



# ANNUAL REPORT to the Stockholders

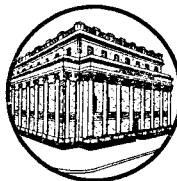
**FEDERAL RESERVE BANK of MINNEAPOLIS**

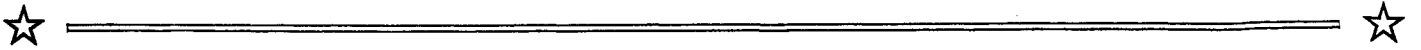
**To the Stockholders of the  
Federal Reserve Bank of Minneapolis**

We are pleased to present our annual report for the year 1945, with certain comparative data for the year 1944.

*President*

**1945**





# Comments on the Federal Reserve Bank Statement

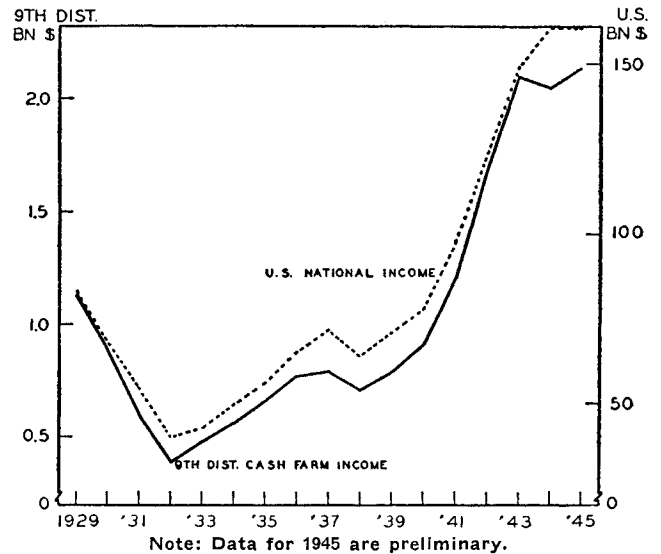
**1945** was a record year. This is hardly news, but the banks, as the nation's bookkeepers, are peculiarly sensitive to the pulse beats of business activity. The ebb and flow and the rise and fall in business activity are inevitably recorded in one or the other of the banks' many war and peace activities.

Bank deposits for the Ninth District in 1945 pushed up to all-time highs. By the end of the year, Ninth District depositors were carrying 23.6 percent more funds in their deposit balances than a year earlier, and 192.4 percent more than in 1940. While the expansion in deposits from 1940 was general throughout the district, North Dakota and South Dakota banks paced the entire district with their deposit increases of 476.7 and 264.9 percent, respectively.

The cause of the expansion in total deposits is not at all mysterious. Deposits all over the nation have been rising during the war years, and are approximately double the volume in 1941. This doubling occurred because the banks purchased large quantities of government securities as a part of the war financing program. But banks in our district have outdistanced the average for the nation as a whole in the rate of their deposit expansion.

The reason for the relatively greater growth in bank deposits in our area is not difficult to explain. With the exception of two substantial industrial and metropolitan areas, agricultural incomes called the tune for business activity in the Ninth District. A once-in-a-century combination of phenomenally large crops and wartime prices has doubled agricultural income in this area. The expansion was greatest in the Dakotas and Montana. At the time cash farm incomes in the Ninth District were rising so rapidly, national income for the entire nation was turning in impressive scores, but the relative rise was not so great.

## U. S. NATIONAL INCOME AND NINTH DISTRICT CASH FARM INCOME, 1929-1945



On the other hand, the types of products heavily in demand with high incomes — automobiles, new houses, refrigerators, and other hard goods—were not in production because these were the plants and industries and raw materials needed for war production. This explains the persistent tendency during the war for retail sales to lag far behind the rise in incomes, with a consequent backing up of purchasing power in the deposit balances of the banks' customers.

