

**FEDERAL RESERVE BANK
OF CLEVELAND**

Twenty-fifth Annual Statement

Cleveland, Ohio, January 12, 1940

*To the Nonmember Banks of the
Fourth Federal Reserve District:*

I am pleased to present a comparative statement of Federal Reserve Bank of Cleveland at the close of business December 30, 1939, and December 31, 1938, as made to the member banks of this district.

This statement reflects the earnings and expenses for the year, and disposition of net profits. It is being sent to you because of my belief that all our banks are interested in the affairs of the Federal reserve bank of this district.

I am sure that the statement, and other included information, will merit study by the directors and officers of your bank.

Very truly yours,



President.

COMPARATIVE STATEMENT OF CONDITION

ASSETS	Dec. 31, 1938	Dec. 30, 1939
Cash reserves held by this bank against deposits and note circulation:		
Gold certificates (lodged with the Treasurer of the United States) for account of the Federal Reserve Agent as collateral deposited by this bank when it obtains Federal Reserve notes	\$ 457,000,000.00	\$ 491,000,000.00
Redemption fund in the hands of the Treasurer of the United States to be used to redeem such Federal Reserve notes of this bank as are presented to the Treasury for redemption	810,390.00	816,200.00
Gold certificates (lodged with the Treasurer of the United States) in the Interdistrict Settlement Fund for the purpose of settling transactions between Federal Reserve banks	326,881,297.91	536,910,306.11
Other cash	23,751,047.32	21,339,616.31
Total cash reserves	808,442,735.23	1,050,066,122.42
Bills and Securities:		
Bills discounted:		
Secured by United States Government securities, direct and guaranteed	191,000.00	113,000.00
Otherwise secured or unsecured	54,040.00	541,619.23
Bills bought in the open market	50,528.09	—0—
Industrial advances—working capital loans	617,847.43	314,941.80
United States Government securities	257,819,500.00	259,222,000.00
Total bills and securities	258,732,915.52	260,191,561.03
Miscellaneous Assets:		
Federal Reserve notes of other banks	1,966,500.00	2,136,500.00
Checks and other cash items in process of collection	74,508,896.49	97,537,751.59
Bank premises, less reserves	6,016,846.02	5,547,260.11
All other miscellaneous assets	5,035,504.66	6,527,538.81
Total miscellaneous assets	87,527,747.17	111,749,050.51
Total Assets	\$1,154,703,397.92	\$1,422,006,733.96

COMPARATIVE STATEMENT OF CONDITION

LIABILITIES	Dec. 31, 1938	Dec. 30, 1939
Federal Reserve notes in circulation:		
Federal Reserve notes in actual circulation, payable on demand. These notes are secured in full by discounted paper, United States Government securities, or gold certificates.....	\$ 427,467,430.00	\$ 463,123,130.00
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers.....	477,880,351.72	680,193,790.00
United States Government deposits carried at the Reserve bank for current requirements of the Treasury.....	116,295,676.59	113,236,335.65
Other deposits.....	<u>25,577,440.74</u>	<u>45,971,903.99</u>
Total deposits.....	619,753,469.05	839,402,029.64
Miscellaneous Liabilities:		
Deferred items, composed mostly of uncollected checks on banks in all parts of the country. Such items are credited as deposits after the average time needed to collect them elapses.....	75,046,512.26	86,695,504.40
All other miscellaneous liabilities.....	<u>133,518.52</u>	<u>126,454.24</u>
Total miscellaneous liabilities.....	75,180,030.78	86,821,958.64
Capital and Surplus:		
Capital paid in, which is 50% of amount subscribed and which represents 3% of the capital and surplus of member banks.....	13,546,000.00	13,829,700.00
Surplus:		
(Section 7)—That portion of accumulated net earnings which this bank is legally permitted to retain.....	14,322,789.59	14,322,789.59
(Section 13b)—Net amount paid by the Secretary of the Treasury to further the making of working capital loans.....	1,007,416.00	1,007,126.09
Reserves for contingencies.....	<u>3,426,262.50</u>	<u>3,500,000.00</u>
Total Liabilities	<u>\$1,154,703,397.92</u>	<u>\$1,422,006,733.96</u>
Commitments to make industrial advances.....	\$ 2,233,628.22	\$ 1,140,470.15

