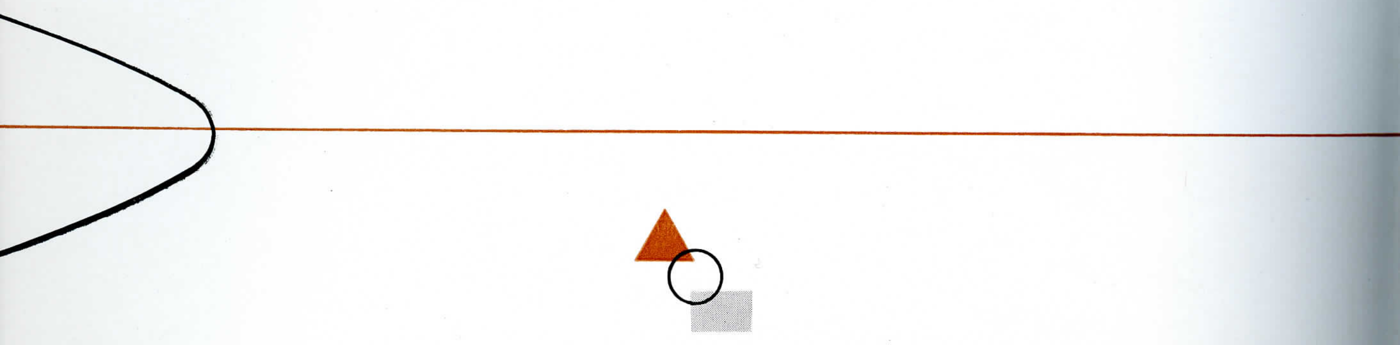
ANNUAL REPORT ▪ 1956

FEDERAL RESERVE BANK *of Cleveland*



FEDERAL RESERVE BANK

OF CLEVELAND

CLEVELAND 1, OHIO

February 1, 1957

To the Banks in the
Fourth Federal Reserve District:

In the Fourth Federal Reserve District, business and employment have continued to expand, and wealth has flowed into the area. To illustrate the vitality of this district and the advantages observed by businessmen in locating or expanding their industries within its borders, this report includes a special supplement on recent industrial expansion.

The Federal Reserve Bank of Cleveland is proud to be joined with the banks of this district in furnishing adequate and modern financial facilities to meet the expanded requirements of individuals, business, and agriculture.

During the year 1956 the words "tight money" were used by more people than at any time in recent history. The financial and business communities generally recognize that the tightness was brought about, not by the decision of those charged with responsibilities relating to monetary policy, but by large demands for credit by industries and individuals for myriad purposes concentrated within a short period of time.

It is with pleasure that we present this report of the Federal Reserve Bank of Cleveland for 1956 and its supplement. We would feel ourselves derelict if we did not express our sincere appreciation to the bankers and businessmen of the District for their cooperation and counsel which assisted us in discharging our responsibilities.

Arthur B. Van Buskirk
Chairman of the Board

W. D. Fulton
President

RETIREMENT OF MR. VIRDEN AS CHAIRMAN

Mr. John C. Virden, as of December 31, 1956, closed six years of service as member of the Board of Directors of this bank, during four years of which he was Chairman of the Board.

John C. Virden

His Career

Mr. Virden has accepted the presidency of the Eaton Manufacturing Company of Cleveland, following a distinguished career of business and public service, including the presidency, and later the chairmanship, of the John C. Virden Company of Cleveland. He has held numerous posts of active responsibility with important agencies of the Federal Government. Currently, he is a member of the Business Advisory Council of the U. S. Department of Commerce, and also a member of the Advisory Committee of the Export-Import Bank. He holds numerous directorships in nationally known manufacturing concerns.

His Service to the Cleveland Community

Mr. Virden was formerly president, and is presently a trustee of the Cleveland Development Foundation, a non-profit corporation in which civic-minded leaders of business, commerce and industry have invested substantial funds for the clearance of slums and for other aspects of urban redevelopment. Among other activities in behalf of civic and community welfare, Mr. Virden has served as president of the Board of Trustees of University Hospitals, Cleveland.

His Service to the Federal Reserve System

Mr. Virden's contribution to the work of the Federal Reserve went beyond his many services to this District as Chairman, and before that as Deputy Chairman, of the Board of Directors of the Federal Reserve Bank of Cleveland. For example, as stated by a resolution of the Conference of Chairmen of the Federal Reserve Banks: "Mr. Virden's wise leadership and active interest . . . in the activities of the Conference of Chairmen, and in the broad problems confronting the Federal Reserve have impressed the members of this Conference notably as contributions to the System's efforts to promote the well-being of the economy. We recall especially the distinguished service he performed as Chairman of this Conference during the year 1955."

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KEEPING ON THE COURSE IN '56

IN THE COURSE of time the various economic twists and turns, as well as the straightaways, which characterized the past year will fall into a clearly defined pattern. To the contemporary observer, however, the complex of economic developments during 1956 provided no well-defined sense of direction.

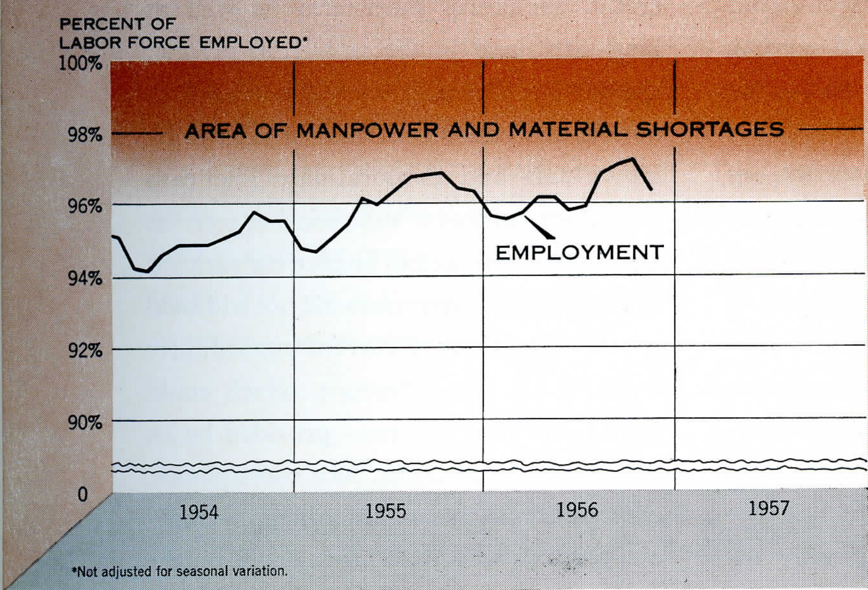
It was generally anticipated, after the long and undeviating forward movement of 1955, that some disconcerting irregularities might be encountered during the succeeding lap. Indeed, a number of important industries now look back upon last year's experiences as being typical of an obstacle course.

