

ANNUAL REPORT

of

FEDERAL RESERVE BANK OF MINNEAPOLIS

to the

BOARD OF DIRECTORS

1943

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HIGH-LIGHTS OF 1943

A War Finance Conference was held late in March, 1943, preliminary to the Second War Loan Drive. Nearly 1,100 member and nonmember bankers from all sections of the district with the exception of Montana attended. A separate conference was held by the Branch at Helena for Montana bankers.

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Bank visits by our officers were resumed during the fall of 1943.

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The number of people employed by this bank was not materially larger at year-end than at the opening of the year, but the average number of employees for 1943 was about 38 percent higher than the average for 1942.

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Discounts during the year continued to be small but banks sold large quantities of Treasury Bills to us under repurchase option during the year.

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This bank received 91 applications for Regulation V loan guarantees during 1943 and 68 of these guarantees were approved. Only one application for a VT loan was received and that loan was being considered at year-end.

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The policy of delegating as much authority as possible to the Helena Branch continued during the year, and at year-end the only functions performed by the Head Office for the Montana banks were safekeeping of their securities, examinations of Montana member banks, and the safekeeping of War Loan Deposit collateral.

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International Business Machines punch card accounting equipment was installed in the bank during 1943 to handle the expanding fiscal agency activities.

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The War Savings Bond Annex in the old Farmers & Mechanics Bank Building was leased and occupied.

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The volume of work in this bank continued to expand during 1943. There was not only an expansion of work in connection with departments in existence at the opening of the year, but the following new functions were also added: (1) Ration Check department, (2) Withholding tax division, (3) a Statistical division of the fiscal agency department to compile the sales and redemptions of government securities, (4) the payment of dairy feed sight drafts, (5) disbursements in connection with the meat subsidy program, (6) the handling of loans for smaller War Plants Corporation, (7) disbursements for purchase of certain rationed articles, (8) the setting up of inventory records for Defense Plant Corporation projects, and (9) releases for Defense Supplies Corporation of tires acquired under several programs.

MEMBER BANK DATA

The number of member banks in the Ninth Federal Reserve district remained unchanged at 454 during 1943. One national bank went into voluntary liquidation and another was succeeded by a nonmember State bank, while two State banks in Havre, Montana were admitted to membership. At the end of 1943 the membership consisted of 358 national banks and 96 State banks.

