

W.C. Coffey

ANNUAL REPORT

FEDERAL RESERVE BANK OF MINNEAPOLIS

1940

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1940

Board of Directors,  
Federal Reserve Bank of Minneapolis.

This report, revealing the results of our  
operations during 1940, is respectfully submitted.

For the sake of brevity, the report has  
been considerably condensed without deleting perti-  
nent information.

A handwritten signature in cursive script, appearing to read "A. W. Mills". The signature is written in dark ink and is positioned above the typed name and title.

A. W. Mills,  
Assistant Auditor.

January 1, 1941.

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As the year 1935 was the first full year of stabilized business conditions following the "Banking Holiday", that year and the intervening years are used in this report for the purpose of making comparisons with results in 1940.

In comparing our closing figures with those of a year ago, we find that important changes have occurred in our balance sheet figures during 1940.

CASH RESERVES: At the close of the year our total cash reserves increased \$49,900,000 over the year end figures of 1939. Although actual cash on hand decreased \$2,600,000, gold certificates pledged with the Federal Reserve Agent as collateral to Federal reserve notes issued increased \$18,000,000 and our balance in the Interdistrict Settlement Fund increased \$34,500,000. Since 1935 total cash reserves have increased from \$145,500,000 to \$318,000,000.

Our reserves against Federal reserve notes outstanding and deposit liability were 84.0% on December 31, 1940, as compared with 79.7% December 31, 1939. This ratio is the highest year end ratio experienced in the history of the bank.

*4 Branches  
Paper 180*

BILLS AND SECURITIES: Total loans, discounts and investments in securities were \$5,800,000 less than at the close of 1939. Loans and discounts made to banks in our district were \$70,200 less than on December 31, 1939. Our participation in foreign loans on gold totaled \$20,800 on December 31, 1940, while no such loans were held at the close of 1939. Current industrial advances dropped \$524,000 and our participation in investments through the System Open Market account was reduced \$5,194,000 from the total at the close of 1939, with a reduction of \$235,000 in premiums on securities carried in our miscellaneous assets.

UNCOLLECTED ITEMS: A reduction of \$1,796,000 in uncollected transit items outstanding is the most important change in total uncollected items from one year ago. This was not offset by a corresponding decrease in deferred availability items, which indicates that we are absorbing less float than one year ago.

FEDERAL RESERVE NOTES: Our Federal reserve notes in actual circulation rose from \$141,400,000 at the close of 1939 to \$158,700,000 in 1940 (an increase of \$17,000,000). In the five years since the close of 1935 our notes in actual circulation and in the hands of the public have increased from \$110,500,000 to the present high point of \$158,700,000. A further increase of possibly \$20,000,000.

would have been evident at this time if the Treasury Department had not issued an additional \$900,000,000 of silver certificates since 1935. These new certificates are deposited with Federal reserve banks and issued by them in lieu of Federal reserve notes. This expansion in currency outstanding has been experienced by all Federal reserve banks and the Treasury Department as well. The Treasury Department reports that in 1935 there was money in circulation equal to \$42.42 per capita and by 1940 the figure increased to \$62.67 per capita. This, of course, includes other money in addition to Federal reserve notes.

Many reasons have been advanced explaining this greater use of money by the public. There is a marked correlation between money in circulation, increase in business activity and increase in retail prices, and such increases have been experienced since 1935. Also, our currency is doubtless being hoarded by foreigners both here and abroad, by foreign born citizens and by others. Banks are carrying more cash on hand than heretofore to take care of greater demands and because they are not compelled to deposit excess cash with Federal reserve banks to maintain reserve requirements. Banks are also assessing service charges against deposit accounts with the result that more persons use cash rather than checking accounts. Due to the relief program of the Federal government, many checks are issued to individuals who do not have checking accounts with banks and consequently cash is used. Business houses also carry larger cash balances in order to take care of the needs of their customers. There are more bankless towns, necessitating more cash on hand by businesses and individuals. Auto tourist business has been on the increase and this greater number of tourists requires more cash.

DEPOSITS: Our total deposit liability rose from \$194,600,000 at the close of 1939 to \$219,700,000 in 1940 (an increase of \$25,000,000). The United States Treasurer's account was reduced \$1,600,000. Deposits of member banks increased \$19,700,000, our participation in deposits of foreign banks increased \$7,700,000, and other deposits decreased \$875,000.

In the last five years our deposit liability has more than doubled, from \$107,100,000 in 1935 to \$219,700,000 at the close of 1940. Only once before has the total been as high and that was in August 1940 when our deposit liability aggregated \$220,600,000.

During the first half of December 1940 our member banks carried average reserves with us of \$179,024,000, which was \$73,496,000 in excess of required

reserves. One year ago, during the same period, the excess reserves totaled \$59,147,000. As indicated by the following tabulation, excess reserves accumulated twice as rapidly in reserve city banks (with an increase of \$9,700,000) as in country banks where the increase was \$4,600,000.

The following is a tabulation of Ninth District member bank reserves:

(000's omitted)

	Average Req. Reserves*	Average Res. Carried*	Average Excess Reserves*
Minneapolis	\$ 37,893	\$ 44,203	\$ 6,310
St. Paul	23,248	58,934	35,686
Helena	2,356	4,452	2,096
Total Reserve City . . . . .	\$ 63,497	107,589	44,092
Country Banks (Current)	42,031	71,435	29,404
Ninth District (Current)	\$ 105,528	179,024	73,496
Ninth District (Year Ago)	\$ 96,115	155,262	59,147
Country Banks (Year Ago)	\$ 38,793	63,587	24,794

\* Daily average for first half of December 1940.

CAPITAL ACCOUNT: The only important change occurring in our capital structure during the year was an increase of \$517,000,000 in reserves for contingencies, representing our net profit for the year 1940, which was added to reserves for contingencies rather than to surplus account.

COMPARATIVE STATEMENT OF RESOURCES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1940</u>	<u>December 31, 1939</u>
<b>Cash Reserves:</b>		
Gold certificates with F. R. Agent.....	\$ 165,500,000.00	\$ 147,500,000.00
Redemption Fund - F. R. Notes.....	331,923.27	219,218.21
Inter-district settlement fund .....	<u>145,596,117.47</u>	<u>111,066,127.10</u>
Total gold certificate reserves .....	\$ 311,428,040.74	258,785,345.31
Other cash .....	<u>6,576,020.77</u>	<u>9,267,700.13</u>
Total cash reserves .....	\$ 318,004,061.51	268,053,045.44
<b>Bills and Securities:</b>		
Bills secured by U.S. Government obligations, direct or fully guaranteed .....	109,250.00	50,000.00
Bills otherwise secured and unsecured.....	86,447.08	215,837.19
Foreign loans on gold .....	20,834.00	-
Industrial advances.....	218,577.11	742,802.12
U.S. Government securities .....	<u>62,247,500.00</u>	<u>67,441,000.00</u>
Total bills and securities .....	\$ 62,682,608.19	68,449,639.31
Due from Foreign banks .....	459.65	480.53
F.R. Notes of other Federal Reserve Banks.....	1,513,500.00	1,316,500.00
<b>Uncollected Items:</b>		
Transit items .....	17,920,992.53	19,717,285.77
Exchanges for clearing house .....	940,173.74	565,122.36
Federal returns and deductions .....	2,951.30	42,355.09
Miscellaneous vault coupons .....	229,318.67	298,495.08
Coupons on hand .....	45,340.07	74,275.05
Torn and mutilated currency forwarded for redemption .....	2,388.00	2,349.50
Gov't items suspense account .....	835.76	3,397.62
Other cash items .....	<u>413,657.35</u>	<u>91,683.03</u>
Total uncollected items .....	\$ 19,555,657.42	20,794,963.50
Bank premises .....	2,449,848.39	2,449,848.39
Less reserve .....	<u>1,082,840.38</u>	<u>1,053,993.94</u>
Bank premises - Net .....	\$ 1,367,008.01	1,395,854.45
<b>Miscellaneous Assets:</b>		
Premium on securities .....	954,650.70	1,189,799.23
Interest accrued .....	242,571.49	235,773.58
Reimbursable expenditures .....	41,445.72	23,872.81
Deferred charges .....	16,675.60	12,812.16
Misc. assets acquired in settlement of claims account failed banks .....	1.00	78,385.70
Less reserve .....	-	<u>74,093.61</u>
Misc. Assets - Failed Banks - Net .....	1.00	4,292.09
Industrial Advances past due three months...	210,093.07	226,052.14
Less reserve .....	<u>73,000.00</u>	<u>73,000.00</u>
Industrial Advances past due 3 months -Net	137,093.07	153,052.14
Hungarian Credits .....	-	42,081.52
Less reserve .....	-	<u>42,081.52</u>
misc. assets acquired account industrial adv.	301.37	-
All other resources .....	2,432.24	2,673.23
F.D.I.C. stock .....	3,509,467.65	3,509,467.65
Less reserve .....	<u>3,509,467.65</u>	<u>3,509,467.65</u>
Total miscellaneous assets .....	\$ 1,395,171.19	1,622,275.24
<b>TOTAL RESOURCES .....</b>	<b>\$ 404,518,465.97</b>	<b>361,632,758.47</b>

None extensive than previously



COMPARATIVE STATEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1940</u>	<u>December 31, 1939</u>
F.R. Notes in actual circulation .....	\$ 158,709,015.00	141,427,335.00
Deposits:		
U.S. Treasurer - General Account .....	22,856,979.54	24,451,701.64
Members - Reserve Account .....	174,476,119.29	154,787,739.93
Due to Foreign banks .....	17,048,559.62	9,346,174.34
Non-members - Clearing Account .....	1,172,736.70	953,739.24
Officers' Checks .....	3,391,154.74	3,464,157.81
Other deposits .....	812,886.10	1,687,703.14
Total Deposits .....	\$ 219,758,435.99	194,691,216.10
Deferred availability items .....	\$ 16,343,592.98	16,361,873.70
Miscellaneous Liabilities:		
Difference account .....	192.00	-
Accrued taxes unpaid .....	65,040.00	67,360.00
Sundry items payable .....	4,472.41	6,362.53
Unearned discount .....	564.50	760.05
Suspense account .....	11,271.27	12,170.69
Total miscellaneous liabilities .....	\$ 81,540.18	86,653.27
Capital stock paid in .....	\$ 2,974,500.00	2,931,150.00
Surplus Fund - Section 7 .....	3,152,420.27	3,152,420.27
Surplus Fund - Section 13-B .....	1,000,298.87	1,000,683.96
Reserves for contingencies .....	2,498,662.68	1,981,426.17
TOTAL LIABILITIES .....	\$ 404,518,465.97	361,632,758.47

EARNINGS

Head Office	\$ 1,265,405.87	
Helena Branch	<u>97.06</u>	\$ 1,265,502.93

Total earnings from all sources for the year exceeded earnings for 1939 by \$130,903.29 when the total aggregated \$1,134,599.64. Earnings for 1940 were \$12,366.98 under the average earnings for the past six year period beginning in 1935, during which period the average was \$1,277,869.91. During this same six year period the low point was reached in 1938 when earnings aggregated \$1,100,471.62 and the high point was in 1935 when earnings totaled \$1,454,268.21.