The first to come to mind is the automobile industry. This one-time mainstay of the entire field was one of the earliest to show fatigue in the race toward a still bigger and better year. It had been handicapped at the very outset by the weight of unsold dealer stocks. The burden was lightened only gradually by means of curtailing production schedules which in turn caused a shrinkage of purchasing power in some important industrial centers. The flagging tendencies betrayed by the passenger-car industry also took some of the bounce out of the rubber tire industry and affected a number of other lines closely allied with motor vehicle production.

Another industry which encountered difficulties was the steel industry. Although it finally came up with a tonnage barely a step short of the preceding year's all-time high, this second-best performance was accomplished only because of an extraordinary spurt over the home stretch. Opinion was far from unanimous in evaluating the over-all performance. On the one hand it was argued that the industry had "lost" some ten million tons at the turn last summer through a prolonged work stoppage. The opposing argument was that if the industry had maintained its breath-taking pace into the fall season, it would have stumbled over excessive inventories in fabricators' hands in the closing months of 1956.

A third group which found the going somewhat more circuitous than the 1955 course was the residential construction industry. The number of new foundations laid was some 15 percent short of the volume attained during the preceding year. The size of the typical new home started was somewhat larger, but the margin was not sufficient to keep the same number of building tradesmen at work. The slight indisposition of the housing industry was secondarily reflected in the lumber trade. As the summer season advanced, the sawmills no longer were buzzing so confidently as a year earlier.

Other industries which ran into twists and turns included such lines as furniture, appliances, television sets, and other products indirectly affected by the rate of new home construction. In the agricultural machinery industry, forward progress was interrupted by the barrier of excessive stocks and buyer resistance. Finally, during parts of 1956, the textile industry was being clocked at a slower rate of production. In this case the difficulty can hardly be



*Not adjusted for seasonal variation.

THE TREND TOWARD CAPACITY OPERATION

. . . . the economy operated at practical capacity throughout virtually all of 1956. Manpower and material shortages prevailed in a number of basic industries. These shortages exerted a strong upward pressure on the general price level.

ascribed to external circumstances, but rather to the mild case of exhaustion which seems to overtake the industry at roughly two-year intervals.

Notwithstanding the winding trails pursued by a number of industries, including several headliners, the statistical tape at the finish line showed that the economy as a whole had established a new record. The physical volume of production had exceeded the 1955 figure by 3 percent. And the dollar value of all goods and services produced was 5 percent greater than in the preceding year.

The credit for this achievement, of course, goes to the industries which were blessed with a straightaway course. They may be grouped under the general heading of plant and equipment builders and suppliers, including not only a vast segment of the construction industry but also virtually every kind of industrial machinery producer. Perhaps never before had the business picture been so thoroughly influenced by the stimulus of a privately financed expansion in productive facilities. The vigor of this movement, in the face of the backtracking of some key industries, necessitated continuous review and appraisal of monetary policy throughout the year.

Because of the unrelenting pressure of industrial expansion and construction activity, the economy operated at levels approaching practical capacity during nearly all of 1956. Manpower and material shortages were present or threatening in many industries. And the existence of these shortages exerted a strong upward pressure on the wage and commodity price level.

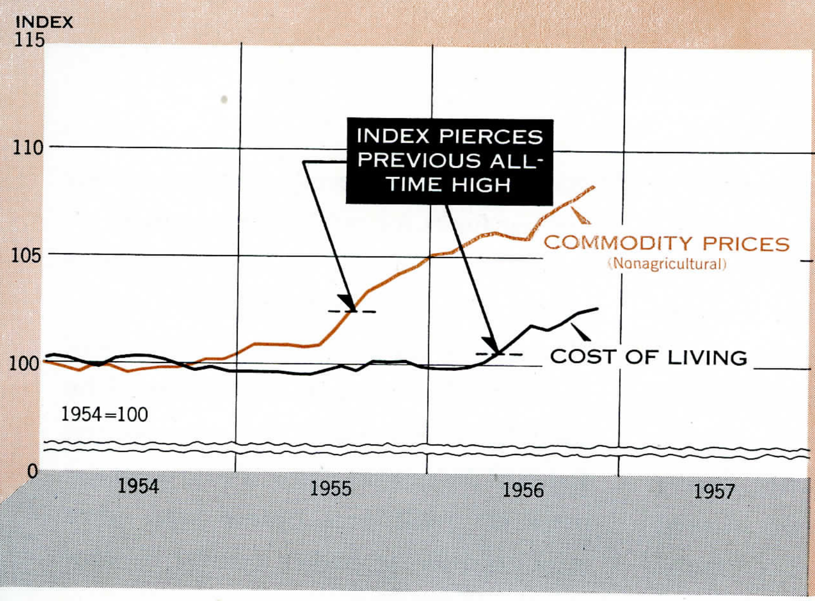
Credit and Credit Policy

Expansion on such a scale could not have occurred without extensive use of credit, including short-term as well as long-term, and public as well as private, credit. The demand for funds tended to outrun the concurrent rate of savings by individuals and corporations. The cash flow from corporate depreciation reserves was far from enough to finance the planned expansion, and consumers did not withhold enough funds out of current expenditures to make up the difference, which could have been—but was not—provided by an inflation of bank credit. As a consequence, competition between and among the various types of seekers of funds drove up the cost of money.

It was not only money that rose in price during 1956. The cost of nearly everything that money can buy also went up last year. It will be recalled that nonagricultural prices had broken through their previous (Korean War) record high during earlier stages of the boom in 1955. That rise continued without serious interruption throughout 1956. Moreover, the index of consumer prices, which had been plodding along at a nonprovocative pace for many months, suddenly became activated around midyear and began to lunge forward as if in a belated effort to catch up with the rest of the field. This was merely a response to the upward thrust which had long been evident in many other indices.

The movement of the cost of living into unexplored high ground—with the threat of further advances to come—generated a wave of mixed emotions among spectators and participants alike. The participant industries which had been plagued by twists and turns, and which were engaged in a futile attempt to match the previous year's sales, were entitled to, and were unquestionably given, most thoughtful consideration in the formulation of monetary policy. Yet ever in the foreground was the spectacle of an economy working at capacity and the specter of prices tugging away at the anchor post of stability.