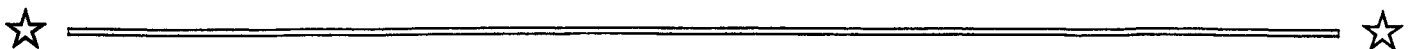
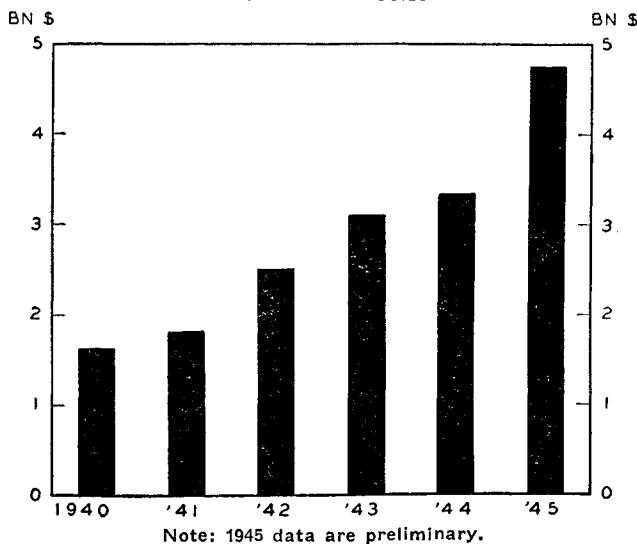
The rise in deposits at country banks does partly explain the large increase in this bank's holdings of Government securities during 1945 of \$164 million. These purchases increased member bank reserves by a like amount.

These reserves were needed for two purposes. One was to meet increased reserve requirements resulting from rising deposits. The other was to meet the heavy currency requirements of the commercial banks' own customers. As the commercial banks "purchased" currency from the Federal Reserve Bank, their own reserve deposits were reduced correspondingly, and, because of the rising reserve requirements, the Federal Reserve banks were forced to purchase securities in the open market and thus build up the banks' reserve position.

In addition to this, some of the larger banks periodically found themselves short of reserves just before each new war loan drive. This development occurred because of the shift between war loan drives of reserve-free war loan balances to the deposits of other customers whose deposit balances were subject to reserves. Total required reserves were thus increased.

These banks met this demand for added reserves by selling Treasury bills to the Federal Reserve Bank with the right to repurchase them again as soon as their reserve position eased. During 1945 the Federal Reserve Bank purchased a total of \$724 million of these Treasury bills on this provisional purchase plan.

## TOTAL DEPOSITS AT ALL NINTH DISTRICT BANKS





**B**ANK DEBITS piled up to a record level in 1945. Since bank debits are the total dollar volume of checks drawn on deposits at the banks, they are extremely sensitive to movements in business activity. It is quite understandable, therefore, that bank debits in 1945 were double the volume in 1940 and triple the volume in the depression year of 1933.

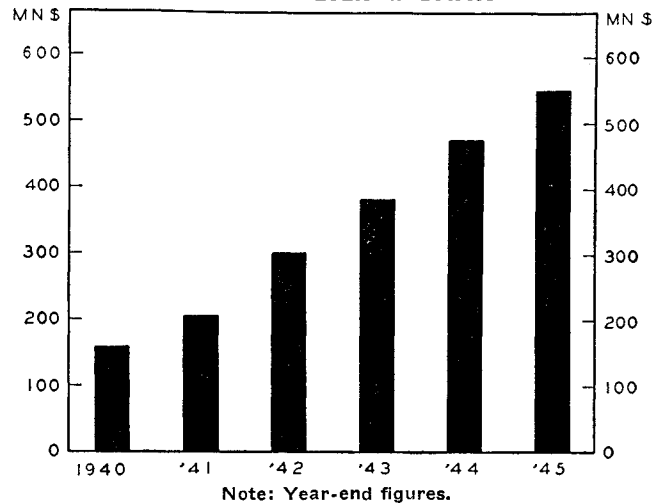
As a matter of fact, any banker will agree that a rough indicator of incomes and business activity in a community is the thickness of the daily cash letter.

The thickness of these cash letters in turn determines the volume of activity in the Federal Reserve Bank's check collection department. In 1945 the department cleared 48,000,000 items, representing an aggregate volume of \$13,800,000,000. The increased volume of business in the district is indicated by the fact that the dollar volume is 156.4 percent above 1940, the last prewar year, and four times the depression year of 1933.