Our average earning rate on all earning assets fluctuated between 1.805% and 1.723% in 1940, closing at 1.758%. This rate has become more favorable year by year since 1938, after a gradual decline from 1935 through 1937. The closing rate in 1938 was 1.404% and in 1939 1.471%.

In that our average participation in investments in government securities constituted 99% of our total average earning assets during 1940, changes in our earning rate on governments is reflected proportionately in our average earning rate on all earning assets. During 1940 the lowest monthly average earning rate on total earning assets occurred in August when the average earning rate on governments reached 1.711%, the lowest of the year. For the same reason our average earning rate on total earning assets attained the highest point in December when the rate on governments reached 1.791%, the highest rate on governments during the year. In 1935 the proportion of investments in governments to total earning assets was 97%, in 1936, 1937 and 1938 the proportion was 98%, and in 1939 and 1940, 99%. So long as this situation exists, our average earning rate on all earning assets will follow quite closely the average rate earned on governments. *Obvious,*

Earnings from discounted bills contributed only \$2,755.97 to our 1940 earnings. During 1939 these earnings amounted to \$1,643.97. The 1940 earnings are \$438.47 in excess of the average earnings from this source during the last six year period beginning in 1935, during which time the high point was in 1937 with earnings of \$4,758.46 and the low period in 1935 with a total of \$1,038.50.

Our average daily holdings of discounted bills was \$154,826 during 1940 as compared with \$81,585 in 1939. As has been true for a number of years, there was little demand from our member banks for rediscount privileges during 1940 nor has there been any pronounced trend in this direction for several years. In 1935 we held a daily average of \$48,594 in such bills; in 1936, \$47,210; in

1937, \$271,071; and in 1938, \$166,644.

Proportionately, income from industrial loans has decreased since 1935 more than the income from any other earning asset. This is a natural result, however, in that our average daily holdings of industrial advances dropped from \$1,936,117 in 1935 to \$470,352, (including an average of \$217,329 of advances past due) in 1940. Income from this source was \$116,167 in 1935, while in 1940 the total was \$21,938.

Income from our participation in the System's Open Market Account continues to provide the larger part of our earnings. During 1940 97.77% of our income came from this source against 88.76% in 1935. Such income during 1940 totaled \$1,237,338.58, which was \$41,364.84 in excess of the average income of \$1,195,973.74 from 1935 to 1940. During this period we received the least income from governments in 1938 when the aggregate was \$1,018,540.19, while in 1935 income from Governments reached the high point of \$1,292,200.50.

Our daily average holdings of Government securities was \$70,960,664 during 1940. In 1935 it was \$72,398,064 and our highest daily average holding during the last six years was in 1936 with \$82,208,224. The rate of interest earned on this investment fluctuated between 1.351% and 1.785% during the six year period beginning in 1935, reaching 1.741% in 1940. The rate has become more favorable year by year since it reached the low point in 1938 of 1.351%. Due to the stiffening in earning rate, our income during 1940 was considerably greater than in 1938 and 1939, even though our investment in these securities was about \$4,000,000 less than during either of those two years.

Income from other sources is shown on the table exhibited on the following page.

Helena Branch earnings from bills discounted are included in the foregoing figures and amounted to \$37.50 in 1940 and \$173.56 in 1939.

COMPARATIVE STATEMENT OF EARNINGS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

Earnings from:	Minneapolis 1940	Helena Branch 1940	Combined 1940	Combined 1939
Discounted bills . . . . .	\$ 2,718.47	37.50	2,755.97	1,643.97
Purchased bills . . . . .	-	-	-	11.08
Industrial advances . . . . .	15,264.51	-	15,264.51	50,206.13
Commitments to make industrial advances . . . . .	573.39	-	573.39	1,294.52
U.S. Government securities . . . . .	1,237,338.58	-	1,237,338.58	1,069,781.82
Deficient reserve penalties . . . . .	630.35	59.56	689.91	785.65
Interest received on advances to protect collateral . . . . .	9.76	-	9.76	-
Interest on past due industrial advances . . . . .	6,673.65	-	6,673.65	8,312.02
Sale of waste paper, money bags, etc. . . . .	86.82	-	86.82	75.97
Service charges on collection items returned unpaid . . . . .	13.95	-	13.95	25.35
Interest on Hungarian Credits . . . . .	442.66	-	442.66	481.70
Clearing house fines . . . . .	38.00	-	38.00	53.00
Interest received on personal loans to employees . . . . .	21.88	-	21.88	50.80
Interest on misc. assets acquired account industrial advances. . .	-	-	-	57.64
Savings in registration fees, etc. on registered mail shipments for member banks . . . . .	1,533.93	-	1,533.93	1,805.95
All other . . . . .	59.92	-	59.92	14.04
<b>TOTAL EARNINGS . . . . .</b>	<b>\$ 1,265,405.87</b>	<b>97.06</b>	<b>1,265,502.93</b>	<b>1,134,599.64</b>

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EXPENSES

Head Office	\$ 889,512.90	
Helena Branch	<u>95,421.37</u>	\$ 984,934.27

We ended the year remarkably close to the budget estimates prepared in January. At that time it was estimated that our net expenses would be \$983,132, while expenses actually aggregated \$984,934.27, or within \$1,800 of the estimated expenses for the year.

It is considerably more difficult to estimate reimbursable expenses for the reason that duties we perform as fiscal agent for the Treasury Department and various governmental agencies oftentimes varies from month to month and year to year. During 1940 we expended \$251,881.91 for which we received reimbursement, while we estimated the total would be \$248,926, a difference of \$2,900.

Over a period of five years beginning in 1936, our "net" expenses (after reimbursement by the Treasury Department for various fiscal agency costs) have decreased from \$1,252,739.12 to \$984,934.27 in 1940, or a decrease of \$267,804.95. The largest yearly decrease occurred in 1936 when the reduction amounted to \$109,868.49, followed by decreases in 1937, 1938 and 1939 of \$90,011.35, \$40,935.97 and \$37,184.26, respectively. Net expenses of \$984,934.27 in 1940 exceeded the 1939 total of \$974,739.05 by \$10,195.22.

Note

SALARIES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 451,329.89	\$ 440,526.28
Helena Branch	<u>52,384.71</u>	<u>51,895.89</u>
	\$ 503,714.60	\$ 492,422.17
Increase in 1940	\$ <u>11,292.43</u>	

These figures, in each instance, represent the net expense to the bank after reimbursable salaries have been deducted. The net increase in salary costs is due principally to additional employees. Salaries of officers increased \$2,868.66 (\$4,000 on an annual basis) from \$97,379.67 to \$100,248.33. There was no change in the number of officers, the number remaining at 13. Salaries of employees increased \$8,423.77, from \$395,042.50 to \$403,466.27. Individual employees' salaries were increased during the year in the aggregate amount of \$16,810, on an annual basis. The total number of employees, other than officers, ranged from 366 on February 1 to 429 on December 31. This wide fluctuation is due principally to the expansion and contraction of the number of employees required for reimbursable fiscal agency activities.

EXPENSES - Cont'd

RETIREMENT SYSTEM CONTRIBUTIONS FOR CURRENT SERVICE

	<u>1940</u>	<u>1939</u>
Head Office	\$ 22,135.01	\$ 21,552.70
Helena Branch	<u>2,614.11</u>	<u>2,575.74</u>
	\$ 24,749.12	\$ 24,128.44
 Increase in 1940	 \$ 620.68	

This expense item represents contributions which the Bank makes for each permanent employee and for temporary employees whose length of service exceeds ninety days. The payments are made directly to the Retirement System of the Federal Reserve Banks. To and including June 30, the rate was 5.13% of the employees' salary, and on July 1 the rate was increased to 5.15%. The amount absorbed by the Bank is in direct relation to increases and decreases in salary costs.

LEGAL FEES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 9,243.47	\$ 9,091.46
Helena Branch	<u>-</u>	<u>20.00</u>
	\$ 9,243.47	\$ 9,111.46

Included in the 1940 total is a \$9,000 annual retainer fee paid to our counsel and \$243.47 of legal fees assumed in connection with industrial advances and applications for membership in the System. The 1939 total also included a retainer fee.

