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RESERVE BANK OF CLEVELAND

**FEDERAL RESERVE BANK
OF CLEVELAND**

Twenty-sixth Annual Statement

Cleveland, Ohio, January 9, 1941

*To the Stockholders of
Federal Reserve Bank of Cleveland:*

I am pleased to submit a comparative statement of condition of Federal Reserve Bank of Cleveland at the close of business December 31, 1940, and December 30, 1939, together with a comparative statement of earnings and expenses for the years 1940 and 1939, showing the disposition of net earnings.

Very truly yours,

A handwritten signature in dark ink, appearing to read "M. Fleming", with a long, sweeping horizontal line extending to the right.

President

COMPARATIVE STATEMENT OF CONDITION

ASSETS	Dec. 31, 1940	Dec. 30, 1939
Cash reserves held by this bank against deposits and note circulation:		
Gold certificates (lodged with the Treasurer of the United States) deposited for account of the Federal Reserve Agent as collateral against Federal Reserve notes issued to this bank.....	\$ 575,000,000.00	\$ 491,000,000.00
Redemption fund in the hands of the Treasurer of the United States for use in redeeming such Federal Reserve notes of this bank as are presented to the Treasury for redemption	659,704.58	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.....	756,413,461.85	536,910,306.11
Other cash.....	19,963,234.75	21,339,616.31
Total cash reserves.....	1,352,036,401.18	1,050,066,122.42
Bills and Securities:		
Bills discounted:		
Secured by United States Government securities, direct and guaranteed.....	150,000.00	113,000.00
Otherwise secured or unsecured.....	149,976.12	541,619.23
Industrial advances—working capital loans.....	249,919.76	314,941.80
United States Government securities.....	218,731,000.00	259,222,000.00
Total bills and securities.....	219,280,895.88	260,191,561.03
Miscellaneous Assets:		
Federal Reserve notes of other banks.....	1,946,500.00	2,136,500.00
Checks and other cash items in process of collection.....	102,207,114.29	97,537,751.59
Bank premises, less reserves.....	4,586,586.61	5,547,260.11
All other miscellaneous assets.....	5,078,508.26	6,527,538.81
Total miscellaneous assets.....	113,818,709.16	111,749,050.51
Total Assets.....	\$1,685,136,006.22	\$1,422,006,733.96

COMPARATIVE STATEMENT OF CONDITION

LIABILITIES	Dec. 31, 1940	Dec. 30, 1939
Federal Reserve notes in circulation:		
Federal Reserve notes in actual circulation, payable on demand. These notes are secured in full by gold certificates, discounted paper, or United States Government securities.....	\$ 540,940,930.00	\$ 463,123,130.00
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers.....	920,969,713.29	680,193,790.00
United States Government deposits carried at this bank for current requirements of the Treasury.....	16,327,705.82	113,236,335.65
Other deposits.....	<u>76,842,702.43</u>	<u>45,971,903.99</u>
Total deposits.....	1,014,140,121.54	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.....	95,813,456.97	86,695,504.40
All other miscellaneous liabilities.....	<u>149,312.75</u>	<u>126,454.24</u>
Total miscellaneous liabilities.....	95,962,769.72	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.....	14,198,400.00	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 Treas- ury to further the making of working capital loans.....	1,007,126.09	1,007,126.09
Reserves for contingencies.....	<u>4,563,869.28</u>	<u>3,500,000.00</u>
Total Liabilities	<u>\$1,685,136,006.22</u>	<u>\$1,422,006,733.96</u>
Commitments to make industrial advances.....	\$ 727,057.52	\$ 1,140,470.15

COMPARISON OF EARNINGS AND EXPENSES

For the years 1940 and 1939

	1940	1939
Current Earnings:		
Discounted bills.....	\$ 3,479.97	\$ 4,067.70
Purchased bills.....	—0—	216.27
Industrial advances.....	16,097.28	18,367.28
Commitments to make industrial advances.....	10,924.07	14,198.58
United States Government securities.....	4,291,013.65	3,732,788.04
All other.....	83,938.65	76,202.68
Total current earnings.....	<u>4,405,453.62</u>	<u>3,845,840.55</u>
Total Operating Expenses (including normal depreciation on bank premises).....	2,872,880.94	2,848,060.03
Less reimbursements for certain Fiscal Agency and other expenses.....	259,380.07	255,427.47
Net Operating Expenses.....	2,613,500.87	2,592,632.56
Assessments for expenses of Board of Governors.....	158,308.02	150,737.44
Cost of Federal Reserve currency.....	138,309.28	117,118.36
Total current expenses.....	<u>2,910,118.17</u>	<u>2,860,488.36</u>
Current Net Earnings	<u>1,495,335.45</u>	<u>985,352.19</u>
Additions to Current Net Earnings:		
Profits on sales of United States Government securities.....	1,163,698.76	432,876.02
All other.....	186,022.77	24,926.42
Total additions.....	1,349,721.53	457,802.44
Deductions from Current Net Earnings	110,824.41	224,363.38
Net additions.....	1,238,897.12	233,439.06
Net Earnings	<u>\$ 2,734,232.57</u>	<u>\$ 1,218,791.25</u>

DISTRIBUTION OF NET EARNINGS

Paid United States Treasurer (Section 13b).....	\$ 15,107.48	\$ —0—
Special reserve for depreciation on bank premises.....	812,925.65	321,838.05
Dividends paid.....	842,330.16	823,215.70
Reserves for contingencies.....	1,063,869.28	73,737.50
Total	<u>\$ 2,734,232.57</u>	<u>\$ 1,218,791.25</u>

