Chicago		Eighth Federal Reserve District		Entire State of Illinois	
	26 Banks	Increase or (-) Decrease	344 Banks	Increase or (-) Decrease	140 Banks	Increase or (-) Decrease	510 Banks	Increase or (-) Decrease
RESOURCES:								
Cash and Due from Banks	$ 487,597,590.54	$ 19,444,980.44	$ 242,244,239.10	$ 6,234,557.15	$ 72,779,089.60	$ 8,997,960.69	$ 802,620,919.24	$ 34,677,498.28
Outside Checks and Other Cash Items	1,841,382.13	-247,634.75	1,017,593.89	-627,072.91	289,155.46	15,462.25	3,148,131.48	-859,245.41
U. S. Governments—Direct & Guaranteed	923,775,285.51	25,405,966.85	627,935,903.38	18,287,788.22	179,068,824.37	5,016,541.89	1,730,780,013.26	48,710,296.96
Other Bonds, Stocks and Securities	235,598,855.98	-24,411,846.08	106,687,391.37	2,282,413.68	39,388,143.01	1,257,894.95	381,674,390.36	-20,871,537.45
Loans and Discounts	522,534,271.34	25,630,558.45	298,213,338.09	16,325,780.39	90,674,313.45	2,967,995.43	911,421,922.88	44,924,334.27
Overdrafts	99,574.46	-9,208.21	166,162.40	62,130.93	43,080.65	12,232.24	308,817.51	65,154.96
Banking House, Furniture & Fixtures	6,982,163.16	-1,632.59	5,810,188.67	187,936.93	1,993,204.78	-13,062.83	14,785,556.61	173,241.51
Other Real Estate	12.00	None	44,770.62	3,547.32	25,536.48	6,157.99	70,319.10	9,705.31
Customer's Liability—Letters of Credit	2,757,928.40	-958,622.46	20,450.00	6,004.50	None	None	2,778,378.40	-952,617.96
Customer's Liability—Acceptances	530,506.82	-5,559.96	35,000.00	None	None	None	565,506.82	-5,559.96
Other Resources	6,077,519.15	-94,483.56	1,492,926.02	-14,942.57	802,976.93	43,711.20	8,373,422.10	-65,714.93
GRAND TOTAL RESOURCES	$2,187,795,089.49	$ 44,752,518.13	$1,283,667,963.54	$ 42,748,143.64	$ 385,064,324.73	$ 18,304,893.81	$3,856,527,377.76	$ 105,805,555.58
LIABILITIES:								
Capital Stock	$ 23,890,000.00	$ 200,000.00	$ 21,867,500.00	$ 40,000.00	$ 7,750,500.00	$ 35,000.00	$ 53,508,000.00	$ 275,000.00
Income Debentures	200,000.00	None	38,000.00	None	None	None	238,000.00	None
Surplus	40,512,500.00	20,000.00	25,110,600.00	275,000.00	7,073,500.00	14,000.00	72,696,600.00	309,000.00
Undivided Profits (Net)	19,944,746.09	1,301,988.74	21,537,339.80	2,661,362.77	6,740,480.80	956,593.69	48,222,566.69	4,919,945.20
Reserve Accounts	37,960,037.32	2,390,972.71	12,586,200.53	378,810.71	4,092,549.08	65,339.87	54,638,786.93	2,835,123.29
TOTAL CAPITAL STRUCTURE	$ 122,507,283.41	$ 3,912,961.45	$ 81,1[illegible]640.33	$ [illegible],355,173.48	$ 25,657,029.88	$ 1,070,933.56	$ 229,303,953.62	$ 8,339,068.49
Demand Deposits	$1,222,988,361.97	$ 35,419,191.43	$ 815,[illegible].6.16	$ [illegible]20,039.48	$ 256,041,502.24	$ 14,029,623.35	$2,294,931,480.37	$ 81,468,854.26
Time Deposits	658,967,356.38	6,836,757.59	379,4[illegible],813.35	[illegible],560,757.43	100,940,141.12	2,760,962.42	1,139,348,310.85	16,158,477.44
Due to Banks	167,496,123.60	7,593,208.72	3,317,941.15	508,664.17	1,676,775.95	436,026.10	172,490,840.70	8,537,898.99
TOTAL DEPOSITS	$2,049,451,841.95	$ 49,849,157.74	$1,198,660,370.66	$ 39,089,461.08	$ 358,658,419.31	$ 17,226,611.87	$3,606,770,631.92	$ 106,165,230.69
Bills Payable	$ 1,700,000.00	$ -8,300,000.00	$ None	$ None	$ 3,250.00	$ None	$ 1,703,250.00	$ -8,300,000.00
Rediscounts	None	None	None	None	None	None	None	None
