

SECOND ANNUAL REPORT

FEDERAL RESERVE BANK OF MINNEAPOLIS

Minneapolis, January 1, 1917.

MEMBERS OF DISTRICT NUMBER NINE:

We respectfully submit herewith a report of the results of your bank's operations for the calendar year 1916. The statements and schedules accompanying speak for themselves and need no special comment.

Money has been comparatively cheap throughout the district during the entire year, and rediscounts of commercial and agricultural paper did not reach proportions of any consequence. Our facilities have been available, however, and the assurance which it has given resulted in member banks loaning more closely and freely than they would have felt justified in doing had we not been here prepared to assist them in case of need.

Appreciating the necessity of not only employing a sufficient proportion of our funds to pay the deficiency incurred in our initial stages and our current operating expenses, but if possible, to make some returns to our stockholders as contemplated by the Act, our funds in view of the lack of demand at home, were employed so far as market conditions warranted, in Government bonds, short time municipal warrants and bankers' acceptances. This has resulted in our liquidating the deficiency reported to you one year ago, in providing for the amortization of our furniture, fixture and equipment account, and in making a payment to you on account of accrued dividends. There was left a comfortable amount to carry over as undivided profits.

Section 16, providing for the collection and clearing of checks, was put into operation in July. This necessitated an increase in our office and equipment, as well as clerical staff. The business in this department has increased from month to month, which to us is evidence of satisfactory service in that department. We are now handling about 15,000 checks each day, aside from the checks handled on the Twin City banks through our own clearing house. The expense of maintaining this department is borne by the banks using the facilities. A charge of 1½c per item is made to the bank depositing with us the items for collection, and the revenue thus obtained has been sufficient to pay rent for space used, clerical help, postage, stationery and depreciation of furniture and equipment used in that department. If these facilities were made general use of by our members, the charge could be reduced to one cent per item.

Your Directors convene monthly, and all are kept in close touch with our operations by report made to them weekly. Your Executive Committee holds daily meetings, the junior officers and employees have been loyal and are doing their part, to the end that transactions with our member banks have been efficiently and expeditiously handled.

The loans and investments of national banks, state banks and trust companies in the United States have increased since the establishment of the Federal Reserve System by about \$3,000,000,000. The loans and investments of banks in the Ninth Federal Reserve District during this same period have increased about \$200,000,000.

Whether this increase is due to the increased price of all the necessaries of life, including the price of labor, whether it is due to the increased population and corresponding development of business, whether it is due to the inauguration of the Federal Reserve System, and a releasing of reserves, whether it is due to large importations of gold, regardless as to what anyone may attribute it, in view of existing conditions throughout the world, we believe the greatest care should be exercised by bankers at this time, confining their extensions of credit so far as possible for the financing of short time, self-liquidating transactions or those that may be liquidated without distress to the borrower.

We again desire to express our appreciation for the friendly interest and co-operation of our members, without which the progress made and results obtained would have been impossible.

THEODORE WOLD,
Governor.

STATEMENT OF CONDITION DECEMBER 31, 1916.

RESOURCES.

	Condition Dec. 31, 1916.	Condition Dec. 31, 1915.
Bills Discounted and Collateral Loans to Members.....	\$1,985,182.75	\$1,244,615.71
Bankers' Acceptances	6,199,999.55	477,806.40
United States Bonds and Notes.....	3,178,687.85	1,328,820.00
State and Municipal Warrants.....	569,664.72	910,513.28
Accrued Interest on U. S. Securities.....	15,607.73	6,473.42
Furniture and Equipment (including new vault and safes)	59,274.19	54,159.64
Organization Expense	None	32,341.71
Cost of Federal Reserve Notes, Unissued.....	16,295.18	19,932.85
Expenses paid in advance.....	1,250.00
Due from other Federal Reserve Banks	3,598,997.07	4,390,694.20
Due from Banks and Bankers, also deferred debits to members	3,449,929.61
National Bank Notes and Federal Reserve Notes, other banks	18,800.00	8,945.00
Federal Reserve Notes on hand.....	2,374,585.00	868,390.00
Other lawful money.....	179,552.47	21,416.95
Gold Certificates and Gold Coin.....	8,775,637.00	2,747,298.00
Gold in Settlement Fund.....	7,064,000.00	4,355,000.00
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	\$37,487,463.12	\$16,466,407.16

LIABILITIES.

Capital	\$2,609,700.00	\$2,546,850.00
Profit and Loss	44,541.27
Discount and Interest Unearned.....	36,274.45	18,963.25
Discount and Premium on United States Bonds.....	22,534.74	7,069.14
Withheld for Federal Income Tax.....	176.25
Government Deposits	886,437.51
Cashier's Checks	5,680.45	1,822.20
Due to other Federal Reserve Banks.....	4,347,156.58	26,340.33
Due to Member Banks.....	29,534,961.87	13,865,362.24
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	\$37,487,463.12	\$16,466,407.16
Gold with Federal Reserve Agent to reduce liability for outstanding Federal Reserve Notes	\$20,484,045.00	\$14,000,000.00

PROFIT AND LOSS ACCOUNT.