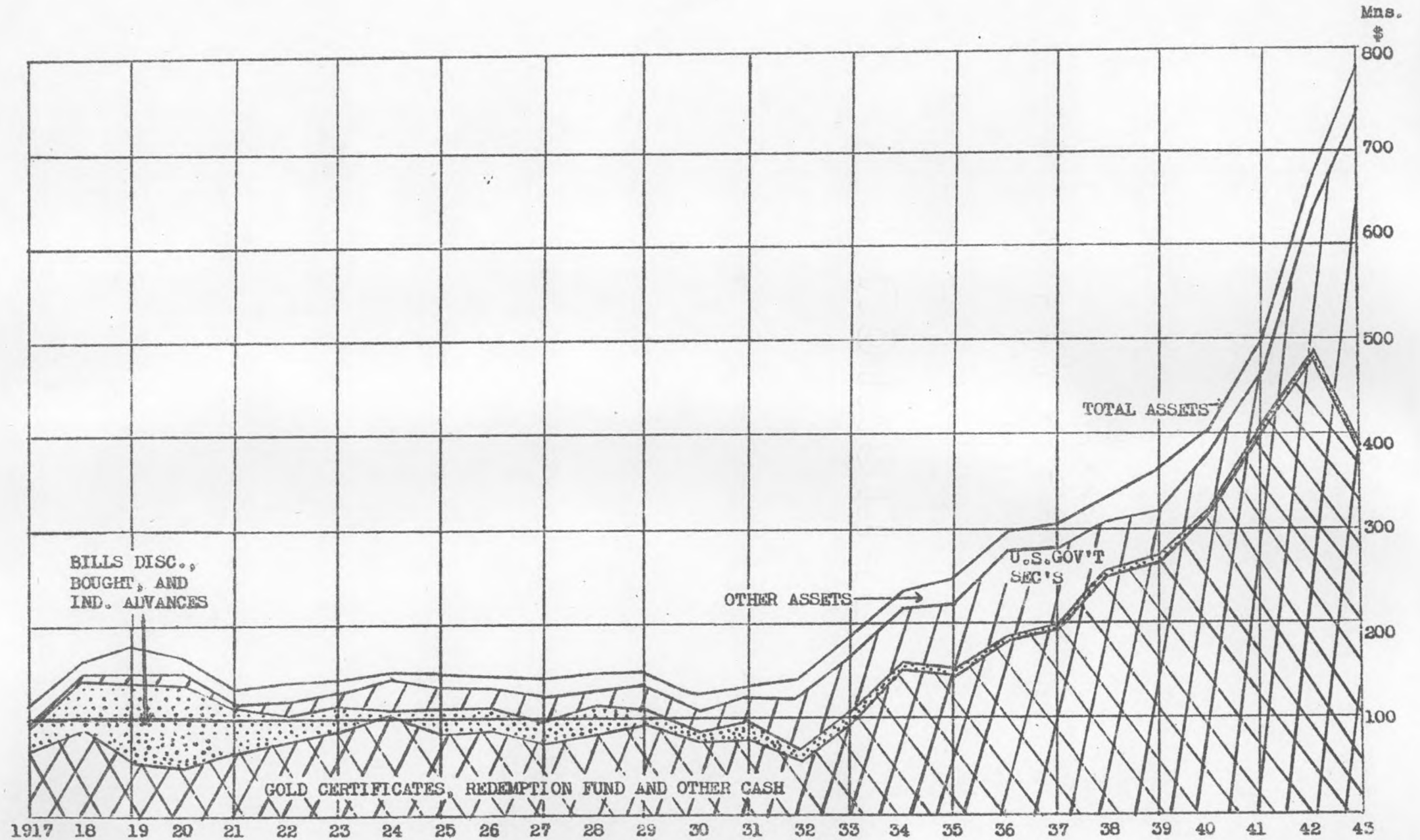
Member bank footings increased sharply during 1943. Deposits reached an all-time year-end high of 2.7 billion dollars on December 31, more than double the pre-war volume. Loans and discounts of member banks continued to be about 25 percent below the December 31, 1941 level, while holdings of U.S. Government securities have more than quadrupled since that time, increasing from 353 million dollars to 1.3 billion dollars on December 31, 1943. Cash and balances with other banks including this bank increased during this two-year period from 292 million to 355 million dollars. While the deposit liability of the banks has been nearly doubled during these two years of war, capital stock of member banks has remained practically unchanged. Surplus and undivided profits, however, continued the gradual increase that has been taking place since the Bank Holiday and increased from 41 million on December 31, 1941 to 50 million at the end of 1943.

Reserve balances of member banks increased about 28 million dollars during 1943. However, because of the sharp increase in member bank deposits, required reserves increased 48 million dollars, and as a result, excess reserves of member banks were about 20 million dollars smaller than one year earlier. Excess reserves, however, have lost a large part of their former significance since banks have acquainted themselves with the Federal Reserve's repurchase agreement for Treasury Bills. Because of this arrangement many banks in this district have adopted a policy of investing the bulk of their idle funds in Treasury Bills and selling the Bills to this bank whenever they are in need of funds. This procedure enables them to obtain earnings from their "excess" reserves. The larger city banks have been making more use of this concept than have the country banks.

Member Bank Reserves
Daily average for the first half of December
(In thousands of dollars)

	<u>Reserve City Banks</u>		<u>Country Banks</u>		<u>All Member Banks</u>	
		Change since Dec. '42		Change since Dec. '42		Change since Dec. '42
	Dec. 1-15, '43	Dec. '42	Dec. 1-15, '43	Dec. '42	Dec. 1-15, '43	Dec. '42
Reserve Accounts	\$151,236	\$ + 4,614	\$140,606	\$+23,377	\$291,842	\$+27,991
Required Reserves	148,743	+20,217	108,049	+28,652	256,792	+48,869
Excess Reserves	2,493	-15,603	32,557	- 5,275	35,050	-20,878

ASSETS



ASSETS

Total assets of this bank reached the all-time year-end high of 785 million dollars on December 31, an increase of 105 million over one year earlier and more than six times as large as the post-World War I low point reached in 1930. The more important items making up the year-end asset total were 384 million dollars in gold certificates and other cash, 358 million dollars of United States Government securities, and 36 million dollars of uncollected cash items. Other items included bank premises carried at 1,280 thousand dollars, Federal Reserve notes of other Federal Reserve banks amounting to 3,291 thousand dollars and a group of miscellaneous assets totaling 2,162 thousand dollars, which included premium on securities, interest receivable and reimbursable expenditures receivable.

Total Cash Reserves. Total cash reserves declined 102 million dollars during the year, and on December 31 were the smallest they had been since March 1942. Gold certificate holdings in the Interdistrict Settlement Fund totaled 140 million, a decline of 27 million during the year; gold certificates pledged with the Federal Reserve Agent totaled 225 million, a decline of 85 million from one year earlier.