A similar rough measure of business activity in the district is found in the comparative volume figures of the Federal Reserve Bank's noncash collection department. During 1945, collections not handled as cash items aggregated \$1,038,000,000, an increase of \$208,000,000 over 1944. These collections consisted largely of grain drafts which, due to the excellent crop and prevailing high prices, rose in dollar volume from \$544 million in 1944 to \$691 million in 1945. The number of grain drafts rose from 799,000 in 1944 to 837,000 in 1945. The increase in other noncash collections is principally a reflection of the increased retail trade activity in the district during 1945.

**I**N 1945, money in circulation pushed on to a record high. Every banker has experienced increased currency demands. These many separate demands converged on the currency department of the Federal Reserve Bank, where in 1945 a total of \$340 million of currency and coins was shipped out. This money

### NOTES OUTSTANDING OF MINNEAPOLIS FEDERAL RESERVE BANK



was apparently being used; member banks returned to the Federal Reserve Bank \$290 million of this currency, a substantial part of which was unfit for further circulation. These unfit notes were then cancelled by this bank and returned to Washington for destruction.

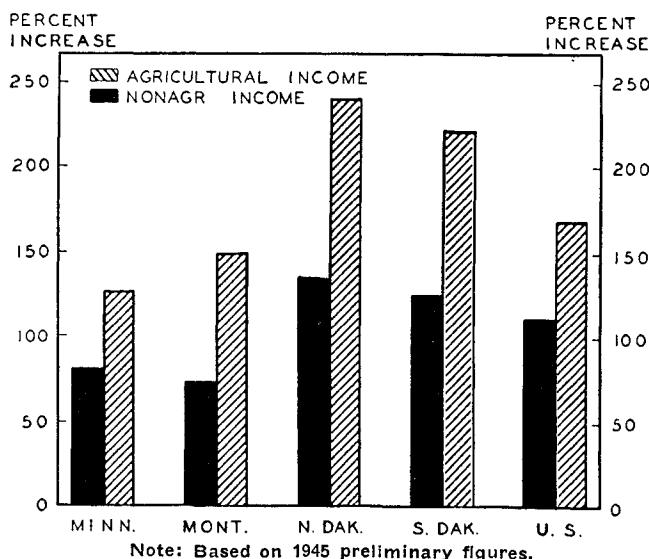
The amount of money returned was less than the amount sent out, which meant that money in circulation in the district expanded substantially. In fact, the Federal Reserve notes of the Minneapolis bank (which make up a large proportion of currency shipped out) rose from \$476 million outstanding at the beginning of the year to \$552 million on December 31, 1945.

**W**AR financing figured prominently in establishing 1945 as a record year. The member banks were required to assume a large part of the responsibility incident to this war financing. War loan accounts were maintained by 977 banks, which in the aggregate carried balances fluctuating between a high of \$593 million on December 11, 1945, and a low of \$160 million on May 22, 1945.

These war financing activities accounted for a large proportion of the activities of the Federal Reserve Bank, also. In order to effect the \$2,300 million of bonds sold during the year in the district, 4,800,000 pieces of securities cleared through the Federal Reserve Bank. In addition to this, the banks on October 2, 1944, were authorized to cash, directly, savings bonds, a development which increased materially the war financing activities of the commercial banks. In the aggregate during the year, 4,000,000 of these savings bonds were cleared through the Federal Reserve Bank for redemption, amounting to an aggregate of \$195 million.

Some of our banks participated also in loans specifically for the purpose of augmenting war production. Financing institutions in the district loaned \$37 million to war contractors under Regulation V loans processed by the Federal Reserve Bank as agent for the services.