DIRECTORS' FEES AND EXPENSES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 9,792.19	\$ 7,213.46
Helena Branch	<u>1,888.60</u>	<u>1,959.40</u>
	\$ 11,680.79	\$ 9,172.86

To permit comparison the detail of this expense for each of the two years is as follows:

	<u>1940</u>	<u>1939</u>
Directors' meetings	\$ 6,467.60	\$ 4,503.35
Attendance at Montana and North Dakota Bankers' Association meetings	233.01	-
Incidentals in connection with Directors' meetings	209.64	75.00
Executive Committee meetings	690.00	760.15
Discount Committee meetings	660.00	740.00
Audit Committee meetings	682.00	403.00
Meetings of Chairmen at Washington	445.33	373.98
Luncheons for Directors	156.51	129.53
Member Bank Conference	64.00	228.45
Prints of Directors	15.00	-
Directors' visit at South St. Paul	42.00	-

EXPENSES - Cont'd

Indebtedness Committee	\$ 10.00	\$ -
Review of Wagner questionnaire by Directors' Committee	117.10	-
	\$ 9,792.19	7,213.46
Helena Directors' fees and expense	1,888.60	1,959.40
	\$11,680.79	\$ 9,172.86
Increase in 1940 at: Head Office	\$ 2,578.73	
Decrease in 1940 at: Helena Branch	\$ 70.80	

Included in the amounts classified as "Directors' Meetings" are all costs pertaining to directors' fees, per diem allowances and traveling expenses. During 1940 this expense item exceeded 1939 costs at Head Office by \$1,964.25. No directors' meeting was held in February 1939, while a meeting was held every month during 1940. In June 1940 the directors held a regular meeting in Minot, North Dakota, while attending the annual meeting of the North Dakota Bankers' Association. The elimination of the meeting in February and the additional costs assumed in connection with the meeting at Minot probably were offsets. The average cost of this portion of "Directors' Fees and Expenses" during 1940 (disregarding the special meeting at Minot) was \$485 per meeting. During 1939 the average for the eleven meetings was \$409. The average attendance at directors' meetings in 1940 was about one more meeting per director each month, which contributed to a higher cost per meeting.

More regular attendance at Audit Committee meetings by two of the directors who are members of that Committee accounts for the increased cost of \$279 in 1940.

FEDERAL ADVISORY COUNCIL

Fees and Expenses

<u>1940</u>	<u>1939</u>
\$ 1,380.62	\$ 1,323.45

This item includes fees and expenses of our representative attending Federal Advisory Council meetings at Washington. Our Federal Advisory councilman obtains the same fee and per diem allowance as the directors, plus travel costs.

EXPENSES - Cont'd

TRAVELING EXPENSES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 19,814.30	\$ 19,232.49
Helena Branch	2,055.14	2,362.90
	\$ 21,869.44	\$ 21,595.39

Increase in 1940 at Head Office \$581.81

Decrease in 1940 at Helena Branch \$307.76

The detail of expense for these two years is as follows:

<u>Head Office Travel Expense:</u>	<u>1940</u>	<u>1939</u>
Bank Examinations	\$ 6,800.31	\$ 5,331.68
Visiting banks in our district	5,118.29	5,244.21
Industrial loan investigations	924.17	1,964.38
Industrial Advisory Committee expense	774.11	957.37
Failed Banks' expense	359.14	890.47
Presidents' conferences	336.94	600.98
Open Market Committee meetings	-	109.10
Retirement System Committee meetings	179.00	410.93
Planning transit operations for new member banks	232.81	118.69
Bank Examiners' Conference at Washington	238.75	-
Showing bank movie	136.11	32.35
Graduate School of Banking	191.42	150.15
Obtaining statistical information	651.48	253.46
Visiting newspaper publishers	554.07	-
Wagner Committee meeting	117.85	-
Conference on National Defense	340.65	-
Auditors' Conference at Washington	-	283.25
Employees attending A.I.B. convention	469.85	254.46
Planning operations at Helena Branch	149.05	-
Group meetings, conventions and conferences	2,049.71	1,953.11
Talks before various groups	111.67	339.61
Miscellaneous	78.92	338.29
	\$ 19,814.30	\$ 19,232.49

Helena Travel Expense:

Attending Member Bank Conference at Minneapolis	\$ 105.70	\$ 117.50
Officers attending Bankers' Conference at Seattle and Pullman, Washington	95.80	-
Montana Bankers' Association	104.00	97.90
Conference National Defense at Washington	195.15	-
Bank relations and membership contacts	594.05	1,203.57
American Bankers' Association Convention	-	106.15
Travel expense of Head Office auditors	600.44	477.78
Per diem expense of auditors' representative	360.00	360.00
	\$ 21,869.44	\$ 21,595.39

During 1940 the Bank Examination Department found it necessary to add an examiner's clerk to its staff to assist in examining State member banks, resulting in an increased travel cost in 1940 of \$1,468.63.

The 1940 expense incurred visiting member and nonmember banks and contacting state banks with a view toward obtaining additional applications for membership was approximately the same as in 1939.



EXPENSES - Cont'd

The travel cost of investigating applications for industrial advances decreased \$1,040.21 due to a decrease in applications, a reduction in our holdings of industrial advances and less activity in the department. Travel expense of the Industrial Advisory Committee decreased \$183.26 for the same reason.

Failed banks' travel expense decreased \$531.33. This cost has decreased year by year as the liquidation of our failed banks' paper progressed. No such paper is now carried as an asset of the Bank, although there probably will be additional recoveries, and our costs from this source next year should not be a large amount.

We assume the cost of travel expense in connection with meetings of the Retirement System of Federal Reserve Banks attended by representatives from this Bank. In 1940 this expense was \$179, while in 1939 the total was \$410.93, owing to one meeting being held in Washington.

As State member banks are admitted to membership in the System the Manager of our Transit Department calls on the new members for the purpose of making suggestions regarding the handling of transit items through our Bank. During 1940 this expense was \$232.81, while in 1939 it was \$118.69.

For the past three or four years two members of our staff have attended the Graduate School of Banking sponsored by the American Bankers' Association at Rutgers University. The Bank absorbs the travel costs in such instances which were \$191.42 in 1940 and \$150.15 in 1939.

Members of our statistical staff call on stores and other establishments cooperating with the Bank in furnishing statistical data for the department. This travel expense was \$651.48 in 1940 and \$253.46 in 1939. To acquaint newspaper men with material released by the System, calls were made on newspaper publishers during 1940 and the travel expense was \$554.07.

The Bank assumes travel expense of employees of the Bank who are elected delegates to the National Convention of the American Institute of Banking. This expense was \$469.85 in 1940 and \$254.46 in 1939.

Various state conventions, national conventions, meetings between staff members of Federal reserve banks, conferences with the Board at Washington, and credit men's association meetings were held in 1940 requiring travel expense of \$2,049.71. These activities cost \$1,953.11 in 1939.

No important change occurred in Helena Branch travel costs other than

EXPENSES - Cont'd

expenses absorbed in connection with bank relations and membership visitations which declined from \$1,203.57 in 1939 to \$594.05 in 1940.

POSTAGE AND EXPRESSAGE

	<u>1940</u>	<u>1939</u>
Head Office	\$ 110,928.05	\$ 104,220.13
Helena Branch	16,295.34	15,148.57
	\$ 127,223.39	\$ 119,368.70
Increase in 1940	\$ 7,854.69	

Postage and expressage has been our largest item of expense for many years, except for salary costs. Compared to 1939 the costs were:

Postage (Head Office):

	<u>1940</u>	<u>1939</u>
Absorbed on incoming currency shipments	\$ 28,924.39	\$ 26,603.47
Placed on outgoing currency shipments	17,556.96	17,353.15
Placed on outgoing coin shipments	7,235.70	5,984.99
Net amount used on ordinary mail	42,695.54	40,568.75
Postage used on security shipments	521.09	508.88
	96,933.68	91,019.24

Expressage (Head Office):

Absorbed on incoming currency shipments	\$ 147.30	\$ 84.49
Absorbed on incoming coin shipments	6,572.93	5,850.55
Government checks sent by express	585.83	492.67
Checks sent to member banks by express	2,797.64	2,849.02
Paid to Brink's Inc. for express service	3,600.00	3,600.00
Expense incident to operating our mail car	290.67	324.16
	\$ 13,994.37	\$ 13,200.89
Head Office postage and expressage costs	\$ 110,928.05	104,220.13
Helena Branch postage and expressage costs	16,295.34	15,148.57
	\$ 127,223.39	119,368.70

The increased cost at Head Office of \$6,707.92 over 1939 figures was due principally to increased charges on incoming shipments of currency of \$2,300; outgoing coin \$1,200; ordinary mail \$2,100; and increased express charges on incoming coin shipments of \$700. The increased postage and expressage costs on outgoing and incoming shipments of currency and coin are due to an increased number and larger shipments during 1940. The number of incoming and outgoing shipments of currency increased by 166 and incoming and outgoing shipments of coin increased by 1,655. During every month in 1940, with the exception of December, our incoming and outgoing shipments of coin have increased. These shipments increased more during the summer and fall months. Numerous shipments of pennies have been made this year and due to express regulations, any shipment in excess of \$100 must be split into additional shipments of \$100 each. We have also made many shipments of nickels. We ship direct to C.C.C. camps and

EXPENSES - Cont'd

there are more army camps now which require more coin. The Defense Tax became effective during the summer and this also increased the use of coin.

Postage and expressage costs at Helena Branch increased about \$1,100 over 1939 costs.

TELEPHONE AND TELEGRAPH

	<u>1940</u>	<u>1939</u>
Head Office	\$ 7,588.57	\$ 9,587.15
Helena Branch	<u>4,165.81</u>	<u>4,355.71</u>
	\$ 11,754.38	\$ 13,942.86
Decrease in 1940	\$ 2,188.48	<i>Cause</i>

This expense at Head Office was reduced \$1,998.58 from 1939 costs. This reduction was principally in telegraph costs. During 1940 and the last half of 1939, we have been handling telegrams for member banks through our private wire system and charging the commercial telegram rate. These charges against banks averaged about \$200 per month during 1940 and the differences between our wire costs and charges made against the banks served to reduce our telegraph costs.