FEDERAL RESERVE BANK OF CLEVELAND
DIRECTORS AND OFFICERS—1941

DIRECTORS

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

Term
Expires

CLASS A

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
H. B. McDOWELL, President, The McDowell National Bank of Sharon, Sharon, Pa.....	1943

CLASS B

G. D. CRABBS, Chairman of the Board, The Philip Carey Manufacturing Co., Cincinnati, Ohio.....	1941
T. E. MILLSOP, President, The Weirton Steel Co., Weirton, W. Va.....	1942
R. P. WRIGHT, Secretary-Treasurer, The Reed Manufacturing Co., Erie, Pa.....	1943

CLASS C

R. E. KLAGES, President, The Columbus Auto Parts Co., Columbus, Ohio.....	1942
G. C. BRAINARD, President, The General Fireproofing Co., Youngstown, Ohio.....	1943

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
R. B. HAYS.....	Vice Pres. & Secy.	H. E. J. SMITH.....	Assistant Cashier
W. F. TAYLOR.....	Vice Pres. & Cashier	J. W. KOSSIN.....	Assistant Cashier
		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, The Thew Shovel Co.
Lorain, Ohio

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

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

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

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

FEDERAL RESERVE BANK OF CLEVELAND

DIRECTORS AND OFFICERS—1941

(Continued)

CINCINNATI BRANCH OF FEDERAL RESERVE BANK OF CLEVELAND

DIRECTORS

	Term Expires
S. B. SUTPHIN (Chairman), President, The I. V. Sutphin Co., Cincinnati, Ohio	1941
BUCKNER WOODFORD, Vice President and Cashier, Bourbon-Agricultural Bank & Trust Co., Paris, Ky. .	1941
B. J. LAZAR, Managing Director.....	1941
F. A. BROWN, Agriculturist, Chillicothe, Ohio	1942
J. J. ROWE, President, The Fifth Third Union Trust Company, Cincinnati, Ohio.....	1942

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

CLARANCE STANLEY, President, The Union Trust Company of Pittsburgh, Pittsburgh, Pa.	1941
H. S. WHERRETT (Chairman), President, The Pittsburgh Plate Glass Co., Pittsburgh, Pa.	1941
P. A. BROWN, Managing Director.....	1941
E. B. HARSHAW, Vice President and Cashier, The Grove City National Bank, Grove City, Pa.	1942
G. T. LADD, President, The United Engineering & Foundry Co., Pittsburgh, Pa.	1942

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, 1940

	State	National	Total
Kentucky.....	7	52	59
Ohio—Cincinnati territory.....	19	91	110
Ohio—Cleveland territory.....	102	151	253
Pennsylvania.....	27	199	226
West Virginia.....	3	8	11
	<hr/> 158	<hr/> 501	<hr/> 659

FOURTH DISTRICT STATE BANKS ADMITTED TO MEMBERSHIP IN 1940

The Minerva Banking Company, Minerva, Ohio.....	1-6-40
The Minerva Savings & Bank Company, Minerva, Ohio.....	1-6-40
The Marblehead Bank Company, Marblehead, Ohio.....	2-5-40
The Sterling State Bank, Mount Sterling, Ohio.....	2-5-40
The First Trust & Savings Bank of Canton, Canton, Ohio.....	2-14-40
The Bank of Wood County Company, Bowling Green, Ohio.....	3-4-40
The Peoples Savings Bank, New Knoxville, Ohio.....	3-21-40
The City Bank Company, Lorain, Ohio.....	5-13-40
The Farmers and Merchants Bank Company, Arlington, Ohio.....	5-15-40
The Citizens-State Bank of Strasburg, Ohio, Strasburg, Ohio.....	5-16-40
The Lodi State Bank, Lodi, Ohio.....	5-24-40
Farmers and Merchants Bank of Linesville, Linesville, Pa.....	6-6-40
The Farmers & Citizens State Bank, Crestline, Ohio.....	6-21-40
The Peoples Bank, Canton, Ohio.....	6-24-40
The Richwood Banking Company, Richwood, Ohio.....	7-3-40
The Freeport State Bank, Freeport, Ohio.....	8-7-40
The Lorain Banking Company, Lorain, Ohio.....	8-7-40
The Farmers Bank, Shreve, Ohio.....	8-13-40
The West Carrollton Bank, West Carrollton, Ohio.....	8-17-40
The Mount Union Bank, Alliance, Ohio.....	9-20-40
The First Savings Bank of Ravenna, Ohio, Ravenna, Ohio.....	10-22-40
The Silvertown Bank, Silvertown, Ohio.....	11-7-40
Bank of Ohio Valley, Pittsburgh, Pa.....	11-18-40
St. Clair Deposit Bank of Pittsburgh, Pittsburgh, Pa.....	11-18-40
The Richland Trust Company, Mansfield, Ohio.....	12-20-40

During the calendar year 1940, twenty-five Fourth District State banks were admitted to membership in the Federal Reserve System. The names of such banks, together with the dates of admission, are given in the accompanying tabulation. It is significant that the number of member banks now is substantially more than the number of non-member banks in actual operation in the Fourth Federal Reserve district.

The gratifying increase in membership of banks in the Fourth District in the last two years evidences also a growing appreciation that membership in the System is as advantageous to the small bank as to the large bank, or perhaps even more so. The 25 banks admitted during 1940 had total resources of \$42,628,676.56, or an average of \$1,705,147.06. Of these banks more than half (13) had total resources of less than one million each; and of that number more than half (7) had total resources of less than \$500,000.

The Federal Reserve System supplements the services rendered by correspondents, and enables banks to render to their customers the highest possible quality of bank service.