Under the circumstances, the situation called for the highest degree of composure among those responsible for the general climate in the financial world. If attention had been focused only upon the relative distress of those industries which were meeting sales resistance, and if credit policy had been formulated solely to make the race easier for them, the result inevitably would have been a noticeable expansion in the money supply. Such an expansion would have intensified the competition among the front-runners for a definitely limited supply of goods and services, and would have left the less fortunate further to the rear. On the other hand, there was the constant risk that too rigorous a policy



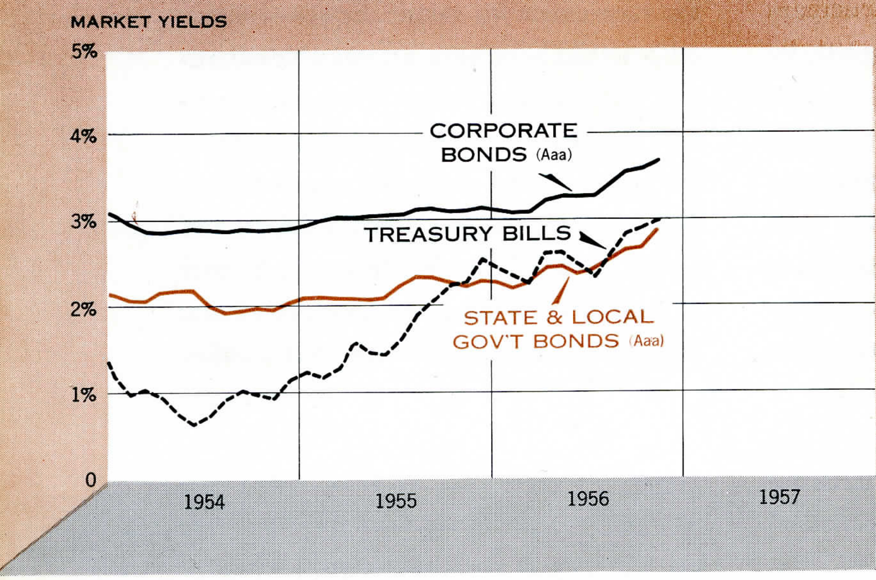
THE BEHAVIOR OF PRICES

.....nonagricultural prices broke through their previous record (Korean War) high during 1955 and continued upward almost without interruption throughout 1956. After some lag, the cost of living index also moved into record-high ground last year.

might precipitate a sudden swerve of the entire economy into an unfavorable direction.

It was in the light of these facts and conditions that the nation's privately held money stocks were permitted to expand by a modest amount, something on the order of one percent. This was enough to accommodate the record level of production, but not so much as to give overt support to inflationary tendencies. Any increment measurably in excess of that would have injected additional elements of instability, particularly over the longer run.

The rise in the cost of money during 1956—because the supply was not allowed to grow unrestrainedly—was not limited to one segment of the market but spanned the entire range, from the shortest to the longest maturities, and from the highest grade of credit to the riskier types of new ventures. It occurred not only in the market for individual and corporate needs, but also in the municipal market where state and local governments were actively seeking funds for public construction.



THE RISING COST OF MONEY

. . . . . the cost of money rose almost uninterruptedly during 1956. The demand for both long and short-term funds on the part of business enterprises, state and local governments, and individuals, expanded to record proportions. In the face of a modest expansion in the credit base of the banking system and in savings, the rise in the cost of money was the outcome of competition among the many seekers of funds.

In the absence of any legal means of encouraging the flow of credit into certain channels, to the detriment of other users, the allocation of funds was governed by the wholly impersonal and unprejudiced forces of the market place. Those potential users of credit and capital who were most sensitive to higher interest charges were the most likely to trim their requirements to more modest proportions, or to postpone some projects to a more propitious time. In the absence of this incentive for some retrenchment, the aggregate demand for goods and services would have wrought still greater upward pressure on the price structure. Any savings in interest costs through the establishment of artificially low money rates might have been lost many times over in a further inflation of construction costs.

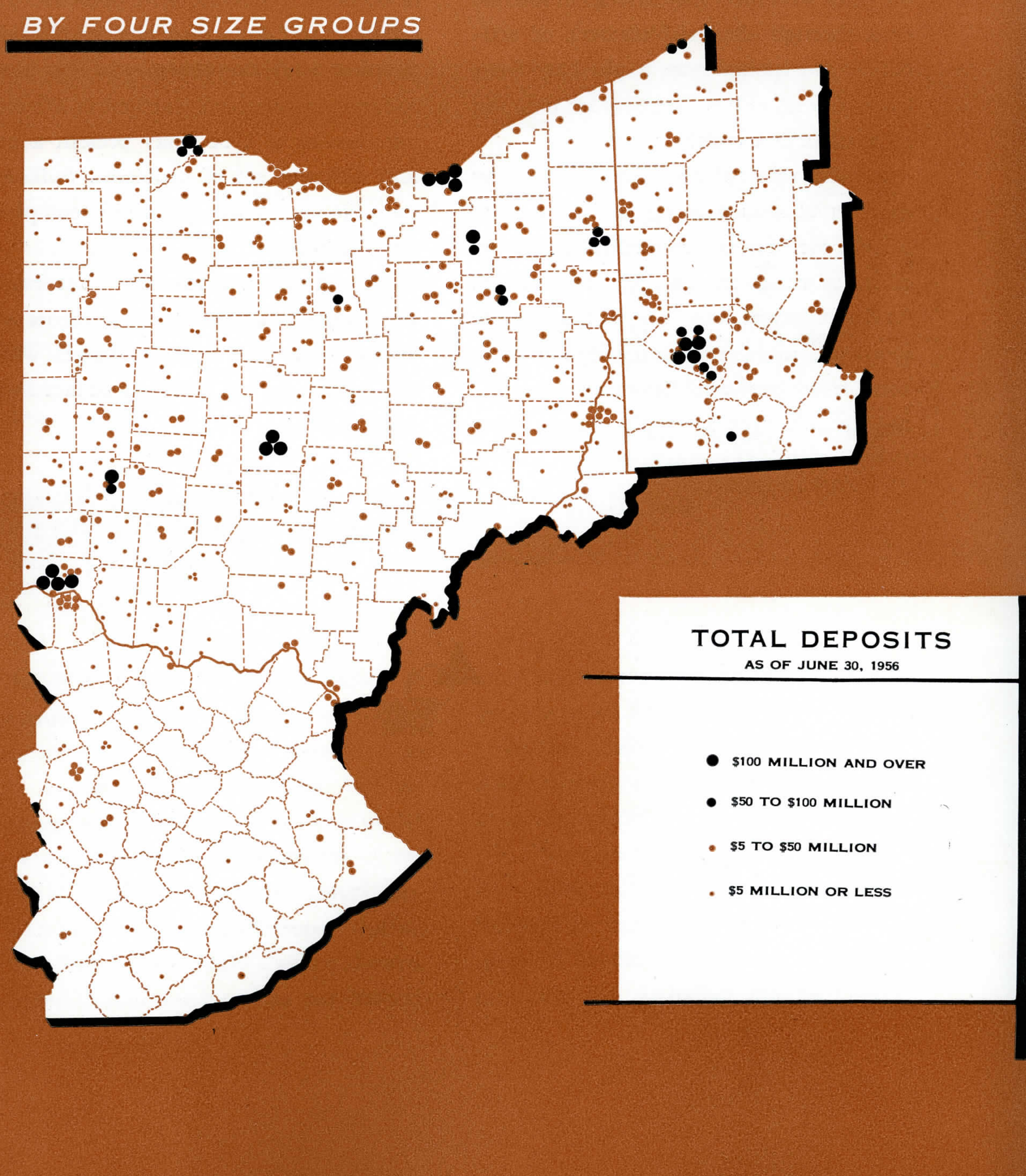
Another result of the policy of permitting the cost of money to respond to normal market forces was the further utilization of many relatively inactive reservoirs of funds. Corporations and others were motivated to invest temporarily idle bank balances in short-term Government securities at attractive rates of return. Many of the short-term securities thus purchased came out of the portfolios of commercial banks, which in turn used the proceeds to meet the continuing demand for business loans.

