IMPACT OF THE WAR ON BANK ASSETS AND EARNINGS

I. Significant changes in asset and liability structure.

a. Basic changes in uses and sources of funds.

1. Demand deposits.

   Doubled between 1933 and 1939.
   Tripled between 1933 and 1942.

   a. 40 per cent of increase since 1933 result of $15 billion increase in monetary gold stock.
   b. 60 per cent created by banks.

2. Loans and investments

   a. World War I.

      1914-1919 loans increased $12 billion including $2 billion in war paper.
      Holdings of Governments increased only $2.6 billion.
      Slogan - "Borrow and Buy"

   b. World War II.

      From October 2, 1939 to June 30, 1942 loans increased only $3.7 billion.
      Holdings of Governments increased $10 billion.
      Slogan - "Save and Buy"

B. Implications of changes in character of bank assets.

1. to capital ratio.

   a. In 1843 = 200 per cent, yet banks failed.
      In 1914 = 20 per cent.
      In December 1941 = 10 per cent.
      In June 1942 = Ca. .9 per cent.
      Now, probably 8-9 per cent.

   b. Discussion of more significant ratio.
2. Implications to earnings and dividends.
   a. Total dollar earnings will increase.
   b. Conservative dividend policy.

II. Banking conditions in Atlantic and Cape May counties.

A. Type of banking business.
   1. Had population of
      Atlantic - 124,066
      Cape May - 28,919
   2. Agriculture
   3. Industry
   4. Tourist trade.

B. Loans and discounts
   1. Type

<table>
<thead>
<tr>
<th></th>
<th>Cape May</th>
<th>Atlantic</th>
<th>District</th>
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</thead>
<tbody>
<tr>
<td>Commercial, industrial, farm</td>
<td>22.6</td>
<td>25.2</td>
<td>29.4</td>
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<td>4.8</td>
<td>2.3</td>
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<tr>
<td>Loans to brokers &amp;</td>
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<td>5.1</td>
<td>2.1</td>
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<tr>
<td>Other securities</td>
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<tr>
<td>loans</td>
<td>1.7</td>
<td>.4</td>
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<tr>
<td>Real estate loans</td>
<td>25.3</td>
<td>29.1</td>
<td>33.0</td>
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<tr>
<td>Loans to banks</td>
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<td>2.1</td>
<td>8.0</td>
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<tr>
<td>All other loans</td>
<td>53.4</td>
<td>45.3</td>
<td>31.0</td>
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   Consumer loans
   Retail Installment paper purchased | 2.6 | 1.1 | 3.3
   Retail Installment paper direct loans | 2.0 | 1.4 | .9
   FHA Title I loans | 2.6 | 2.1 | 1.1
   Personal Installment each line | 2.6 | 4.7 | 1.7

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