PRINTING, STATIONERY AND SUPPLIES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 22,655.74	\$ 20,119.21
Helena Branch	<u>3,143.68</u>	<u>2,825.36</u>
	\$ 25,799.42	\$ 22,944.57
Increase in 1940	\$ 2,854.85	

This item of expense decreased steadily each year during the past five years from \$32,318.08 in 1935 to \$22,944.57 in 1939. The 1940 cost was \$2,854.85 in excess of the 1939 total. This expense item includes pens, pencils, ink, letterheads, envelopes, office forms, small office equipment items, small tools and various other printing, stationery and office supplies.

INSURANCE ON CURRENCY AND SECURITY SHIPMENTS

	<u>1940</u>	<u>1939</u>
Head Office	\$ 6,611.09	\$ 6,632.63
Helena Branch	<u>802.04</u>	<u>855.80</u>
	\$ 7,413.13	\$ 7,488.43
Decrease in 1940	\$ 75.30	

Insurance premiums on incoming and outgoing shipments of currency, coin and securities are included under this expense caption. Very little change occurred in this item of expense during 1940.

EXPENSES - Cont'd

OTHER INSURANCE

	<u>1940</u>	<u>1939</u>
Head Office	\$ 13,349.97	\$ 16,390.53
Helena Branch	1,261.00	1,142.63
	<u>\$ 14,610.97</u>	<u>\$ 17,533.16</u>
Decrease in 1940	\$ 2,922.19	

The items comprising these expense totals are as follows:

	<u>1940</u>	<u>1939</u>
Group life insurance	\$ 1,433.22	\$ 1,437.40
Bankers' blanket bond	9,852.30	11,559.66
Workmen's compensation	1,047.16	1,030.76
Premises and elevator liability insurance	330.12	330.12
Fire insurance on building and contents	750.00	750.00
Steam boiler insurance	126.40	129.95
Burglary of securities	230.26	216.60
Collision insurance - Officers and employees	155.20	127.18
Public liability - Bank owned cars	159.62	197.51
Public liability - (auto) Nonownership	442.15	381.35
Special police bonds	150.00	130.00
Riot and civil commotion	200.00	-
Fidelity bonds (Assistant and Alternate Federal Reserve Agents and Federal Reserve Agent)	74.11	250.00
Insurance on display of currency	10.00	
Camera property file cabinet and insurance on Bank movie film	54.61	53.18
	<u>\$ 14,866.93</u>	<u>16,593.71</u>
Less: Unearned premium - fire insurance on building and contents	425.28	
Dividend on group life insurance	<u>1,091.68</u>	<u>203.18</u>
Head Office . . . . .	\$ 13,349.97	16,390.53
Helena Branch . . . . .	\$ 1,261.00	1,142.63
	<u>\$ 14,610.97</u>	<u>17,533.16</u>

Premium on our Bankers' blanket bond has decreased each year since 1938 from \$12,760.36 in that year to \$9,852.30 in 1940.

Public liability (auto) nonownership premium was greater in 1940 for the reason that the 1939 premium was adjusted by an increase of \$99.87 and included in 1940 costs.

In November, 1939, fidelity bonds carried on the Federal Reserve Agent was reduced from \$100,000 to \$10,000 and bonds on the Assistant Federal Reserve Agent and the two alternates were reduced from \$50,000 to \$10,000 each. In that the premium had been paid on the larger amounts, we obtained an adjustment from the bonding company which, when applied against the premium for 1940, reduced it to a credit balance of \$74.11.

Three years ago we placed fire, riot and civil commotion insurance on the bank building and contents and paid a premium for the three years of \$2,250. At the end of the three year period we received a dividend of \$1,275.83, of which

EXPENSES - Cont'd

\$850.55 was credited to profit and loss and \$425.28 applied against insurance premiums paid in 1940.

Our group life insurance policy year expires on April 1. We received a dividend of \$1,199.37 for the policy year May 31, 1939 to April 1, 1940. Of this amount \$1,091.68 is applicable to Head Office expense and \$107.69 applicable to Helena Branch. This dividend is based on experience in our group.

TAXES ON BANK PREMISES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 65,607.43	\$ 67,360.00
Helena Branch	<u>2,147.25</u>	<u>2,207.25</u>
	\$ <u>67,754.68</u>	\$ <u>69,567.25</u>

In 1935 real estate taxes including special assessments on bank premises at Head Office were \$82,079.12. The valuation has been reduced since that time with the result that the total tax in 1940 was \$65,607.43 and of this amount \$567.43 was special assessments. For tax purposes, land is now appraised at \$400,000 and building at \$1,226,000.

DEPRECIATION ON BANK PREMISES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 25,665.60	\$ 31,155.60
Helena Branch	<u>3,180.84</u>	<u>3,180.84</u>
	\$ <u>28,846.44</u>	\$ <u>34,336.44</u>

Normal depreciation at Head Office is \$25,665.60 on building calculated at 2% per annum of book value of the building. In 1939 the expense of installing two new oil burners costing \$5,490 was added to the normal depreciation charge.

Helena Branch applies the same rate of depreciation against book value of the Branch building which charge during 1940 and 1939 was \$1,500, together with a normal depreciation of 10% of book value of fixed machinery and equipment amounting to \$1,680.84.

The assessed valuation of Helena Branch premises is \$80,250, with land assessed at \$8,520 and building at \$72,000.

At Head Office fixed machinery and equipment is fully covered by a valuation reserve.

EXPENSES - Cont'd

LIGHT, HEAT, POWER AND WATER

	<u>1940</u>	<u>1939</u>
Head Office	\$ 18,223.41	\$ 18,108.04
Helena Branch	<u>1,350.62</u>	<u>1,514.18</u>
	\$ 19,574.03	\$ 19,622.22
Decrease in 1940	\$ 48.19	

Although this expense is approximately the same as the total in 1935, substantial changes have occurred in fuel, power and light, and water costs since that time.

In 1935 our fuel oil cost was \$7,326.76. By the installation of more efficient heating equipment this cost has been reduced to a total of \$2,767.56 in 1940.

Our power and light costs were \$10,537.24 in 1935 and \$9,210.38 in 1937. About this time we installed air conditioning equipment and improved our lighting by the installation of more and higher wattage ceiling lights. These two items caused an increase in our power and light costs between 1937 and 1940 from \$9,210.38 to \$13,825.69, an increase of \$4,615.31

Water costs in 1940 were \$974.09 compared to \$819.56 in 1939. During the three years prior to 1939, the cost averaged about \$500. In 1939 we found that our deep well did not produce enough water for our air conditioning system and it was necessary to use city water until our well equipment was repaired and output increased. It is estimated that the use of city water for this purpose during 1939 cost us about \$300. In 1940 great quantities of water were used in cleaning our outside walls. It is estimated that this use of water cost about \$400.

To defray the cost of the new Twin City Sewage Disposal Plant, the City of Minneapolis began, in 1938, to charge for water disposed of through the sewage system. In 1939 and 1940 this cost was about \$650 each year.

At Helena Branch cost of light, heat, power and water was \$1,350.62 in 1940 and \$163.56 under 1939 costs. The saving at the Branch was mostly in the cost of light used.

REPAIRS AND ALTERATIONS TO BANK BUILDING

	<u>1940</u>	<u>1939</u>
Head Office	\$ 12,509.24	\$ 14,535.35
Helena Branch	<u>1,069.38</u>	<u>574.27</u>
	\$ 13,578.62	15,109.62
Decrease in 1940	\$ 1,531.00	

EXPENSES - Cont'd

Of this expense total at Head Office, \$2,512.50 is a service charge which we pay for maintenance of our elevator equipment. Until May of 1940 the fee was \$180.50 per month. Beginning last June the fee was increased to \$230 per month. Other items include cost of cleaning outside walls and repairing rear wall, \$6,266.95; repairs to deep well and installation of a new pump, \$1,875; installation of fin type coil and blower in directors' room \$391; and miscellaneous items including new fixtures in rest rooms, plastering, installation of ceiling lights and wash bowls and repairs to water filter and roof.

At the Helena Branch a new gas unit heater was installed in the Reconstruction Finance Corporation Custodian's department which cost \$183.32; composition flooring was laid in basement passage ways and floors costing \$627; and \$95 was spent for minor repairs and alterations.

FURNITURE AND EQUIPMENT

	<u>1940</u>	<u>1939</u>
Head Office	\$ 10,422.26	\$ 9,679.20
Helena Branch	680.59	5,658.09
	\$ 11,102.85	\$ 15,337.29
Decrease in 1940	\$ 4,234.44	

Actual purchases at Head Office totaled \$10,962.66 with sales of miscellaneous items amounting to \$540.40.

Furniture and equipment purchased is as follows:

<u>Head Office</u>	\$	
Tables		577.58
Chairs		853.55
Benches		234.00
Drapes for Chairman's and President's offices		158.30
Addressograph		193.83
Desks		2,288.23
Steel stands and tables		184.00
Typewriters		825.61
Radio		193.47
Refrigerator		767.60
Steel shelving		182.72
Adding Machine		527.00
Automatic typewriter		690.10
Grain display cases		893.00
Endorsing machine		225.00
Two time recording machines		368.00
Steel transfer filing equipment		666.25
Two electric billing machines		473.40
Miscellaneous		661.02
	\$	10,962.66
Less: Miscellaneous sales		540.40
	\$	10,422.26

EXPENSES - Cont'd

<u>Helena Branch</u>	
Two Underwood typewriters	\$ 187.12
Postage meter	225.00
Miscellaneous	<u>268.47</u>
	\$ <u>680.59</u>
 Total . . . . .	 \$ 11,102.85

ALL OTHER EXPENSES

	<u>1940</u>	<u>1939</u>
Head Office	\$ 34,260.40	\$ 29,743.10
Helena Branch	<u>4,360.17</u>	<u>3,148.81</u>
	\$ <u>38,620.57</u>	\$ <u>32,891.91</u>
 Increase in 1940	 \$ 5,728.66	

For the purpose of ready comparison, the expense items included under "All Other Expenses" are tabulated.