During most of the past year, monetary policy was formulated largely in the light of domestic economic developments. The relatively well-loaned-up position of banks, together with the changes in the international scene which emerged in the closing months of 1956, may present a new and different set of problems. Sufficient unto the year, however, are the complexities thereof.

On the whole, 1956 was a most fruitful year, despite some disappointments and frustrations. The new challenges which will emerge during 1957 may be faced with confidence.

LOCATION OF MEMBER BANKS

Fourth Federal Reserve District



THE YEAR IN FOURTH DISTRICT BANKING

ALTHOUGH the expansion of bank credit in the Fourth Federal Reserve District, as well as in the nation, was under restraint during 1956, Fourth District member banks increased the total of their loans and investments by about 3 percent, a somewhat smaller gain than in the previous year. They managed to meet a substantial share of the demand for loans by increasing loan volume by about 15 percent and reducing holdings of U. S. Government securities by about 10 percent.

Demand for Bank Credit

After the usual lull early in the year, *business loans* began a vigorous expansion that led to an increase in outstandings of nearly 20 percent during the year. The unprecedented expansion in expenditures for new plant and equipment, although financed mainly through security issues in the capital market, markedly affected business demands for bank credit. Bank loans to business increased, as firms borrowed in advance of actual security flotations.

Weekly reports from a sample of large banks in the Fourth District indicate that nearly every type of business shared in the increased volume of business loans. Manufacturers of *metals and metal products* set the pace with a $120-million addition to their outstanding bank debt between January 1 and December 5, the latest date for which reports were available at press time.

In 1955, *consumer and all other loans,* largely loans to individuals, had risen more than 20 percent at Fourth District weekly reporting member banks. It is noteworthy that such loans at Fourth District weekly member reporting banks continued to increase during 1956, rising an additional 10 percent.

Unlike business loans, *real estate loans* lost some of the spark of recent years, though they continued to rise during 1956. Increased costs and a larger average size of housing units partly overcame the decline in number insofar as the demand for real estate credit was concerned. Real estate loans at Fourth District weekly reporting member banks rose $76 million in 1956 in contrast to a $118 million increase in 1955.

Meeting the Demand

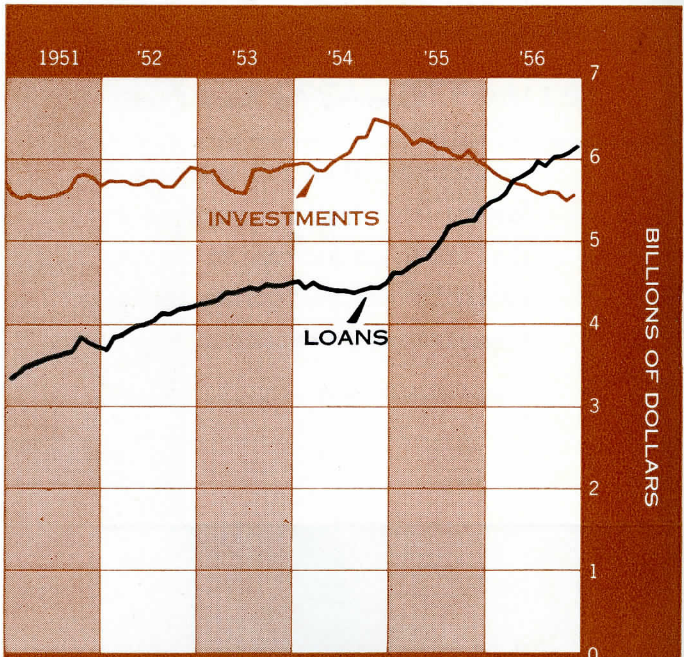
When banks have substantial free reserves, i.e., excess reserves less borrowings from the Reserve Banks, they actively seek new business. This free-reserve situation prevailed in 1954 and to a steadily decreasing extent in 1955. On the other hand, when bank borrowings are greater than excess reserves, commercial bankers are generally more conservative in their lending and investing operations. That is the position Fourth District member banks found themselves in during most of 1956.

For that reason, loan expansion depended heavily upon commercial banks' willingness and ability to reduce investments and cash reserves. For the year as a whole, the decline in holdings of U. S. Government securities at Fourth District member banks amounted to more than half of the rise in loans. To some extent, especially for short periods of adjustment, Fourth District member banks also reduced their vault cash and balances with other banks.

Effects on Deposits and Earnings

Notwithstanding the tighter reserve position and the limited capacity to increase loans and investments, demand deposits at Fourth District member banks increased slightly during 1956. Moreover, holders of demand deposits made more intensive use of existing balances. Demand deposits, excluding bank and U. S. Government deposits, at banks in 28 reporting centers in the Fourth District were turned over at an annual rate of 23.2 in 1956 in contrast to 21.3 in 1955. Time deposits at Fourth District member banks increased 3 percent during 1956.

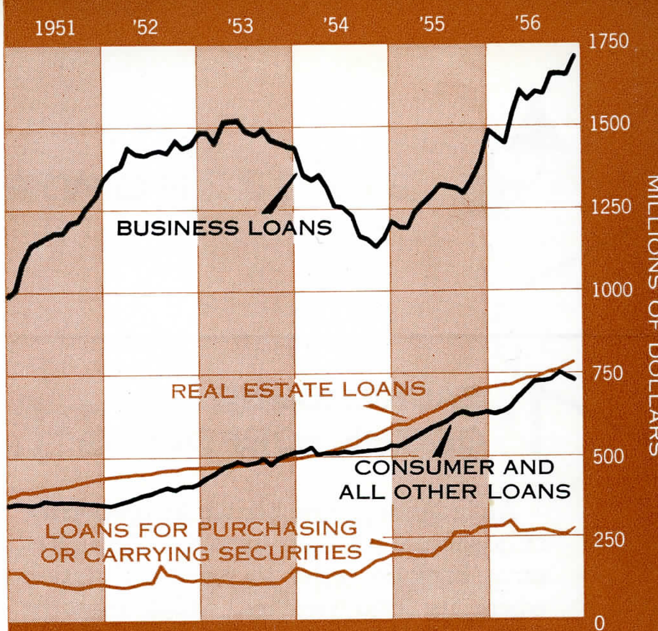
Bank earnings were influenced both by the large demands for loans and by the



LOANS AND INVESTMENTS
Fourth District Member Banks

portfolio shift from securities to loans. The lag in the supply of loanable funds resulted in an upward movement in the rate structure. For example, prime loans to top-rated corporations were 4 percent at the year end, the highest level since 1933. Also, loans typically earn higher rates than securities. Thus, both the increased volume of loans and the relatively larger share of assets in loans contributed to an increase in operating earnings during 1956. However, the shift had a two-edged effect on earnings, as losses were sustained on sales of securities in a market where yields were rising and prices falling.