### WARTIME INCOME EXPANSION, 1940-45





## Statement of Condition

### Assets

	Dec. 31, 1945	Dec. 31, 1944
Gold Certificates on Hand and Due from U. S. Treasury.....	\$ 331,935,211	\$345,552,531
Redemption Fund—F. R. Notes.....	20,144,526	14,820,114
Total Gold Certificates Reserves.....	352,079,737	360,372,645
Other Cash .....	7,687,084	5,932,747
Bills Discounted .....	1,081,000*	0
Industrial Advances.....	0	0
U. S. Government Securities:		
Bonds .....	26,275,000	22,553,000
Notes .....	58,818,000	23,444,000
Certificates of Indebtedness.....	232,112,000	88,636,000
Bills .....	312,354,000	326,202,000
Total U. S. Government Securities.....	629,559,000	465,835,000
Total Bills and Securities .....	630,640,000	465,835,000
Due from Foreign Banks.....	2,542	2,984
F. R. Notes of Other F. R. Banks.....	6,713,200	3,913,100
Uncollected Items.....	54,098,816	44,130,376
Bank Premises .....	1,263,071	1,251,622
Other Assets.....	1,798,287	1,274,344
Total Assets .....	\$1,054,282,737	\$882,712,818

### Liabilities

Federal Reserve Notes in Actual Circulation.....	\$ 551,859,465	\$475,793,675
Deposits:		
Member Bank—Reserve Account.....	385,402,603	317,789,302
U. S. Treasurer—General Account.....	38,287,065	15,877,076
Foreign Bank .....	18,869,161	25,432,302
Other Deposits .....	2,424,682	2,108,879
Total Deposits .....	444,983,511	361,207,559
Deferred Availability Items.....	41,673,052	32,597,136
Other Liabilities .....	332,104	229,893
Total Liabilities .....	\$1,038,848,132	\$869,828,263

### Capital Accounts

Capital Paid in.....	\$ 3,861,350	\$ 3,500,550
Surplus (Section 7).....	8,869,500	4,949,737
Surplus (Section 13b).....	1,072,621	1,072,621
Other Capital Accounts.....	1,631,134	3,361,647
Total Liabilities and Capital Accounts.....	\$1,054,282,737	\$882,712,818

\*Consists solely of foreign loans on gold.





## Earnings and Expenses

	1945	1944
Earnings from:		
Discounted Bills .....	\$ 55,166	\$ 18,549
United States Government Securities.....	3,597,156	2,665,717
Industrial Advances .....	0	3,979
All Other .....	4,765	4,542
Total Current Earnings.....	\$3,657,087	\$2,692,787
Expenses:		
Net Operating Expenses.....	\$1,254,434	\$1,132,873
Assessment for Expenses of Board of Governors of the Federal Reserve System.....	53,409	49,461
Federal Reserve Currency:		
Original Cost .....	26,527	115,984
Cost of Redemption.....	10,953	6,953
Total Current Expenses.....	\$1,345,323	\$1,305,271
Current Earnings .....	\$2,311,764	\$1,387,516
Additions to Current Net Earnings:		
Profits on Sales of U. S. Government Securities.....	\$ 95,519	\$ 99,777
All Other .....	6,798	92,442
Total .....	\$ 102,317	\$ 192,219
Deductions from Current Net Earnings.....	413	405
Net Additions to Current Net Earnings.....	\$ 101,904	\$ 191,814
Net Earnings .....	\$2,413,668	\$1,579,330
Dividend Paid .....	\$ 221,687	\$ 206,159
Paid to U. S. Treasurer (Section 13b).....	0	20,155
Transferred to Surplus (Section 13b).....	0	72,320
Transferred to Surplus (Section 7).....	2,191,981	1,280,696

### Surplus Account (Section 7)

Balance at Close of Previous Year.....	\$4,949,737	\$3,669,041
Transferred from Profits of Year.....	2,191,981	1,280,696
Transferred from Reserves for Contingencies.....	1,727,782	0
Balance at Close of Year.....	\$8,869,500	\$4,949,737

### Surplus Account (Section 13B)

Balance at Close of Previous Year.....	\$1,072,621	\$1,000,301
Transferred to Surplus (Section 13b).....	0	72,320
Balance at Close of Year.....	\$1,072,621	\$1,072,621





## Volume of Operations in Principal Departments

(Dollar amounts in thousands)