	<u>1940</u>	<u>1939</u>
Rental, repairs and maintenance of furniture and equipment	\$ 2,978.90	\$ 3,644.87
Outside protection, vault inspection, etc.	634.86	658.93
Outside laundry and cleaning charges	967.49	1,664.31
Local transportation	241.40	289.15
Postage meter rental	678.60	517.11
Newspapers, books, periodicals, etc.	2,633.98	2,309.71
Supplies furnished member banks	1,768.98	-
Photos of Helena Branch for Montana banks	-	452.08
Copies of bank examination reports	4,119.50	3,902.50
Commercial agency credit reports and services	782.55	882.28
Medical service supplies and physical examinations	603.67	1,190.56
Cafeteria net expense	3,638.61	3,179.28
Entertainment of bankers and others	1,859.25	2,232.68
Officers' and employees' dinners	265.40	194.95
Employees' education	2,794.00	2,486.65
Federal Reserve Club	1,816.00	1,816.15
Membership in A.B.A., state and other bankers' associations, Credit Men's Association, etc.	1,118.75	1,140.00
Donations to benevolent societies	292.50	282.50
Photos of employees	97.00	163.50
Member Bank Conference (Head Office)	5,088.87	4,132.37
Member Bank Conference (Helena Branch)	1,667.66	-
Foreign Department	2,715.53	2,882.98
Preparation and presentation of radio material	1,770.32	449.14
Miscellaneous	<u>1,026.96</u>	<u>709.35</u>
	\$ <u>39,560.78</u>	\$ <u>35,181.05</u>
Less:		
Reimbursed fiscal agency and custodian expenses	610.47	1,410.14
Rent of furniture and equipment not owned by bank	<u>329.74</u>	<u>879.00</u>
	\$ <u>38,620.57</u>	\$ <u>32,891.91</u>

During 1939 the cost of garments used by building employees was charged to "Outside Laundry and Cleaning Charges". In 1940 the cost of such garments was charged to "Office Supplies" during the latter part of the year. This change in expense classification has reduced the 1940 charges as compared with 1939 costs.



EXPENSES - Cont'd

In 1940 we supplied all member banks with improved loose-leaf binders containing the Board's regulations and operating letters issued by the Bank, the cost of which was \$1,768.98.

In 1935 the net cost of operating our cafeteria was \$6,076.94. In 1936 a cafeteria manager was employed and this, together with other economies effected reduced the cost year by year until 1939 when the cost reached \$3,179.28. In 1940 the net cost was \$3,638.61, an increase cost over 1939 of \$459.33.

Expense classified as "Foreign Department" is our portion of the cost of operating the foreign department of the Federal Reserve Bank of New York.

In January and February the Bank continued its series of weekly radio broadcasts featuring dramatic incidents in connection with our Bank. The cost of this series in 1940 was \$1,770.32.

The miscellaneous costs absorbed by the Helena Branch are included in the above figures.

BOARD ASSESSMENT

	<u>1940</u>	<u>1939</u>
Head Office	\$ 38,397.55	\$ 36,796.66
Increase in 1940	\$ 1,600.89	

This is an assessment levied by the Board of Governors of the Federal Reserve System to defray the Board's general expenses. This expense item has varied from the low figure during the last six years of \$34,118.34 in 1935 to \$40,346.24 in 1937.

COST OF FEDERAL RESERVE CURRENCY

	<u>1940</u>	<u>1939</u>
Head Office:		
Original cost (including shipping charge from Washington to Minneapolis or Helena)	\$ 28,214.89	\$ 30,751.78
Cost of redemption	<u>5,619.03</u>	<u>6,116.56</u>
	\$ 33,833.92	\$ 36,868.34
Decrease in 1940	\$ 3,034.42	

The bank absorbs all costs in connection with the printing, issuing and redeeming of our own Federal reserve notes. Included in the redemption expense is our portion of the cost of maintaining the Redemption Division of the Treasury Department.

EXPENSES - Cont'd

The cost of Federal reserve notes has varied between \$33,833.92 and \$63,283.47 during the past six years. The low cost was reached in 1940 and the high in 1936. This expense varies according to the demand for new currency.

REIMBURSABLE EXPENDITURES

During 1940 we charged the Treasury Department and various other governmental agencies, and others, \$251,881.91 for services performed for those agencies. In 1939 these charges were \$269,200.76. These expenses are not included with the items already discussed.

During 1940 and 1939 the various departments, agencies, etc. were charged with the amounts indicated:

	<u>1940</u>	<u>1939</u>
Treasury Department	\$ 84,606.18	\$ 69,194.63
Reconstruction Finance Corporation	65,580.88	61,845.83
Commodity Credit Corporation	86,842.68	122,278.82
Federal Farm Mortgage Corporation	4,306.10	4,449.46
Federal Land Banks	1,423.37	1,763.49
Federal Intermediate Credit Banks	4.73	2.20
U. S. Housing Authority	1,209.94	1,007.54
Federal Housing Administration	14.01	7.20
Federal Emergency Adm. of Public Works	812.76	672.24
Federal Home Loan Banks and Home Owners' Loan Corporation	4,442.34	6,895.06
Federal Crop Insurance Corporation	152.44	135.92
Leased wire service charges	2,346.73	948.37
Photostatic Service	139.75	-
	<u>\$ 251,881.91</u>	<u>\$ 269,200.76</u>

In making these charges, we recovered the following expenses:

Salaries of officers	\$ 10,918.31	\$ 10,857.83
Salaries of employees	177,896.27	196,474.74
Retirement System contributions	8,708.10	7,722.14
Travel expense	28.31	130.82
Postage and expressage	11,744.79	13,601.13
Telephone and telegraph	6,927.41	5,085.99
Printing, stationery and supplies	7,895.09	7,234.58
Workmen's compensation insurance	189.70	173.80
Furniture and equipment purchased	420.00	808.42
Space used	21,165.87	19,927.42
Rental of furniture and equipment:		
Bank owned	5,047.85	4,894.75
Not owned by bank	329.74	879.00
Miscellaneous	610.47	1,410.14
	<u>\$ 251,881.91</u>	<u>\$ 269,200.76</u>

Although there is some cost involved, we do benefit by accommodating these various agencies. During 1940 we charged these agencies \$21,165.87 for rental of space in the bank. We also charged them \$5,047.85 rental on bank owned furniture and equipment. In this instance, however, we have purchased the

REIMBURSABLE EXPENDITURES - Cont'd

additional equipment for their use which would not have been necessary in all instances and have furnished the service in maintaining the equipment.

We absorb additional cost such as light, power (operating elevators and electrical equipment) and cafeteria expense. Officers' time in the amount of \$10,918.31 was apportioned to these expenses during 1940. This is a recovery which the bank would otherwise absorb.

The duties which we perform directly for the Treasury Department are deemed to be of a permanent nature. However, several semi-governmental agencies which we act for are considered temporary. The Reconstruction Finance Corporation, Commodity Credit Corporation, United States Housing Authority and Federal Emergency Administration of Public Works are governmental agencies which are performing emergency functions.

Should these temporary agencies be discontinued, the Bank would no longer enjoy certain reductions in expense nor realize on income from banking house and rental of equipment. It is estimated that the following reductions in expense and income obtained would not accrue to the Bank and, consequently, our earnings would be affected in a like amount.

Officers' salaries	\$ 8,840.11
Rental of space	15,953.23
Rental of equipment	4,077.34
	<u>\$ 28,870.68</u>

Should such a situation occur, we would also experience an increase in our salary costs due to the return of about seven senior clerks and twenty permanent junior clerks to the Bank's pay roll.

COMPARATIVE STATEMENT  
NET CURRENT EXPENSES OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	Minneapolis 1940	Helena Branch 1940	Combined 1940	Combined 1939
Salaries: Officers . . . . .	\$ 86,410.97	13,837.36	100,248.33	97,379.67
Employees . . . . .	364,918.92	38,547.35	403,466.27	395,042.50
Retirement System contributions for current service . .	22,135.01	2,614.11	24,749.12	24,128.44
Legal fees . . . . .	9,243.47	-	9,243.47	9,111.46
Directors' fees and expenses . . . . .	9,792.19	1,888.60	11,680.79	9,172.86
Federal Advisory Council fees and expenses . . . . .	1,380.62	-	1,380.62	1,323.45
Traveling expenses . . . . .	19,814.30	2,055.14	21,869.44	21,595.39
Postage and expressage . . . . .	110,928.05	16,295.34	127,223.39	119,368.70
Telephone and telegraph . . . . .	7,588.57	4,165.81	11,754.38	13,942.86
Printing, stationery, and supplies . . . . .	22,655.74	3,143.68	25,799.42	22,944.57
Insurance on currency and security shipments . . . . .	6,611.09	802.04	7,413.13	7,488.43
Other insurance . . . . .	13,349.97	1,261.00	14,610.97	17,533.16
Taxes on bank premises . . . . .	65,607.43	2,147.25	67,754.68	69,567.25
Depreciation on bank building . . . . .	25,665.60	3,180.84	28,846.44	34,336.44
Light, heat, power, and water . . . . .	18,223.41	1,350.62	19,574.03	19,622.22
Repairs and alterations to bank building . . . . .	12,509.24	1,069.38	13,578.62	15,109.62
Furniture and equipment . . . . .	10,422.26	680.59	11,102.85	15,337.29
All other . . . . .	34,260.40	4,360.17	38,620.57	32,891.91
<b>Total Operating Expenses . . . . .</b>	<b>\$ 841,517.24</b>	<b>97,399.28</b>	<b>938,916.52</b>	<b>925,896.22</b>
Received from Government Agencies for:				
Rental of space . . . . .	19,506.87	1,659.00	21,165.87	19,927.42
Rental of furniture and equipment . . . . .	4,728.94	318.91	5,047.85	4,894.75
<b>Net Operating Expenses . . . . .</b>	<b>\$ 817,281.43</b>	<b>95,421.37</b>	<b>912,702.80</b>	<b>901,074.05</b>
Board Assessment . . . . .	\$ 38,397.55	-	38,397.55	36,796.66
Federal Reserve Currency:				
Original cost, including shipping charges	28,214.89	-	28,214.89	30,751.78
Cost of redemption, including shipping charges . . .	5,619.03	-	5,619.03	6,116.56
<b>Total Current Expenses . . . . .</b>	<b>\$ 889,512.90</b>	<b>95,421.37</b>	<b>984,934.27</b>	<b>974,739.05</b>

## PROFIT AND LOSS

Net earnings for the year aggregated \$694,252.00. In 1939 these earnings were \$173,432.95 (\$1,472.24 below dividend requirements); in 1938 \$373,297.45; in 1937, \$291,408.21; and in 1936, \$163,439.45 (\$15,612.59 below dividend requirements).