At the end of 1942 our gold certificate reserve against Federal Reserve notes in actual circulation, after setting aside 35 percent legal reserve against deposits, was 121 percent. Due, however, to the large increase in notes in circulation and the decline in our total gold certificate holdings, this reserve dropped to 67 percent at the end of 1943, and as a result, it was necessary for the bank to pledge government securities against Federal Reserve notes in circulation. The bank was first required to set up government securities against its notes on September 17 when a pledge of 20 million dollars was made. By December 31 it had become necessary for the bank to pledge a total of 175 million dollars of government securities in order to insure adequate collateral for notes.

When the gold certificates pledged against Federal Reserve notes drop below 100 percent, it is necessary to set up a gold redemption fund of at least 5 percent of the notes in circulation that are in excess of the gold certificates held against them. The gold redemption fund, therefore, increased from the nominal level of 202 thousand dollars on December 31,

1942 to 8,625 thousand dollars on December 31, 1943.

Bills Discounted and Industrial Advances. This bank held no discounted bills on December 31. Banks throughout the year found it unnecessary to avail themselves of the discount privileges of this bank, and at no time during the year did discounts exceed 275 thousand dollars. Banks did, however, sell large quantities of Treasury bills under repurchase option to this bank during 1943. While this was not a discount in the true sense of the word, it accomplished the same results in that the banks are permitted to convert certain of their earning assets into cash or reserve balances, with the privilege of reacquiring those assets. At the opening of 1943 this bank held only two million dollars in bills under repurchase option, and by December 31 we had 73.5 million dollars in this account.

Industrial advances outstanding in the current classification declined from 366 thousand dollars to 178 thousand dollars. In addition this bank held 105 thousand dollars in industrial advances that were past due three months or more. This figure compares with 151 thousand past due advances at the end of 1942.

United States Government Securities. United States government securities held by this bank more than doubled during 1943, increasing from 154 million dollars on December 31, 1942 to 358 million at the end of 1943. Of the 204 million dollar increase in this account, 71 million was in bills bought by this bank under repurchase option, and 133 million was the increase in our Open Market holdings.

Not only was there a large change in the total holdings of government securities during the year, but there was also a large switch in the maturities of the securities held. There was an actual reduction in the holdings of the longer term securities, while very large increases were recorded in the short term Bills and Certificates of Indebtedness. The following table compared the holdings of government securities by types of issues as of December 31, 1943 and December 31, 1942:

	<u>Dec. 31, 1943</u>	<u>Dec. 31, 1942</u>
	(In thousands	of dollars)
Bonds	\$ 60,270	\$ 75,729
Notes	25,074	36,474
Certificates of Indebtedness	91,258	28,230
Bills in Open Market Account	108,120	11,746
Bills under Repurchase Option	73,474	2,000