Gross earnings January 1, 1916, to December 31, 1916.....		\$238,108.68
Less:		
Assessment for expenses Federal Reserve Board.....	\$8,962.07	
Cost of new Federal Reserve Notes issued during year	9,866.06	
Operating expenses	79,877.70	
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Excess of earnings over current expenses.....		\$139,402.85
Less the following items charged off:		
Organization expense	\$32,341.71	
Reduction of furniture and fixtures	4,800.00	
Dividend, period Nov. 2, 1914, to July 1, 1915.....	57,719.87	
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Balance carried forward.....		\$44,541.27

GROSS EARNINGS BY MONTHS 1915 AND 1916.

	1916.	1915.		1916.	1915.
January	\$11,471.21	\$4,269.52	July	\$20,350.25	\$9,038.91
February	10,909.70	4,014.08	August	25,074.83	10,766.40
March	11,724.58	4,932.92	September	27,170.94	10,966.71
April	12,480.69	5,109.33	October	30,212.02	13,371.14
May	15,782.63	5,942.45	November	28,660.58	12,333.42
June	17,154.86	6,741.82	December	27,116.39	12,122.61
Total earnings 1916.....	\$238,108.68		Total earnings 1915.....		\$99,609.31

CLASSIFICATION OF EARNINGS.

FROM—	1916.	1915.
Bills Discounted—Member Banks.....	\$60,937.81	\$50,488.75
Bankers' Acceptances	50,098.78	5,247.90
United States Bonds and Notes.....	69,266.49	18,793.25
State and Municipal Warrants.....	34,267.09	20,930.82
Sundry Profits including interest on transfer drafts.....	23,538.51	4,148.59
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	\$238,108.68	\$99,609.31

VOLUME OF DISCOUNTS FOR 1916.

	Minnesota	North Dakota	South Dakota	Wisconsin	Montana	Michigan	Totals
No. of member banks	285	155	125	89	78	32	764
No. of member banks served ...	88	28	30	7	19	2	174
No. of applications made for re- discount	362	79	112	21	31	5	610
No. pieces re-discounted	1,903	447	584	88	198	10	3,230
Average amount of each piece...	2,500	1,200	1,300	1,800	1,100	2,800	2,000
Total amounts of re-discounts...	\$4,824,590	\$527,890	\$768,393	\$157,801	\$215,893	\$27,501	\$6,522,068
Smallest item	28						
Largest item	500,000						

Distribution by Maturities of Paper and Short Term Investments Held by the Federal Reserve Bank at Close of Business December 31, 1916.

	Within 10 days	After 10 but within 30 days	After 30 but within 60 days	After 60 but within 90 days	After 90 days	Totals
Bills Discounted, members....	\$596,315.93	\$426,319.53	\$416,044.93	\$139,967.66	\$406,534.70	\$1,985,182.75
Bankers' acceptances	909,962.13	757,607.55	1,552,864.19	2,979,565.68	6,199,999.55
State and Municipal warrants	81,282.19	35,000.00	90,550.71	337,831.82	25,000.00	569,664.72

CLEARING STATISTICS.

Number of Items and Volume Handled Since Beginning of Collection System July 15, 1916.

Date	No. of items within district.	Total within district.	No. of items on other districts.	Total on other districts.
July 15 to July 31.....	36,030	\$7,131,009.33	761	\$2,579,516.37
August	129,004	24,435,164.27	5,331	9,567,653.43
September	244,546	37,896,114.75	10,099	15,514,249.85
October	330,883	53,954,654.88	13,521	20,467,890.62
November	351,088	58,919,187.47	13,019	24,135,306.35
December	380,642	55,940,040.66	14,483	19,285,616.48
Total	<hr/> 1,472,193	<hr/> \$238,276,171.36	<hr/> 57,214	<hr/> \$91,550,233.10

Attest: FRANK C. DUNLOP, Auditor.

FEDERAL RESERVE BANK OF MINNEAPOLIS
NINTH DISTRICT

OFFICERS

THEODORE WOLD, Governor **FRANK C. DUNLOP, Auditor**
S. S. COOK, Cashier **GRAY WARREN, Transit Manager**

DIRECTORS

JOHN H. RICH, Chairman and Federal Reserve Agent
W. H. LIGHTNER, Vice Chairman and Deputy Federal Reserve Agent.
J. C. BASSETT, Aberdeen, S. D.
F. R. BIGELOW, St. Paul, Minn.
JOHN W. BLACK, Houghton, Mich.
E. W. DECKER, Minneapolis, Minn.
L. B. HANNA, Fargo, N. D.
F. P. HIXON, La Crosse, Wis.
N. B. HOLTER, Helena, Mont.

CURTIS L. MOSHER,
Assistant Federal Reserve Agent

MEMBER ADVISORY COUNCIL

C. T. JAPPART, Minneapolis

COUNSEL

A. UELAND