For the past five years beginning in 1936, our total net earnings were \$1,695,830.06. During the same period we paid dividends to member banks of \$879,646.59, leaving an earned surplus of \$816,183.47

Of the total net earnings for the five years (\$1,695,830.06) \$1,555,648.39 is our participation in profits realized by the sale of government securities through the System Open Market account.

Our participation in profits from the sale of government securities through the System Open Market account was \$363,420.92 in 1940, and \$139,647.90 in 1939.

Several years ago we participated in a loan by the Federal Reserve Bank of New York to Hungary through the Bank for International Settlements. This loan developed hazardous tendencies and, therefore, we gradually built up a valuation reserve to offset a possible loss in this asset. Fortunately this loan has now been paid. As reductions occurred year by year we returned excess valuation reserves to our profit account. In 1940 this recovery was \$42,081.52 and in 1939 \$5,188.98.

During 1940 we obtained a profit by the sale of some miscellaneous assets acquired in settlement of claims against failed banks totaling \$3,301.05. No such profit was realized in 1939.

We succeeded in disposing of our old Helena Branch building during the year for \$5,000. This asset had been charged down to \$1.00 on our books. Our recovery in this instance was \$4,999.00.

Up until the close of the year we were carrying Miscellaneous Assets Acquired in Settlement of Claims Against Failed Banks at \$76,731.19, partially offset by a valuation reserve of \$74,093.61. Although we anticipate a further recovery of some \$4,500 from the liquidation of these assets, their estimated worth is such that it was considered advisable to apply the valuation reserve against the asset and charge off the remainder of \$2,636.58, leaving \$1.00 as the book value of all such assets remaining.

PROFIT AND LOSS - Cont'd

In closing our records for the year, we distributed the net earnings during 1940 by paying a dividend of \$177,400.58 to our member banks; withdrew \$385.09 from surplus (Section 13b-a surplus earmarked for losses on industrial advances) and transferred \$517,236.51 to our earned surplus (Section 7). From that surplus account we transferred a like amount of \$517,236.51 to Reserves for Contingencies.

On January 1, 1941 our capital structure, compared to January 1, 1940 was as follows:

	<u>1941</u>	<u>1940</u>
Capital stock paid in	\$ 2,974,500.00	\$ 2,931,150.00
Surplus Fund - Section 7	3,152,420.27	3,152,420.27
Surplus Fund - Section 13b	1,000,298.87	1,000,683.96
Reserves for Contingencies	2,498,662.68	1,981,426.17

PROFIT AND LOSS ACCOUNT

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
Current earnings	\$ 1,265,502.93	\$ 1,265,405.87	\$ 97.06
Current expenses	<u>984,934.27</u>	<u>889,512.90</u>	<u>95,421.37</u>
Current Net Earnings . . . . .	\$ 280,568.66	375,892.97	95,324.31
 <u>Additions to Current Net Earnings</u>			
Withdrawn from reserves for losses on Hungarian credits	42,081.52	42,081.52	
Profit on U.S. Government securities sold - Net	363,420.92	363,420.92	
Net income from miscellaneous assets acquired in settlement of claims account closed banks	610.43	610.43	
Profit on sale of miscellaneous assets acquired in settlement of claims account closed banks	3,301.05	3,301.05	
Funds collected in excess of our claim from miscellaneous assets acquired in settlement of claim against the closed First National Bank, Willow City, N.D.	1,445.57	1,445.57	
Net income from miscellaneous assets acquired account industrial advances	28.63	28.63	
Recoveries of personal loans to employees previously charged to profit and loss	2.50	2.50	
Refund of insurance premiums charged to expense previous to January 1, 1939	1,140.44	882.71	257.73
Recovery of attorney's fees advanced in connection with industrial loan	61.60	61.60	
Profit on sale of other real estate	4,999.00		4,999.00
Forfeiture of option to purchase other real estate	50.00		50.00
Profit on mutilated currency and coin	38.09	23.45	14.64
Net recovery of expenses-other real estate	6.46		6.46
Recovery of transit items previously charged to profit and loss	16.94	16.94	
TOTAL ADDITIONS . . . . .	\$ <u>417,203.15</u>	\$ 411,875.32	\$ 5,327.83
 <u>Deductions from Current Net Earnings</u>			
Losses and reserves for losses on industrial advances - Net	\$ 499.00	\$ 499.00	\$
Discount on foreign currency and coin	4.22	4.22	
Loss on counterfeits	98.91	98.91	
Interest paid on account of adjustments not connected with bills and securities carried among earning assets of bank	24.14	24.14	
To reduce to \$1.00 net book value of mis- cellaneous assets acquired in settle- ment of claims account closed banks	2,636.58	2,636.58	
Difference account	256.96	332.38	75.42
TOTAL DEDUCTIONS . . . . .	\$ <u>3,519.81</u>	<u>3,595.23</u>	<u>75.42</u>
Net additions to current net earnings	\$ <u>413,683.34</u>	408,280.09	5,403.25
Net Earnings . . . . .	\$ <u>694,252.00</u>	<u>784,173.06</u>	<u>89,921.06</u>
Dividends paid	\$ 177,400.58		
Withdrawn from Surplus (Section 13b)	\$ 385.09		
Transferred to Surplus (Section 7)	\$ 517,236.51		
Surplus (Section 7) January 1, 1940	\$ 3,152,420.27		
Addition as above	\$ 517,236.51		
Transferred to reserves for contingencies	\$ 517,236.51		
Surplus (Section 7) December 31, 1940	\$ 3,152,420.27		

SURPLUS (SECTION 7)

Surplus (Section 7) December 31, 1939	\$ 3,152,420.27
Change during year	None
Surplus (Section 7) December 31, 1940	3,152,420.27

SURPLUS (SECTION 13b)

Surplus (Section 13b) December 31, 1939	\$ 1,000,683.96
Withdrawn from Surplus:	
Net Loss for the year 1940	385.09
Surplus (Section 13b) December 31, 1940	\$ <u>1,000,298.87</u>

RESERVES

(Other than for F.D.I.C. Stock and  
Depreciation on Bank Premises)

Reserves for contingencies December 31, 1939	\$ 1,981,426.17
Other reserves (December 31, 1939):	
Losses on miscellaneous assets acquired in settlement of claims account failed banks	74,093.61
Losses on past due industrial advances	73,000.00
Losses on Hungarian Credits	42,081.52
Total reserves December 31, 1939 . . . . .	\$ <u>2,170,601.30</u> ✓
Debits during year:	
Withdrawn from reserve for losses on Hungarian Credits	\$ 42,081.52
Withdrawn from reserve for losses on miscellaneous assets acquired in settlement of claims account failed banks	74,093.61
Credits during year:	
Added to Reserves for Contingencies	\$ 517,236.51
Reserves December 31, 1940:	
Reserves for Contingencies	\$ 2,498,662.68
Reserves for Losses on past due industrial advances	<u>73,000.00</u>
TOTAL RESERVES DECEMBER 31, 1940 . . . . .	\$ 2,571,662.68 ✓

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DEPARTMENTAL COMMENTS

DISCOUNT DEPARTMENT  
(Head Office)

During the year 1940, 25 banks took advantage of the rediscount and loan privileges, borrowing an aggregate amount of \$2,310,355.78 for a total of 255 items. The same number of banks were accommodated in 1939 for an aggregate amount of \$1,129,710.94 for a total number of 168 items. No Twin City bank was among those accommodated. During the year 1940, banks were entirely out of our debt from April 3, 1940, to April 17, 1940, inclusive. The discount rate has remained at  $1\frac{1}{2}\%$  during the entire year.

The volume of activity in industrial loans increased in 1940, during which year 43 advances were made in the aggregate amount of \$1,000,856.84, with participating institutions taking \$597,500.00 of this amount, leaving a net advanced by the Federal Reserve Bank of \$403,356.84. However, the number 43 includes several advances to each of two borrowers, and the amount of \$1,000,856.84 includes disbursement of \$708,000 and \$85,500 in each of two loans. Repayments on advances during the year reduced the balance \$943,540.92, leaving a net balance of \$428,670.18 on December 31. Repayment of seven loans in the amount of \$575,196.81 (our share) appears to have been through refinancing. Commitments made in accordance with the provisions of Section 13b amounted to \$142,792.36 in 1940, and the contingent liability resulting from such commitments at the end of the year was \$50,026.68.