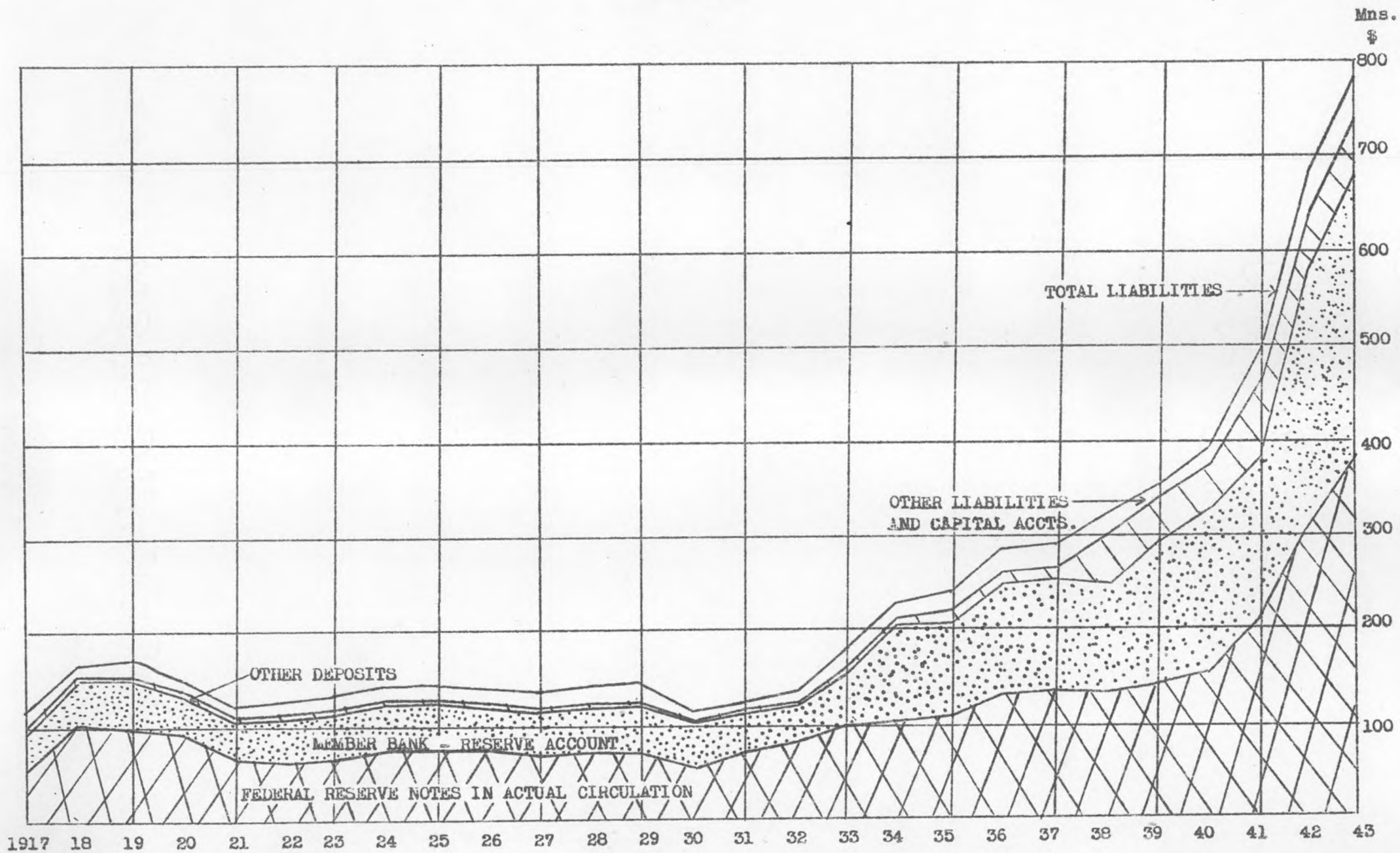
Uncollected Funds. Uncollected items (cash items in process of collection for member banks and governmental agencies) increased approximately two million dollars over one year earlier, and deferred availability items (credit to member banks and governmental agencies deferred pending collection of the cash items) increased 1.7 million dollars. Increases in these two accounts reflect the increase in dollar volume of cash items handled. The difference between these two accounts is the 7 million dollars float we were carrying. To put it another way, this bank had made 7 million dollars of funds available to member banks and governmental agencies for which it held uncollected items on its books.

Bank Premises. The bank premises account of this bank and the Helena Branch remained unchanged during 1943 with the exception of depreciation charges. The normal depreciation charges of 2 percent on bank buildings and 10 percent on fixed machinery and equipment were made during the year. The detail of changes in the bank premises accounts is as follows:

<u>LAND</u>			
	<u>Head Office</u>	<u>Helena Branch</u>	<u>Total</u>
Book value, January 1, 1943	\$ 400,520.66	\$ 10,000.00	\$ 410,520.66
<u>BANK BUILDING</u>			
Net book value December 31, 1942	\$ 821,300.34	\$ 68,250.00	\$ 889,550.34
Less: Reserve for depreciation	25,665.60	1,500.00	27,165.60
Net book value December 31, 1943	\$ 795,634.74	\$ 66,750.00	\$ 862,384.74
<u>FIXED MACHINERY AND EQUIPMENT</u>			
Net book value December 31, 1942	(Chgd.-Off)	\$ 9,244.13	\$ 9,244.13
Less: Reserve for depreciation		1,680.84	1,680.84
Net book value December 31, 1943		\$ 7,563.29	\$ 7,563.29
<u>BANK PREMISES COMBINED</u>			
Net book value December 31, 1942	\$1,221,821.00	\$ 87,494.13	\$1,309,315.13
Less: Reserve for depreciation	25,665.60	3,180.84	28,846.44
Net book value December 31, 1943	\$1,196,155.40	\$ 84,313.29	\$1,280,468.69

Miscellaneous Assets. Major changes in the miscellaneous assets account were a decline of 494 thousand dollars in the premium on government securities which was the result of the liquidation of the longer term securities in the open market account. Interest income accrued was 92 thousand dollars larger, reflecting the larger holdings of earning assets of the bank. Reimbursable expenditure receivables due from various governmental agencies were 133 thousand dollars larger than one year earlier.