In addition, commercial banks, like business firms, were affected by rising costs, primarily salaries, and by a continuation of large tax payments. Nevertheless, early estimates indicate that net profits, after taxes, earned by Fourth District member banks for the year 1956 will aggregate 10 to 15 percent larger in dollar volume than in the previous year.

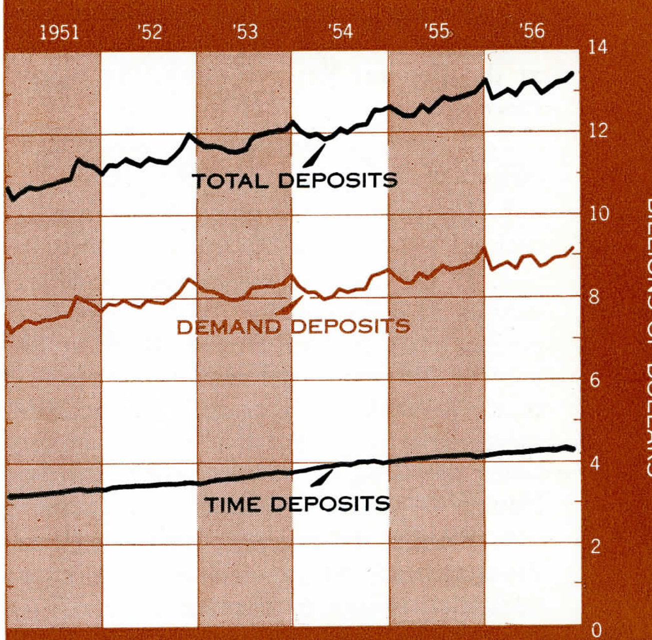


TYPES OF LOANS
Fourth District, Weekly Reporting Member Banks

Banking Structure

A marked change in the banking structure since the end of the war has been an increase in the number of banking offices, with the number of banks declining through consolidation and merger and the number of branches increasing, largely through new additions. Although the merger movement has abated somewhat, 1956 was not an exception to the postwar trend.

At the end of 1955, there were 999 insured commercial banks with 567 branches operating in the Fourth District. By the end of 1956, the number of banks had declined to 984 and the number of branches had increased to 666.



DEPOSITS
Fourth District Member Banks

1. BACKGROUND OF THE BORROWING

An individual member bank may borrow on a short-term basis from a Federal Reserve bank in order to meet a situation where its legal reserves, which must be held against deposits, are temporarily inadequate because of an outflow of funds.

Such borrowing represents a supplementary form of credit. The Federal Reserve Bank of Cleveland, like the other Federal Reserve banks, has continued to "keep the discount window open", subject to the necessary safeguards; chief among these is the understanding that member banks shall anticipate the normal requirements of agriculture, commerce and industry and meet these needs from the member bank's own resources before seeking Federal Reserve credit.

Steps in Borrowing

1. Request is made to the senior officer in charge of the loan and discount function at the Federal Reserve Bank. (In many cases it is done by telephone call.)

2. A note is executed by authorized officers of the applicant member bank.

3. Consideration is given to the application by the bank's Discount Committee.

4. If the loan is approved, securities serving as collateral for the loan are deposited at the Federal Reserve Bank, or, as is more frequently the case, securities already in safekeeping custody of the Reserve bank, for the account of the member bank, are designated as collateral for the loan.

5. Finally, the proceeds are credited to the member bank's reserve account, after deduction of interest charges.

2. THE PACE OF BORROWING

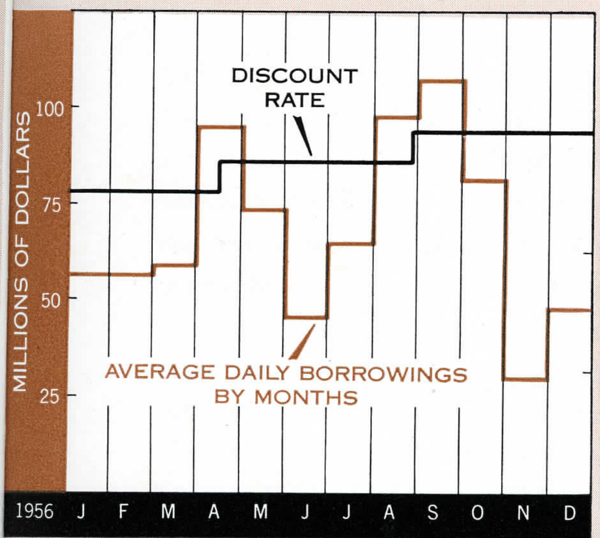
Under conditions where private and public demands for credit have poured in upon the member banks, and where the general availability of legal reserves has been kept under a planned restraint through open-market operations of the Federal Reserve System, it is understandable that member banks are likely to resort to the borrowing privilege with somewhat increased frequency. Throughout much of the year 1956, such was the case, as may be seen from the accompanying chart which depicts member bank borrowing in the Fourth Federal Reserve District.

During April, August and September, member bank borrowing was especially large, but even in those months it did not quite reach the temporary high of early 1953 (not shown on the chart). For the entire year, member bank borrowing averaged appreciably larger than during the immediately preceding year.

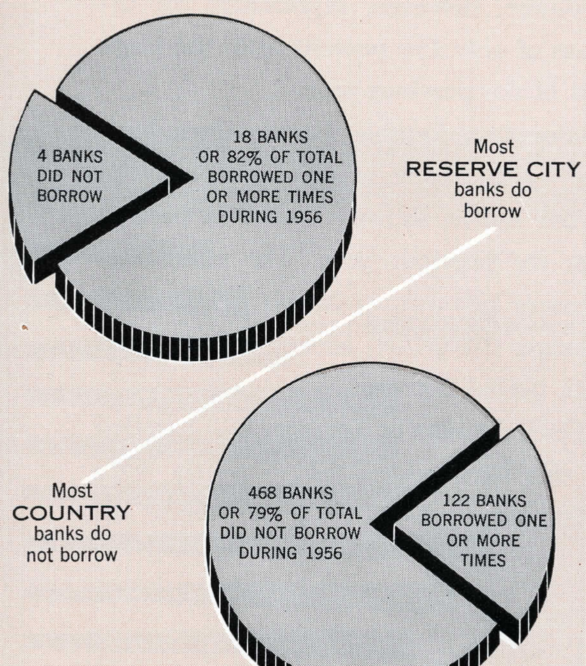
Larger banks typically make use of the borrowing privilege more frequently than do the smaller banks. That is because the larger banks, located in the "reserve cities," are accustomed to pressing harder for a "fully invested" position, i.e. one in which maximum lending or investing is maintained on the basis of a given legal reserve. The correspondent relations established by the larger banks may also be a factor in their borrowing. The smaller banks, however, ordinarily borrow for a somewhat longer period of days, when they do borrow.