In addition to advances made and commitments given during 1940, four loans totaling \$5,120,000 were recommended favorably by the Industrial Advisory Committee and approved by the Discount Committee. Of the latter amount \$5,000,000 is approved for the Northern Pump Company and will probably be disbursed in comparatively small amounts with short maturities.

Interest charged by the Federal Reserve Bank of Minneapolis on industrial loans has been 6% per annum, but on October 30, 1940 a sliding scale of 3% to 6% became effective.

CHECK COLLECTION DEPARTMENT  
(Head Office)

The Check Collection Department handled 30,852,913 cash items totaling \$5,091,698,407.34 during the year 1940, which was 501,686 items more than the number handled during 1939 and an all time high total. The figures given below are the number and amount of items handled, the average number of employees and the total expense of the Check Collection function, which includes Government

CHECK COLLECTION DEPARTMENT -- Cont'd

and Work Relief checks for the years 1935 through 1940:

<u>Year</u>	<u>Number of Items</u>	<u>Amount</u>	<u>Average Number of Employees</u>	<u>Total Expense</u>
1940	30,852,913	\$ 5,091,698,407.34	66.64	\$ 93,197.65
1939	30,351,227	4,361,580,798.96	64.85	92,990.90
1938	30,013,593	4,673,484,397.49	63.98	94,969.80
1937	28,778,033	4,902,409,983.53	62.12	97,835.16
1936	28,859,625	4,754,957,277.09	60.91	92,961.49
1935	25,688,710	4,165,376,597.08	49.65	79,190.99

The number of banks reported closed, number voluntarily liquidated, number reopened and the number added to or removed from our par list during the years 1939 and 1940 are given below.

Ninth Federal Reserve District

<u>Banks reported Closed</u>	<u>Banks voluntarily liquidated</u>	<u>Banks reported Reopened</u>	<u>Banks added to our Par List</u>	<u>Banks removed from Par List</u>
1940: 3	20	0	1	14
1939: 5	3	0	1	7

NONCASH COLLECTION DEPARTMENT  
(Head Office)

During 1940 the volume decreased in all divisions of this department as indicated by the tabulation which follows:

	<u>Number Handled in:</u>	
	<u>1940</u>	<u>1939</u>
City grain drafts	689,479	715,385
City collections	32,832	36,449
Country collections	57,604	62,657
Coupon and security collections	33,284	38,787
Direct sent collections	6,961	7,007

CURRENCY AND COIN DEPARTMENT  
(Head Office)

The number of shipments of currency received from Twin City and country banks increased about 200 during the year.

Outgoing currency shipments to Twin City and country banks increased about 300 during the year.

There was very little change in the number of incoming shipments of coin, but outgoing shipments increased about 1,500.

A tabulated comparison of these figures follows:

CURRENCY AND COIN DEPARTMENT - Cont'd

VOLUME OF CURRENCY TRANSACTIONS FOR THE YEARS  
1940 and 1939

<u>CURRENCY</u>	<u>Number of Shipments</u>	
	<u>1940</u>	<u>1939</u>
Twin City Banks:		
Incoming shipments	3,090	2,899
Outgoing shipments	1,755	1,550
Other member and Nonmember Banks:		
Incoming shipments	14,629	14,524
Outgoing shipments	19,349	19,228
<u>COIN</u>		
Incoming shipments	2,117	1,955
Outgoing shipments	8,486	6,993
Number of notes received and sorted	40,642,573	37,778,300
Number of coins received and sorted	30,530,093	30,244,252

SAFEKEEPING DEPARTMENT  
(Head Office)

Securities held in our custody for safekeeping and for collateral purposes, exclusive of unissued stock held for the Treasury Department and other governmental agencies, dropped substantially in 1938 and slightly in 1939 and 1940 from an all time high total in 1937. During 1937 our high total was \$431,373,149.81; while during 1940 our high figure was \$385,044,693.81. The low for 1940 was \$325,710,179.88 on October 7, 1940. The figures at the close of 1940 showed a decrease of \$26,942,343.18 compared to the close of 1939, as indicated in the statement on the next page.

The total government and miscellaneous securities held free in safekeeping for our member banks decreased \$20,619,111.84 in 1940, while the total of pledged securities decreased \$3,430,437.19. During 1940 the total United States Savings Bonds held for individuals, firms, corporations, and nonmember banks increased \$3,582,925.00. During 1940 we issued 3,112 safekeeping receipts covering United States Savings Bonds. This indicates quite an increase of United States Savings Bonds deposited with us in the past few years.

In 1940 we received 42,562 pieces, compared to 48,193 in 1939, and delivered 44,314 pieces compared to 51,105 pieces the previous year. The number of coupons clipped last year was 216,419, as compared to 236,621 the year before.

## SAFEKEEPING DEPARTMENT - Cont'd

COMPARATIVE STATEMENT OF SECURITIES HELD  
 DECEMBER 31, 1939 and 1940  
 (Head Office)

	<u>Dec. 31, 1940</u>	<u>Dec. 31, 1939</u>
Government and miscellaneous securities held in safekeeping for members	\$ 161,216,773.63	\$ 181,835,885.47
Securities pledged to secure public deposits	124,761,270.54	128,191,707.73
U.S. Savings bonds held for individuals, firms, corporations, and nonmember banks	16,091,025.00	12,508,100.00
Securities held for U.S. Govt. officials	4,394,962.79	6,034,900.00
Securities held for Public Works Administration	2,031,610.00	1,778,495.00
Securities held for Reconstruction Finance Corp.	15,043,720.36	22,040,498.97
Collateral to War Loan Deposits	1,828,750.00	1,533,850.00
Collateral to Discounts, Rediscounts and Industrial Advances	<u>171,705.00</u>	<u>523,737.33</u>
	\$ 325,539,817.32	\$ 354,447,174.50

TRANSFER AND CODE DEPARTMENT  
 (Head Office)

The Transfer Department handled 20,592 mail and wire transfers amounting to \$1,998,501,000 during 1940, compared to 19,520 mail and wire transfers totaling \$1,789,997,000 in 1939. This represents increase of 1,072 transactions and an increase in amount of \$208,504,000.

The number and amount of incoming and outgoing wire transfers handled during the past five years were as follows:

<u>Year</u>	<u>Outgoing Wire Transfers</u>		<u>Incoming Wire Transfers</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1940	6,858	\$ 440,865,000	6,241	\$ 1,080,661,000
1939	5,985	399,640,000	5,930	966,115,000
1938	5,488	310,498,000	6,029	830,279,000
1937	6,566	360,148,000	7,411	1,038,897,000
1936	6,111	370,723,000	6,624	914,381,000

FISCAL AGENCY DEPARTMENT  
 (Head Office)

During 1940 new issues, redemptions and exchanges of various U. S. securities and securities issued by government and semi-government agencies aggregated 165,000 pieces amounting to \$249,406,000 as compared with 173,000 pieces amounting to \$324,559,000 in 1939.

Additional transactions such as denominational exchanges, exchanges of coupon for registered securities, etc. during 1940 totaled 19,000 pieces aggregating \$72,793,000, compared with 21,000 pieces aggregating \$87,796,000 in 1939.

FISCAL AGENCY DEPARTMENT - Cont'd

We redeemed 506,000 government, semi-government and governmental agency coupons in 1940, amounting to \$11,731,114. During 1939 we redeemed 583,000 coupons totaling \$12,765,000.

We received for redemption 29,742 Adjusted Service bonds, as compared with 37,138 pieces during 1939, also 49,774 United States Savings bonds, as compared with 38,307 pieces during 1939.

There were five offerings of United States Government securities during 1940, excluding Treasury Bills. We received and handled 2,009 individual subscriptions, aggregating \$145,489,800. The amount allotted on these subscriptions was \$31,957,100. During 1939, 1,770 individual subscriptions were submitted covering eight similar offerings and \$51,123,200 was allotted.

In addition to the above, there were two offerings by Governmental Agencies on which we received 216 individual subscriptions aggregating \$49,063,000.00. The amount allotted on these subscriptions was \$4,158,000.00. During 1939, on similar offerings, 1,513 individual subscriptions were submitted covering eight offerings and \$22,394,850.00 was allotted.

During 1940, 40 tenders amounting to \$35,133,000.00 were received by this Agency on 52 offerings of Treasury bills. Of these, 28 tenders were accepted at prices ranging from 100.001 to 99.990, amounting to \$34,453,000.00. During 1939, 68 tenders amounting to \$31,750,000.00 were received and 38 tenders totaling \$30,353,000.00 were accepted on the 52 offerings of Treasury bills made that year.

PURCHASES AND SALES OF SECURITIES FOR  
MEMBER BANKS

During 1940 we handled 541 purchases and 3,012 sales of Government securities totaling \$15,777,350.00 as direct transactions for member banks in our District. In addition, we handled for banks and trust companies 612 transactions in Government securities amounting to \$142,502,900.00, also 865 transactions of miscellaneous general market securities amounting to \$6,744,560.46, the purchases or sales of which were arranged by banks direct with brokers. Altogether, these various transactions totaled 5,030, amounting to \$165,024,810.46, as compared with 7,018 aggregating \$170,887,247.33 in 1939.

RECONSTRUCTION FINANCE CORPORATION

(Including its several subsidiary organizations, also Commodity Credit Corporation, Public Works Administration, and United States Housing Authority.)

During the first three months of 1940 we handled the extension of the 1938-39 corn loans in our custody. On April 17, 1940, all Commodity Credit Corporation corn notes in our possession (16,000 notes totaling \$7,094,465.55) were transferred to the Chicago Reconstruction Finance Corporation Custodian.

During the year, disbursements for account of Commodity Credit Corporation included: (not comparative)

	<u>1939 Crop</u>		<u>1940 Crop</u>	
	<u>No. Notes</u>	<u>Amount</u>	<u>No. Notes</u>	<u>Amount</u>
Farm stored wheat	5832	\$ 3,323,987.43	1048	\$ 325,099.84
Warehouse stored wheat	3996	1,142,196.99	7506	1,834,049.99
Farm stored rye	1720	330,330.47	334	59,821.13
Farm stored barley	-	-	323	62,684.63

All of the 1940 notes are still on hand.