COMPARISON OF EARNINGS AND EXPENSES
For the years 1938 and 1939

	1938	1939
Current Earnings:		
Discounted bills.....	\$ 10,200.37	\$ 4,067.70
Purchased bills.....	240.08	216.27
Industrial advances.....	38,489.46	18,367.28
Commitments to make industrial advances.....	15,267.11	14,198.58
United States Government securities.....	3,350,196.32	3,732,788.04
All other.....	76,228.00	76,202.68
Total current earnings.....	3,490,621.34	3,845,840.55
Total Operating Expenses (including depreciation on bank premises).....		
	2,768,878.77	2,848,060.03
Less reimbursements for certain Fiscal Agency and other expenses.....	262,467.79	255,427.47
Net Operating Expenses.....	2,506,410.98	2,592,632.56
Assessments for expenses of Board of Governors.....	159,503.41	150,737.44
Cost of Federal Reserve currency.....	131,743.26	117,118.36
Total current expenses.....	2,797,657.65	2,860,488.36
Current Net Earnings	692,963.69	985,352.19
Additions to Current Net Earnings:		
Profits on sales of United States Government securities.....	816,488.17	432,876.02
All other.....	22,459.41	24,926.42
Total additions.....	838,947.58	457,802.44
Deductions from Current Net Earnings	462,284.68	224,363.38
Net additions.....	376,662.90	233,439.06
Net Earnings	\$ 1,069,626.59	\$ 1,218,791.25

DISTRIBUTION OF NET EARNINGS

Reserve for losses on industrial advances (Section 13b).....	\$ 20,000.00	\$ -0-
Paid United States Treasurer (Section 13b).....	227.04	-0-
Reserve for depreciation on bank premises.....	-0-	321,838.05
Dividends paid.....	799,145.05	823,215.70
Reserves for contingencies.....	250,254.50	73,737.50
Total	\$ 1,069,626.59	\$ 1,218,791.25

FEDERAL RESERVE BANK OF CLEVELAND
DIRECTORS AND OFFICERS—1940

DIRECTORS

G. C. BRAINARD, Chairman
R. E. KLAGES, Deputy Chairman

Term
Expires

CLASS A

H. B. McDOWELL, President, The McDowell National Bank of Sharon, Sharon, Pa..... 1940
F. F. BROOKS, President, First National Bank at Pittsburgh, Pittsburgh, Pa..... 1941
B. R. CONNER, President, The First National Bank of Ada, Ada, Ohio..... 1942

CLASS B

R. P. WRIGHT, Secretary-Treasurer, Reed Manufacturing Co., Erie, Pa..... 1940
G. D. CRABBS, President, Philip Carey Manufacturing Co., Cincinnati, Ohio..... 1941
J. E. GALVIN, President, Ohio Steel Foundry Co., Lima, Ohio..... 1942

CLASS C

G. C. BRAINARD, President, General Fireproofing Co., Youngstown, Ohio..... 1940
J. C. STONE, Leaf Tobacco Grower and Dealer, Lexington, Ky..... 1941
R. E. KLAGES, President, Columbus Auto Parts Co., Columbus, Ohio..... 1942

OFFICERS

M. J. FLEMING, President

F. J. ZURLINDEN..... First Vice President	C. W. ARNOLD..... Assistant Vice Pres.
W. H. FLETCHER..... Vice President	E. A. CARTER..... Assistant Cashier
G. H. WAGNER..... Vice President	A. G. FOSTER..... Assistant Cashier
W. F. TAYLOR..... Vice Pres. & Cashier	H. E. J. SMITH..... Assistant Cashier
R. B. HAYS..... Asst. Vice Pres. & Secy.	F. V. GRAYSON..... Auditor

MEMBER, FEDERAL ADVISORY COUNCIL

B. G. HUNTINGTON, President, The Huntington National Bank of Columbus, Columbus, Ohio

COUNSEL

SQUIRE, SANDERS & DEMPSEY

INDUSTRIAL ADVISORY COMMITTEE

F. A. SMYTHE, (Chairman)
President, Thew Shovel Co.
Lorain, Ohio

D. R. DAVIES, Chairman
Acme Machinery Co.
Cleveland, Ohio

D. C. SWANDER, President
Columbian Vise and Mfg. Co.
Cleveland, Ohio

H. R. NEFF, President
The Geo. S. Rider Co.
Cleveland, Ohio

E. C. FOLSOM, President
Ottawa River Paper Co.
Toledo, Ohio

FEDERAL RESERVE BANK OF CLEVELAND

DIRECTORS AND OFFICERS—1940

(Continued)

CINCINNATI BRANCH OF FEDERAL RESERVE BANK OF CLEVELAND

DIRECTORS

	Term Expires
F. A. BROWN (Chairman), Agriculturist, Chillicothe, Ohio.....	1940
J. J. ROWE, President, The Fifth Third Union Trust Company, Cincinnati, Ohio.....	1940
B. J. LAZAR, Managing Director.....	1940
W. H. COURTNEY, President, First National Bank and Trust Company of Lexington, Lexington, Ky.....	1941
S. B. SUTPHIN, President, I. V. Sutphin Co., Cincinnati, Ohio.....	1941

OFFICERS

B. J. LAZAR.....	Managing Director
H. N. OTT.....	Cashier
R. G. JOHNSON.....	Assistant Cashier
P. J. GEERS.....	Assistant Cashier