(The reserve cities of the Fourth District are Cleveland, Pittsburgh, Cincinnati, Columbus and Toledo. Banks in all other parts of the District are designated as "country banks.")

DURING 1956



.... member-bank borrowings fluctuated sharply during 1956. Average daily borrowings in the Fourth District are shown here for each month, along with the discount rate charged by this bank. The rate was raised from 2½% to 2¾% in April, and to 3% in August.



(based on 11 months' data)

3. SIGNIFICANCE OF THE BORROWING

Viewed from the standpoint of the banking system as a whole, the fluctuations in the extent of member-bank borrowing serve as a gauge of the degree of pressure which is being exerted on bank reserves at any one time. In turn, such pressures on the collective reserve position of the banking community are the result of general credit and business conditions, taken in the context of whatever policy of credit easing or credit restraint is being followed by the monetary authorities.

So far as the Federal Reserve is concerned, changes in the established discount rate constitute one, but only one, of the important instruments used to influence the availability of loanable funds. Open-market operations have an immediate and direct effect on the aggregate volume of bank reserves, and hence the credit base of the economy. Thus, shifts in open-market policy are interlocked with possible changes in the discount rate in the effectuation of over-all System policies.

The increases in the discount rate which took place during 1956, as had been the case with the more numerous increases during 1955, served one or more of the following purposes: (1) inducement of more conservative member-bank lending policies during a period of marked inflationary pressures; (2) signalizing of the Federal Reserve System's over-all appraisal of the current money-market and general credit situation; (3) restoration of the discount rate to a more appropriate position in relation to the interest rate currently prevailing in the money market.

VOLUME OF SERVICE OPERATIONS...

The steady stream of services which this bank performs for the banking and business community continued in even larger volume during the year 1956.

As shown by the accompanying charts, most of the basic operations in the collection of checks, in the provision of coin and currency, and in fiscal agency operations, involved larger work loads in 1956 than in 1955.

The *number of checks* handled at the three offices, for example, registered a 6 percent gain over the record volume of the previous year. It is noteworthy that each of the postwar years, without exception, has seen a rise in the load of check clearance; furthermore, during each of the years since 1950, the annual increase has been at a rate quite close to 6 percent.

Post office money orders represent one type of instrument the use of which has declined somewhat in recent years. The 25 million of such items handled by this bank during 1956 amounted to 3 percent fewer than the number handled in the previous year. The number of *government checks*, however, increased by 3 percent. (Government checks, as well as post office money orders, are included in the total shown on the chart.)

Nearly \$100 million in *coin* was paid out to banks during the year, for use in meeting the demands of the public. That figure represents a 7 percent gain over the amount paid out in the previous year, which in turn had posted an 18 percent gain over the slightly reduced volume paid out in 1954. The trend toward the use of *wrapped coin* continued during the year.

More than \$2 billion in *currency payments* were made by this bank during 1956. Such a volume, however, represented an increase of only 1½ percent from the large total of the previous year.

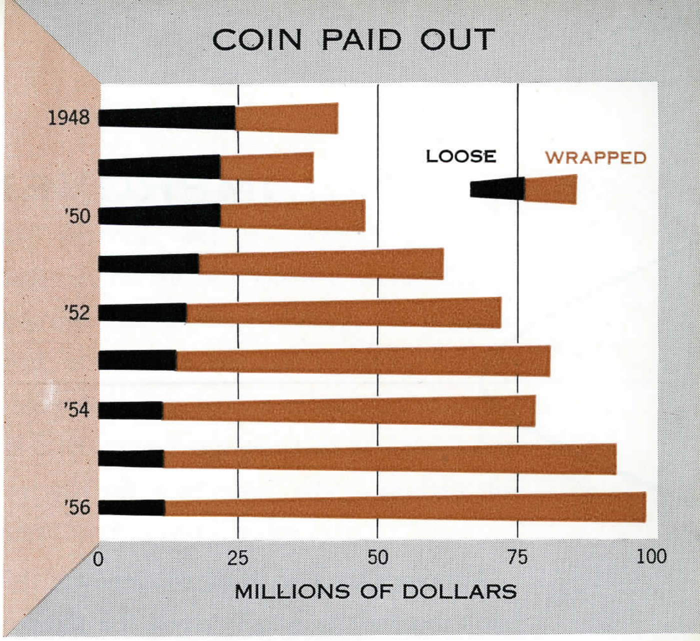
Sales of marketable *Treasury issues*, handled by this bank as fiscal agent of the United States, showed a shift in pattern from the previous year. The volume of Treasury *bills* was up sharply, while issues of longer maturities, as well as the grand total, posted decreases.

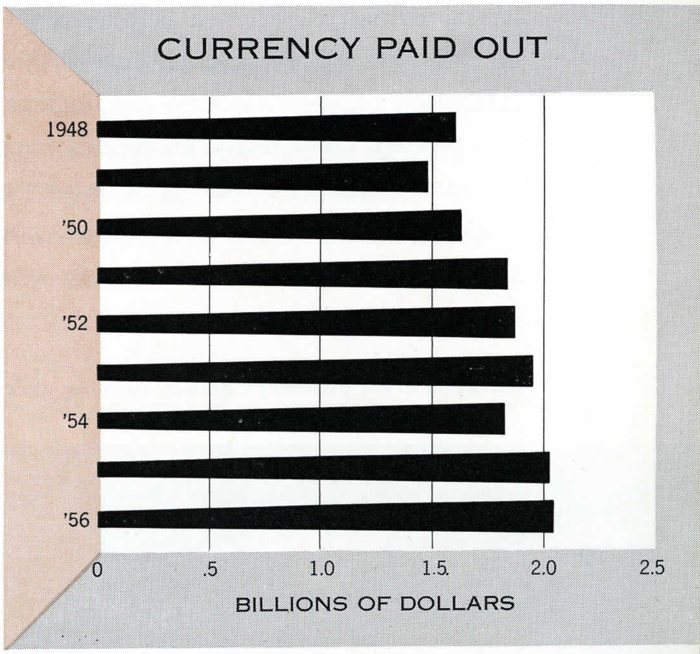
Thus, the sales of Treasury *bills* handled by this bank amounted to nearly \$3½ billion during 1956, for a 20 percent in-