	1945		1944	
	Number	Amount	Number	Amount
<b>Loans and Discounts:</b>				
Advances to Member and Non-member Banks, Secured by U. S. Government Obligations .....	304	\$ 1,450,391	68	\$ 329,280
Advances to Member Banks Secured by Other Collateral .....	0	0	0	0
Rediscounts .....	0	0	0	0
Industrial Advances .....	0	0	47	896
<b>U. S. Treasury Bill Purchases Under Repurchase Option .....</b>	<b>452</b>	<b>723,734</b>	<b>585</b>	<b>652,262</b>
<b>Currency and Coin:</b>				
Currency Received and Counted.....	47,991,151	\$ 286,643	46,715,078	\$ 250,655
Coin Received and Counted.....	41,578,085	3,018	33,155,795	2,472
<b>Check Collection:</b>				
U. S. Government Checks.....	8,761,761	\$ 1,956,890	7,189,985	\$1,930,181
Other Checks .....	38,933,565	11,829,827	34,770,857	10,707,866
<b>Noncash Collection:</b>				
Grain Drafts .....	837,472	\$ 690,585	799,351	\$ 544,144
Country and Other City Collections.....	113,759	347,301	115,133	286,184
<b>United States Government Coupons Paid:</b>				
Coupons from U. S. Government Direct Obligations .....	543,326	\$ 37,786	456,073	\$ 29,443
Coupons from Issues of Other U. S. Government Agencies .....	19,206	341	67,486	821
<b>Issues, Redemptions and Exchanges by Fiscal Agency Department:</b>				
U. S. Government Direct Obligations....	10,006,404	\$ 4,212,703	10,291,133	\$4,460,963
Other U. S. Government Agencies.....	12,570	23,149	49,718	49,173
<b>Transfers of Funds.....</b>	<b>34,844</b>	<b>\$ 4,773,454</b>	<b>32,188</b>	<b>\$4,478,307</b>
<b>Safekeeping—Member Banks:</b>				
Amount of Securities Held in Custody for Member Banks on Last Day of Year .....		\$ 1,077,302		\$ 882,482
Number of Coupons Cut from Securities Held for Member Banks.....	282,078		275,454	
<b>Purchase and Sale of Securities for Account of Banks Located in the Ninth Federal Reserve District.....</b>	<b>5,196</b>	<b>\$ 767,555</b>	<b>5,213</b>	<b>\$ 499,292</b>

### Personnel

December 31, 1945

	Head Office	Helena Branch	Total
<b>Number of Officers and Employees at End of Year:</b>			
Officers .....	17	2	19
Employees .....	716	69	785
Employees who entered the Armed Forces.....	110	15	125
Employees Released from Service.....	55	9	64
Died in Service.....	5	0	5





## State Banks Which Became Members During 1945

### MONTANA

**BILLINGS STATE BANK**  
*Billings, Montana*

**FIRST STATE BANK OF CHINOOK**  
*Chinook, Montana*

**SECURITY STATE BANK, HARLEM, MONTANA**  
*Harlem, Montana*

**THE FIRST STATE BANK OF MALTA**  
*Malta, Montana*

**TRADERS STATE BANK OF POPLAR, MONTANA**  
*Poplar, Montana*

**FIRST STATE BANK OF STEVENSVILLE, MONTANA**  
*Stevensville, Montana*

### SOUTH DAKOTA

**BLACKPIPE STATE BANK**  
*Martin, South Dakota*

## Number of Member Banks

	1945	1944
Number of Member Banks at end of Year:		
National Banks .....	356	356
State Banks .....	117	111
	473	467
Changes during the year 1945:		
New National Banks Organized.....	3	1
State Banks Admitted to Membership.....	7	16
	10	17
National Banks Succeeded by Non-member State Banks.....	2	1
National Banks Liquidated.....	0	2
State Member Bank Converted to National Bank.....	0	1
National Banks Absorbed by Non-member Banks.....	1	1
State Member Banks Absorbed by Other State Member Banks.....	1	0
	4	5
Net Increase in Number of Member Banks.....	6	12