We now have on hand 7,506 notes secured by farm stored wheat totaling \$5,321,370.51 as well as 742 rye notes totaling \$176,433.14. Notes secured by warehoused wheat which were purchased by the Commodity Credit Corporation were not paid upon maturity, 4-30-40; the notes were surrendered to the makers, and wheat as represented by 4,580 warehouse receipts for a total of 1,240,285 bushels was pooled by the Commodity Credit Corporation. Part of this wheat has been resold by the Commodity Credit Corporation, but we still have on hand 2,212 warehouse receipts for a total of 665,490 bushels.

The number of employees working in the Reconstruction Finance Corporation Department reached a high of 101 in December and a low of 57 during November.

PUBLIC WORKS ADMINISTRATION

During the year two issues of bonds totaling \$228,000 were purchased through us. The balance of bonds now held for this organization is \$2,031,500.

FEDERAL CROP INSURANCE CORPORATION

All warehouse receipts held by us for account of this agency were withdrawn during the year.

UNITED STATES HOUSING AUTHORITY

We handled fourteen transactions for this agency and total disbursements for the year were \$1,965,000.

BANK EXAMINATION DEPARTMENT  
(Head Office)

As of the end of the year, fourteen State member banks were exercising trust powers, including three having only escrow and custodianship accounts. Eighty-two national banks held permits to exercise full or limited trust powers, and during the past year forty-three of them were exercising certain of these powers.

Activity with respect to fiduciary powers included the receipt and approval of one application for full powers and one for limited powers, the withdrawal of one application which had been received in 1939, and the surrender of fiduciary powers by one bank. Three other banks relinquished trust powers, one due to consolidation and two due to absorptions. In the case of the consolidation, the continuing bank was authorized to exercise powers formerly granted to the consolidating banks. In the case of the absorptions, the trust powers of the continuing banks were affirmed under the changed title. The trust powers of one other national bank were affirmed after a change in title.

The examinations by this department in the various States were as follows:

	State Banks	Holding Company Affiliates
Michigan	14	
Minnesota	23	2
Montana	27	
South Dakota	23	
Wisconsin	6	
	93	2

Examination of Holding Company Affiliates

Application for a voting permit was made by Bank Shares Incorporated, a holding company affiliate, on October 22, 1940. An examination was made and report of that examination and the application forwarded to the Board at Washington on December 13, 1940.

An examination of First Bank Stock Corporation was commenced as of the close of business November 22, 1940; the examination was not completed as of December 31.

State Bank Applications for membership - 1940

Ten applications for membership in the Federal Reserve System were received from State Banks during the year, and the following were approved:

The State Savings Bank of Manistique,	Manistique,	Michigan
The Citizens State Bank of Ontonagon,	Ontonagon,	Michigan
State Bank of Hawley,	Hawley,	Minnesota
State Bank of Sleepy Eye,	Sleepy Eye,	Minnesota
merchants Bank of Winona	Winona,	Minnesota
Custer County Bank, Custer City, S. Dak.,	Custer	South Dakota



BANK EXAMINATION DEPARTMENT - Cont'd

The Kraft State Bank	Menomonie,	Wisconsin.
The Bark River State Bank	Bark River,	Michigan
Union Savings Bank	Sioux Falls,	South Dakota

The application for membership of the American State Bank of Moorhead, Moorhead, Minnesota, received in 1938, and that of the State Bank of Northfield, Northfield, Minnesota, received in 1939, are being held in abeyance, as are the applications of Flint Creek Valley Bank, Philipsburg, Montana, and The Security State Bank, Minocqua, Wisconsin, both of which were received in 1940. The application of Belgrade State Bank, Belgrade, Montana, submitted in 1940, was withdrawn.

Status of Applications for Membership Which Were on Hand December 31, 1939

Total number on hand		4
Admitted to membership	2	
Held in abeyance	<u>2</u>	4

Status of Applications for Membership received During 1940

Total number received		10
Admitted to membership	7	
Held in abeyance	2	
Withdrawn	<u>1</u>	10

Reports of Examination of State Member Banks

The number of reports of examination received from the various State Banking Departments in the Ninth Federal Reserve District during 1940 of State member banks examined independently by them was as follows:

Minnesota	14
Montana	11
South Dakota	14
Wisconsin	3

Applications for permission to Exercise Fiduciary Powers Received, etc.

Applications of the following banks for trust powers were approved by the Board at Washington:

<u>Name of Bank</u>	<u>Location</u>	<u>Powers</u>	<u>Date Approved</u>
The Miners' First National Bank	Ishpeming, Michigan	Limited	2-13-40
*The Union Natl. Bank of Superior	Superior, Wisconsin	Full	3-13-40

(\* Affirmed under changed title National Bank of Commerce in Superior 7-25-40.)

Application of the following bank for surrender of trust powers was forwarded to the Board at Washington and approved:

<u>Name of Bank</u>	<u>Location</u>	<u>Date Approved</u>
Goodhue County National Bank	Red Wing, Minnesota	11-22-40

BANK EXAMINATION DEPARTMENT - Cont'd

Applications for National Charters

One application for a national bank charter was referred to this office for a recommendation during the year, and the charter was granted by the Comptroller of the Currency.

BANK CHANGES IN 1940  
(Per Stock Book Records)

Total number of member banks in the district January 1, 1940	468
National banks organized	1
State banks admitted	9
	<u>478</u>
National banks consolidated with other national banks	1
National banks succeeded by nonmember State institutions	7
National banks absorbed by other national banks	2
National banks absorbed by member State institutions	2
National banks absorbed by nonmember State institutions	3
National banks liquidated	1
State member banks withdrawn	2
	<u>18</u>
Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year . . . . .	460

Membership

At the close of the year there were 460 member banks in this district as compared with 468 member banks at the beginning of the year. There was a net loss of 15 national banks and a net gain of 7 State banks. The total membership at the close of the year was divided into 372 national banks and 88 State banks.

State Bank Membership According to States

<u>State</u>	<u>No. of State Bank Members 1-1-40</u>	<u>No. of State Banks withdrawing from Membership During Year</u>	<u>No. of State Banks Admitted During Year</u>	<u>No. of State Bank Members 12-31-40</u>
Michigan	11	0	3	14
Minnesota	18	0	3	21
Montana	25	0	0	25
North Dakota	0	0	0	0
South Dakota	23	2	2	23
Wisconsin	4	0	1	5
	<u>81</u>	<u>2</u>	<u>9</u>	<u>88</u>

BANK AND PUBLIC RELATIONS ACTIVITIES

Bank officers and representatives attended six state bankers' association conventions, 57 other bankers' meetings; delivered 42 addresses to an estimated audience of 4,710 people; and made 698 visits at member banks and 967 visits at nonmember banks in the district, every bank in the district having been visited at least once by one of our officers or representatives.

BANK AND PUBLIC RELATIONS ACTIVITIES - Cont'd

The attendance at showings of the Federal Reserve Bank movie during 1940 was 25,522. The bank continued its cooperation with the Wisconsin Bankers' Association with regard to showings of the Federal Reserve movie.

In January and February WCCO continued the series of weekly broadcasts featuring dramatic incidents in connection with Federal Reserve activities. Eight broadcasts during these two months concluded the series.

On February 4 the rotogravure section of the Minneapolis Star-Journal carried pictures showing the various operations of the bank.

A Member Bank Conference was held on March 16, 1940. The program consisted of a panel discussion covering questions submitted by bankers between Dr. Willard E. Atkins and Dr. Anton Friedrich, both of New York University, and Dr. Montfort Jones of the University of Pittsburgh. At the conclusion of the panel discussion, Dr. J. O. Ferrine, Vice President of the American Telephone and Telegraph Company, gave an address, "Words, Waves and Wires." The entertainment features of the Conference consisted of luncheon, dinner, and complimentary tickets to the Ice Follies. Eight hundred and forty bank officers and directors attended the Conference.

In March the Federal Reserve Bank had a display in one of the windows of the Northwestern Bank Building showing currency operations including a sorting and counting machine, upper halves of cut currency, dummy packages of currency and coin from the Treasury Department, and also chart material, an illustrated map of the district, pictures of the Federal Reserve Building in Washington, etc.

On April 27, 1940 the Helena Branch held a Conference to which the officers, directors and employees of all banks in Montana were invited. The registration of the Conference was approximately 300. Dean W. C. Coffey of the University Farm, St. Paul, Minnesota, and Chairman of the Board of Directors of the Head Office, gave an address, "The Animal Industry." A round table discussion by six economists on current business and banking subjects followed. The bankers present were entertained at a luncheon and at an informal dinner in the evening.

Representatives of the bank called on the editors of all daily newspapers in Minneapolis, North Dakota and South Dakota and on a few in Wisconsin and Montana. Localized news stories on building activity, bank debits and retail trade are now being sent regularly to these dailies and also to a small group of weekly papers.

BANK AND PUBLIC RELATIONS ACTIVITIES - Cont'd

The booklet, "The Federal Reserve System, Its Purposes and Functions," was sent to the principals of all high schools in North Dakota, South Dakota and most of Minnesota. It is planned to send this booklet to all high schools in the Ninth District.

Four display cases containing sample bundles of heads of grains and grasses common to this agricultural section were installed in the reception room of the bank. A specimen of the matured seed or grain was placed below each bundle exhibited.

A comparative statement of operating ratios for 1937, 1938 and 1939 was sent to each member bank in the district. In addition, operating ratios were computed for the State banks of North Dakota at the request of the North Dakota Bankers' Association and a number of other special tabulations of these ratios were furnished upon request.