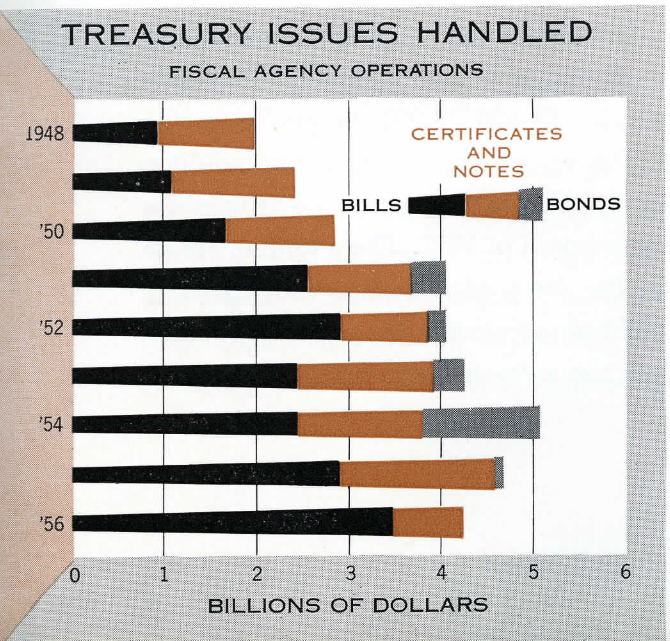
three offices combined

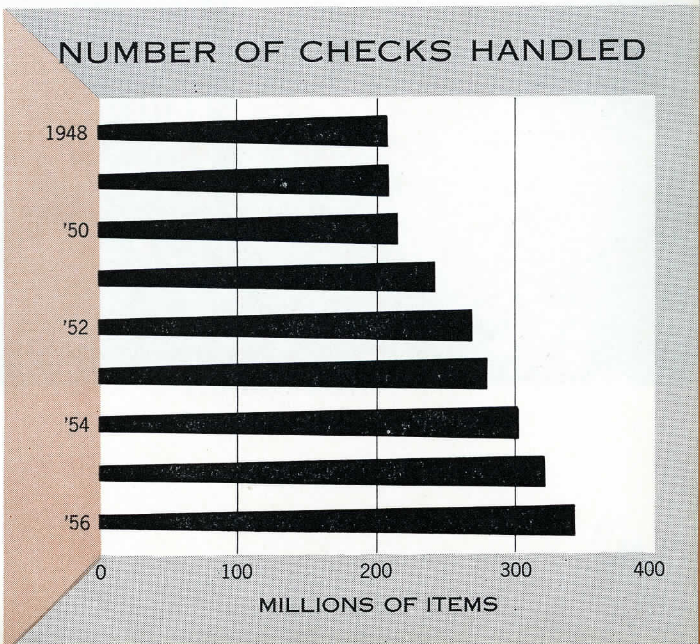
crease over the 1955 volume. November and May were months of especially large bill issues; in no month, however, did the volume drop below $220 million. The volume of certificates and notes, although large during December and the summer months, as well as in March, was substantially below the total for 1955. No *bond* issues were handled during the year.

Sales of nonmarketable *savings bonds* handled for the United States Treasury by the three offices totaled close to 14 million pieces, which represented a 3 percent rise from the previous year.





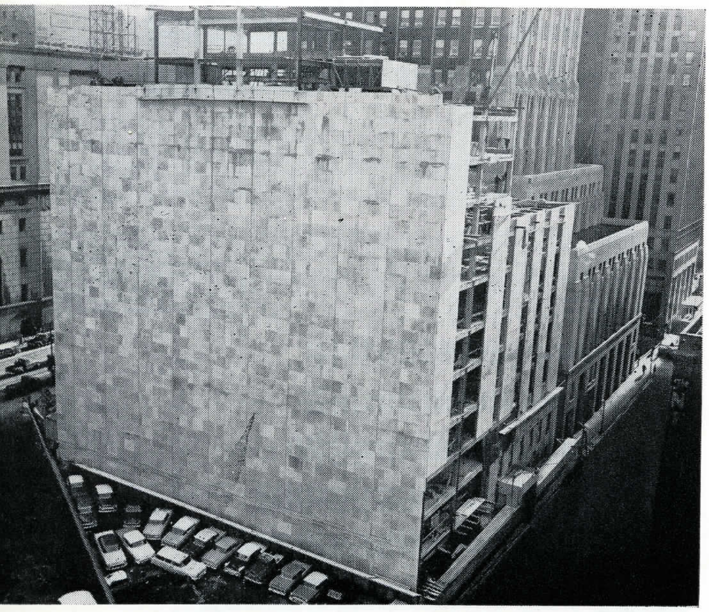




IMPROVEMENTS IN RESERVE BANK

Although the operating efficiency of this bank depends primarily upon the skills of its trained staff, the physical facilities available to that staff are no small factor in the institution's capacity to serve the financial and business community. In recent years, substantial progress has been made in modernizing the bank's buildings and equipment. Construction of expanded and improved facilities at Pittsburgh is under way. The modernization program at the Main Office has been effected and that at the Cincinnati Branch has been substantially completed.

Extension of the Pittsburgh Branch building under construction as of December 1956



Pittsburgh Branch

The Pittsburgh Branch, with its 479 staff members, is one of the largest in the Federal Reserve System. It serves business, industry and agriculture in 19 western counties of Pennsylvania and six counties of the West Virginia panhandle. For many years the facilities in the existing branch building have been inadequate and the branch has had to rent additional quarters in other buildings.

In September 1955, ground was broken for the construction of additional facilities which will add 79,000 square feet to the 49,000 square feet in the present building. Completion of the project is scheduled for the autumn of 1957. The addition will be in the form of a rectangular ten-story building adjoining the present structure, and also a six-story extension over the rear

PREMISES

section of the present building. The present building is being remodeled so that the completed project will result in an integrated structure.

The main banking room on the first floor of the present building is being substantially altered. There will be three new passenger elevators, one freight elevator and one coin elevator, all automatically operated; the present set of elevators is being modernized. A new coin vault is being constructed. The entire structure will be air conditioned.

Main Office

A comprehensive program of major improvements at the Main Office building at Cleveland was undertaken in 1955 and completed in 1956. Three phases were included: (1) conversion of the power plant at the bank to make possible the purchase from a local public utility of all electricity and all steam except high pressure steam; (2) modernization of the electrical distribution system to correct the previously unbalanced and overloaded system, to facilitate operation on alternating current, and to provide sufficient capacity for the operation of air conditioning throughout the building; (3) installation of modern air conditioning for the entire building, with a maximum capacity of 1,200 tons of refrigeration and flexibility for partial operation when needed for night and holiday shifts.

Cincinnati Branch

The current modernization program for the Cincinnati Branch building is entering its final stages. The entire building was air conditioned in 1954. Installation of an improved security court was completed in 1956 and installation of new elevators was started.

The new security court provides ample loading space and a complete system of up-to-date devices for the safety of shipments into or out of the bank. Loading or unloading of several vehicles at the same time now makes it possible to avoid delays in dispatching shipments to trains and other destinations.

In order to promote a high level of operating efficiency, the elevators at the Cincinnati Branch are being replaced by a new set of automatic elevators of the most modern design.

The Cincinnati Branch, in addition to serving 25 counties of southwestern Ohio, provides central banking facilities for 56 counties of eastern Kentucky.