PITTSBURGH BRANCH OF FEDERAL RESERVE BANK OF CLEVELAND

DIRECTORS

G. T. LADD (Chairman), President, United Engineering & Foundry Co., Pittsburgh, Pa.....	1940
S. W. HARPER, President, Wheeling Dollar Savings & Trust Co., Wheeling, W. Va.....	1940
P. A. BROWN, Managing Director.....	1940
CLARANCE STANLEY, President, The Union Trust Company of Pittsburgh, Pittsburgh, Pa.....	1941
H. S. WHERRETT, President, Pittsburgh Plate Glass Co., Pittsburgh, Pa.....	1941

OFFICERS

P. A. BROWN.....	Managing Director
D. B. CLOUSER.....	Cashier
F. E. COBUN.....	Assistant Cashier
C. J. BOLTHOUSE.....	Assistant Cashier

MEMBER BANKS IN OPERATION IN FOURTH DISTRICT, DECEMBER 31, 1939

	State	National	Total
Kentucky.....	7	52	59
Ohio—Cincinnati territory.....	17	92	109
Ohio—Cleveland territory.....	83	152	235
Pennsylvania.....	25	200	225
West Virginia.....	3	8	11
	135	504	639

FOURTH DISTRICT STATE BANKS ADMITTED TO MEMBERSHIP IN 1939

The Gnadenuhthen Bank, Gnadenuhthen, Ohio	3-9-39
The Macedonia-Northfield Banking Company, Northfield, Ohio	6-6-39
The City Trust and Savings Bank, Youngstown, Ohio	7-18-39
The Central Bank Company, Lorain, Ohio	8-7-39
The Ft. Recovery Banking Company, Fort Recovery, Ohio	8-8-39
The Sylvania Savings Bank Company, Sylvania, Ohio	8-10-39
The Antwerp Exchange Bank Company, Antwerp, Ohio	8-15-39
The Waterville State Savings Bank Company, Waterville, Ohio	8-22-39
The Citizens Bank of St. Bernard, Saint Bernard, Ohio	8-26-39
Bank of Elizabeth, Elizabeth, Pennsylvania	9-2-39
The Reading Bank, Reading, Ohio	9-9-39
The Kipton Bank Company, Kipton, Ohio	9-13-39
The Peoples Savings Bank Company, Mount Gilead, Ohio	9-27-39
The Middle Point Banking Company, Middle Point, Ohio	10-5-39
The Farmers & Merchants Bank Company, Sylvania, Ohio	10-6-39
Iron & Glass Dollar Savings Bank of Birmingham, Pittsburgh, Pennsylvania	10-11-39
Kentucky-Farmers Bank of Catlettsburg, Kentucky, Catlettsburg, Kentucky	10-14-39
The State Savings Bank of Woodville, Woodville, Ohio	10-23-39
The Farmers and Citizens Banking Company, Monroeville, Ohio	10-27-39
The Croton Bank Company, Croton, Ohio	11-1-39
The State Savings Bank Company, Maumee, Ohio	11-17-39
The Citizens Banking Company, Sandusky, Ohio	11-17-39
The Vandalia State Bank, Vandalia, Ohio	11-17-39

SERVICES OF FEDERAL RESERVE BANK OF CLEVELAND AVAILABLE TO FOURTH DISTRICT MEMBER BANKS

Facilities are provided for the discount of eligible paper owned by member banks having maturities not in excess of 90 days from date of discount; for advances not exceeding 90 days on member bank collateral notes secured by eligible paper or by direct obligations of the United States. Member banks may also obtain advances on their time or demand collateral notes having maturities of not more than four months which are secured to the satisfaction of the Federal reserve bank.

All forms of United States currency and coin are received for credit, redemption, exchange, or replacement. This bank supplies all current denominations of currency and coin, subject to the rules of the bank and regulations of the Treasury Department.

A nation-wide system for collecting cash items payable at par has been established by Federal reserve banks by means of which the proceeds of such items are available as reserve at the earliest possible time.

Facilities are provided by this bank for the prompt collection of maturing notes, drafts, bills, and other noncash items payable within the continental United States.

Facilities are provided for the transfer, by telegraph or mail, of collected funds on deposit at Federal reserve banks to the credit of any member or nonmember clearing bank.

Member banks may issue special forms of drafts on their reserve accounts at this bank which will be received for immediate credit at par by any other Federal reserve bank or branch.

This bank provides safekeeping for all investment securities owned by member banks, which service includes the cutting and presentation of maturing coupons, the presentation of maturing or called principal amounts of unpledged securities, and exchange of interim receipts or other obligations in temporary form for securities in permanent form. This service includes the acceptance of securities pledged by member banks to officials of States or political divisions thereof, to trust departments, or to Federal departments, agencies or officials.

At the request of member banks, orders will be placed for the purchase or sale of securities in bearer form (except stocks) that have been issued and are outstanding. No charge will be made by this bank for its services in the purchase or sale of obligations of the United States or its agencies.