Dividends Unpaid	465,000.00	-8,250.00	11,000.00	-120,650.00	None	-38,000.00	476,000.00	-166,900.00
Letters of Credit	2,786,665.10	-945,235.76	29,724.08	2,367.08	None	None	2,816,389.18	-942,868.68
Bank Acceptances	607,782.46	42,050.24	35,000.00	None	None	None	642,782.46	42,050.24
Other Liabilities	10,276,516.57	201,834.46	3,792,228.47	421,792.00	745,625.54	45,348.38	14,814,370.58	668,974.84
TOTAL OTHER LIABILITIES	$ 15,835,964.13	$ -9,009,601.06	$ 3,867,952.55	$ 303,509.08	$ 748,875.54	$ 7,348.38	$ 20,452,792.22	$ -8,698,743.60
GRAND TOTAL LIABILITIES	$2,187,795,089.49	$ 44,752,518,13	$1,283,667,963.54	$ 42,748,143.64	$ 385,064,324.73	$ 18,304,893.81	$3,856,527,377.76	$ 105,805,555.58
ANALYSIS:								
Deposits Secured by Pledge	$ 145,079,545.07	$ -6,029,732.91	$ 47,414,275.58	$ -631,340.25	$ 19,097,125.11	$ 967,376.99	$ 211,590,945.76	$ -5,693,696.17
Deposits Not Secured by Pledge	1,904,372,296.88	55,878,890.65	1,151,246,095.08	39,720,801.33	339,561,294.20	16,259,234.88	3,395,179,686.16	111,858,926.86
TOTAL—DEPOSITS	$2,049,451,841.95	$ 49,849,157.74	$1,198,660,370.66	$ 39,089,461.08	$ 358,658,419.31	$ 17,226,611.87	$3,606,770,631.92	$ 106,165,230.69
Banking House	$ 5,655,200.27	$ 37,078.56	$ 3, 969,764.05	$ 62,468.46	$ 1,478,344.83	$ -61,807.54	$ 11,103,309.15	$ 37,739.48
Furniture & Fixtures	1,326,962.89	-38,711.15	1,840,424.62	125,468.47	514,859.95	48,744.71	3,682,247,46	135,502.03
TOTAL—Banking House, Furn. & Fixtures	$ 6,982,163.16	$ -1,632.59	$ 5,810,188.67	$ 187,936.93	$ 1,993,204.78	$ -13,062.83	$ 14,785,556.61	$ 173,241.51
Commercial Paper	$ 7,422,623.79	$ 1,206,875.80	$ 10,819,932.90	$ 1,599,697.52	$ 512,384.00	$ 53,678.08	$ 18,754,940.69	$ 2,860,251.40
Collateral Loans	148,811,202.34	6,630,210.49	61,553,749.48	3,409,455.80	17,267,548.34	627,054.92	227,632,500.16	10,666,721.21
Other Loans	297,786,459.93	15,436,502.88	124,054,973.09	8,064,680.86	38,965,304.12	1,646,267.02	460,806,737.14	25,147,450.76
Farm Loans	116,442.90	-1,153,969.71	12,459,750.92	179,889.80	6,733,661.71	249,493.21	19,309,855.53	-724,586.70
Other Real Estate Loans	68,397,542.38	3,510,938.99	89,324,931.70	3,072,056.41	27,195,415.28	391,502.20	184,917,889.36	6,974,497.60
TOTAL—LOANS AND DISCOUNTS	$ 522,534,271.34	$ 25,630,558.45	$ 298,[illegible]38.09	$ [illegible]5,780.39	$ 90,674,313.45	$ 2,967,995.43	$ 911,421,922.88	$ 44,924,334.27

Report of Changes

CHANGE OF LOCATION

Elmhurst.....DuPage .....York State Bank
from 527 S. York Street
to 536 S. York Street ....Nov. 2, 1951

CAPITAL STOCK INCREASED

New Athens..St. Clair......State Bank of New Athens
from \$60,000 to \$75,000 ....Nov. 1, 1951

Elmhurst.....DuPage...... York State Bank
from \$100,000 to \$210,000 ....Nov. 2, 1951

CHANGE OF PAR VALUE OF CAPITAL STOCK

New Athens..St. Clair......State Bank of New Athens
from \$100.00 to \$25.00 ....Nov. 1, 1951

CONVERTED INTO NATIONAL BANK

Chicago......Cook.........Steel City Bank of South Chicago
to The Steel City National Bank of Chicago ......Nov. 15, 1951

BANK PLACED IN LIQUIDATION AND DISSOLVED

Walpole......Hamilton.....Walpole State Bank ....Nov. 9, 1951

RECAPITULATION

State Banks in Chicago	25
State Banks in Cook County outside Chicago	28
State Banks in Illinois outside Cook County	455
Total November 30, 1951	508

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