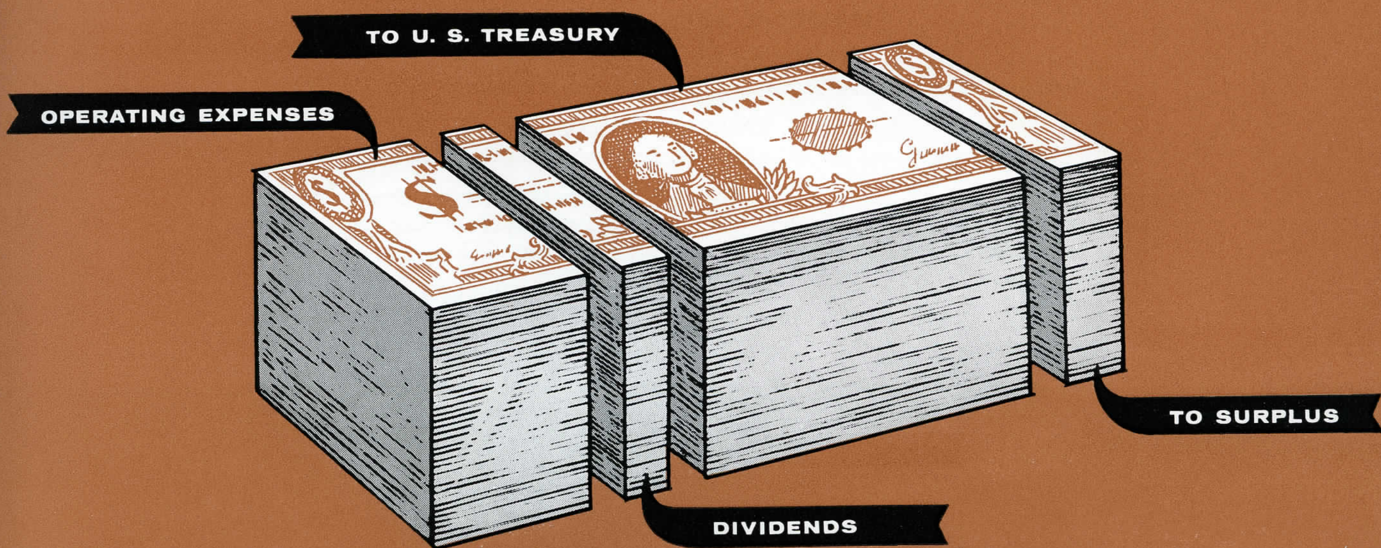
COMPARATIVE STATEMENT OF CONDITION

	December 31, 1956	December 30, 1955
ASSETS		
Gold Certificate Account	**$1,934,798,478**	$1,702,370,444
Redemption Fund for Federal Reserve Notes	**77,869,350**	78,193,284
Total Gold Certificate Reserves	**2,012,667,828**	1,780,563,728
Federal Reserve Notes of Other Banks	**19,697,070**	17,923,050
Other Cash	**21,211,456**	27,269,610
Total Cash	**2,053,576,354**	1,825,756,388
Discounts and Advances	**3,525,000**	616,000
U. S. Government Securities:		
Bills	**148,878,000**	129,146,000
Certificates	**945,602,000**	508,843,000
Notes	**791,749,000**	1,217,461,000
Bonds	**242,332,000**	240,791,000
Total U. S. Government Securities	**2,128,561,000**	2,096,241,000
Total Loans and Securities	**2,132,086,000**	2,096,857,000
Uncollected Cash Items	**540,172,184**	653,563,169
Bank Premises	**7,805,250**	5,905,373
Other Assets	**21,491,011**	13,552,762
Total Assets	**$4,755,130,799**	$4,595,634,692
LIABILITIES		
Federal Reserve Notes	**$2,592,653,310**	$2,492,709,245
Deposits:		
Member Bank—Reserve Accounts	**1,470,223,397**	1,492,811,500
U. S. Treasurer—General Account	**31,313,072**	26,036,179
Foreign	**26,936,000**	35,126,000
Other Deposits	**10,970,646**	12,883,559
Total Deposits	**1,539,443,115**	1,566,857,238
Deferred Availability Cash Items	**513,240,182**	432,140,750
Other Liabilities	**1,454,292**	1,184,439
Total Liabilities	**4,646,790,899**	4,492,891,672
CAPITAL ACCOUNTS		
Capital Paid In	**31,046,150**	29,295,950
Surplus (Section 7)	**66,392,961**	62,563,178
Surplus (Section 13b)	**1,005,665**	1,005,665
Other Capital Accounts	**9,895,124**	9,878,227
Total Liabilities and Capital Accounts	**$4,755,130,799**	$4,595,634,692
Contingent Liability on Acceptances Purchased for Foreign Correspondents	**$ 4,531,800**	$ 3,048,500
Industrial Loan Commitments	**$ 121,111**	$ 321,632

COMPARISON OF EARNINGS AND EXPENSES

	1956	1955
Total Current Earnings	$ 51,157,205	$ 35,055,198
Net Expenses	11,043,778	9,953,355
CURRENT NET EARNINGS	$ 40,113,427	$ 25,101,843
Additions To Current Net Earnings:		
Profit on Sales of U. S. Government Securities (Net)	24,350	—0—
All Other	5,925	16,316
TOTAL ADDITIONS	30,275	16,316
Deductions From Current Net Earnings:		
Loss on Sales of U. S. Government Securities (Net)	—0—	74
Reserves for Contingencies	16,896	20,806
All Other	21,889	1,381
TOTAL DEDUCTIONS	38,785	22,261
Net Deductions	8,510	5,945
Net Earnings Before Payments to U. S. Treasury	40,104,917	25,095,898
Paid U. S. Treasury (Interest on F. R. Notes)	34,468,380	21,070,509
Dividends	1,806,754	1,684,251
Transferred to Surplus (Section 7)	$ 3,829,783	$ 2,341,138

DISPOSITION OF GROSS EARNINGS FOR 1956



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CINCINNATI

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Cincinnati, Ohio

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The Second National Bank of Hamilton
Hamilton, Ohio

W. BAY IRVINE, President
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Marietta, Ohio

IVAN JETT
Farmer
Georgetown, Kentucky

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Executive Vice President and Trust Officer
The Newport National Bank
Newport, Kentucky

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The Central Trust Company
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JOHN BIERMANN, JR. . . . . *Assistant Cashier*
GEORGE W. HURST . . . . *Assistant Cashier*
WALTER H. MACDONALD . . . . . *Assistant Cashier*

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Pittsburgh, Pennsylvania

SUMNER E. NICHOLS, President
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Erie, Pennsylvania

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Aluminum Company of America
Pittsburgh, Pennsylvania

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JOHN A. SCHMIDT . . . . *Assistant Cashier*
ROY J. STEINBRINK . . . . *Assistant Cashier*

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