Number of Member Banks in each State or part of State, in the Ninth Federal Reserve District at the end of Year 1945:

	National Banks	State Banks	Total
Michigan .....	26	15	41
Minnesota .....	186	25	211
Montana .....	40	38	78
North Dakota .....	42	0	42
South Dakota .....	35	25	60
Wisconsin .....	27	14	41
	356	117	473

## Member of Federal Advisory Council

JULIAN B. BAIRD  
President, First National Bank  
Saint Paul, Minnesota

## Industrial Advisory Committee

SHELDON V. WOOD, *Chairman*  
President, Minneapolis Electric Steel Castings Co.

JOHN M. BUSH, *Negaunee, Michigan*  
The Cleveland-Cliffs Iron Company

C. O. FOLLETT, *Fargo, North Dakota*  
President, Smith, Follett and Crowl

ALBERT L. MILLER, *LaCrosse, Wisconsin*  
President, Miller Broom Company





**DIRECTORS AND OFFICERS  
OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS  
AND HELENA BRANCH  
1946**

**Directors**

ROGER B. SHEPARD  
President, Finch, Van Slyck & McConville  
St. Paul, Minnesota  
*Chairman of the Board and Federal Reserve Agent*

W. D. COCHRAN  
Cochran Freight Lines  
Iron Mountain, Michigan  
*Deputy Chairman*

HOMER P. CLARK  
Chairman of the Board, West Publishing Company  
St. Paul, Minnesota

F. D. McCARTNEY  
Vice President, First National Bank  
Oakes, North Dakota

CLARENCE E. HILL  
Chairman of the Board, Northwestern National Bank  
Minneapolis, Minnesota

J. R. McKNIGHT  
President, Pierre National Bank  
Pierre, South Dakota

RAY C. LANGE  
President, Chippewa Canning Company  
Chippewa Falls, Wisconsin

PAUL E. MILLER  
Director of Agricultural Extension  
University of Minnesota  
Minneapolis, Minnesota

J. E. O'CONNELL  
President, Eddy's Bakeries  
Helena, Montana

**Officers**

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OLIVER S. POWELL, *First Vice President*

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ARTHUR R. LARSON, *Assistant Cashier*  
Check Collection  
Ration Checks  
MILFORD E. LYSEN, *Operating Research Officer*  
HAROLD G. McCONNELL, *Vice President*  
Consumer Credit  
Loans and Discounts  
ALBERT W. MILLS, *Cashier and Secretary*  
General Bank Operations  
OTIS R. PRESTON, *Vice President*  
Banks and Banking  
WALTER H. TURNER, *Assistant Cashier*  
Collection Department  
Currency and Coin  
Securities Safekeeping  
HARRY I. ZIEMER, *Vice President*  
Loans and Discounts

**BANK EXAMINATION DEPARTMENT**

ERNEST W. SWANSON, *Vice President*

**FISCAL AGENCY DEPARTMENTS**

EARL B. LARSON, *Assistant Vice President*  
Government Securities  
WILLIAM E. PETERSON, *Assistant Cashier*  
Custodian for Governmental Agencies  
Withheld Taxes

**RESEARCH DEPARTMENT**

PAUL W. McCRACKEN, *Director of Research*

**AUDIT DEPARTMENT**

ORTHEN W. OHNSTAD, *Auditor*

**LEGAL COUNSEL**

SIGURD UELAND, *Vice President and Counsel*  
MAURICE H. STROTHMAN, JR., *Assistant Counsel*

**HELENA BRANCH (MONTANA)**

**Directors**

B. M. HARRIS  
President, The Yellowstone Bank  
Columbus, Montana

P. B. McCLINTOCK  
Cashier, Farmers National Bank  
Chinook, Montana

MALCOLM E. HOLTZ  
Agriculturalist  
Great Falls, Montana

R. B. RICHARDSON  
President, Western Life Insurance Company  
Helena, Montana

R. E. TOWLE, *Managing Director*

**Officers**

R. E. TOWLE, *Managing Director*      C. J. LARSON, *Assistant Manager*