LIABILITIES



LIABILITIES

Federal Reserve Notes in Actual Circulation. Federal Reserve notes in actual circulation increased 83 million dollars during 1943, bringing the total outstanding on December 31 to 386 million dollars, more than twice the prewar level. While notes in circulation increased during each month of 1943, the increase during the latter half of the year was at a somewhat slower rate than previously. During the last six months of 1943 our Federal Reserve notes in circulation increased 42 million dollars compared with a corresponding increase of 64 million dollars in the same period of 1942.

Member Bank Reserve Accounts. Member bank reserve accounts totaled 295 million dollars at the end of the year, an increase of about 19 million dollars as compared with one year earlier and nearly double the December 31, 1940 level. Because of the large increases in money in circulation, member bank reserve balances declined somewhat during the first part of 1943; however, during the latter half of the year the banks replenished their reserve balances through the sale of Treasury Bills to this bank, and consequently were able to build up their reserve balances to a level somewhat larger than one year earlier.

Other Deposits. Other deposits of this bank were not materially changed from one year earlier. United States Treasurer's general account totaled 25 million dollars, about 10 million less than one year earlier, but foreign balances totaled 27 million, an increase of 12 million during the year. Other deposits experienced a minor decline.

Factors Affecting Reserve Ratios of the Federal Reserve Banks. While this district has had an inflow of funds and consequent increase in gold reserves and member bank deposits during recent years, the increase has been small compared to some districts. Similarly, the increase in this bank's notes in circulation may have seemed large, but actually that increase has been less than the average for the nation, and compares with three and four-fold increases in some other districts.

In order that a better perspective may be obtained, the following paragraphs make a more detailed comparison of these accounts for the System and for each of the Reserve banks.

Gold stopped flowing into the United States in the latter part of 1941, and there has been a gradual outflow since that time. By December 31, 1943 this outflow had offset the inflow in the first part of 1941, and total reserves of the Federal Reserve System (gold certificates and cash on hand) were at the same 20 billion dollar level as at the end of 1940. However, reserves of the various Federal Reserve banks fluctuated widely during this period and showed very divergent trends. During this period total reserves of this bank increased from 318 million to 384 million dollars, an increase of 20 percent, while reserves at the Atlanta and San Francisco Reserve banks more than doubled. On the other hand, reserves at New York declined from 9.8 billion to 6 billion dollars, a decline of 39 percent.

Since the beginning of the defense and war program Boston and New York have been losing reserves to the rest of the nation. Because these two districts held a large part of the financial resources of the nation, they have provided the government with more funds through the purchase of government securities than the government has in turn expended in those areas. Government war expenditures have, therefore, tended to redistribute the financial resources as well as the population and production facilities of the nation. Another factor of less importance, that played a part in reducing the reserves of New York, has been the withdrawal of about 1.3 billion dollars of correspondent balances from New York City banks during this period.

On the liability side total deposits of the System have declined about 6 percent during this three year period, but Federal Reserve notes in circulation have increased 185 percent. This bank's deposits increased 63 percent. Dallas showed the largest increase with 112 percent, whereas deposits at the Federal Reserve banks of Boston and New York declined 10 percent and 35 percent respectively.

Minneapolis has had an increase of 143 percent in its notes in circulation, compared to the 185 percent for the nation as a whole. New York and Boston also had relatively small increases, 140 percent and 151 percent, respectively. Atlanta had the largest increase with 387 percent. Following in order were Dallas with an increase of 324 percent, Richmond 302 percent, and

San Francisco 293 percent. The following table presents the percentage changes for the System and for each of the Federal Reserve banks from December 31, 1940 to December 31, 1943 in total reserves, total deposits and Federal Reserve notes in circulation:

Percentage Changes in Total Reserves, Total Deposits
and Federal Reserve Notes in Actual Circulation
from December 31, 1940 to December 31, 1943

	<u>Total Reserves</u>	<u>Total Deposits</u>	<u>F. R. Notes in Actual Circulation</u>
Reserve System	0	- 6	+ 185
Boston	- 7	- 10	+ 140
New York	- 39	- 35	+ 151
Philadelphia	+ 1	- 2	+ 180
Cleveland	+ 7	+ 20	+ 176
Richmond	+ 90	+ 53	+ 302
Atlanta	+131	+105	+ 387
Chicago	+ 32	+ 14	+ 150
St. Louis	+ 33	+ 32	+ 228
Minneapolis	+ 20	+ 63	+ 143
Kansas City	+ 59	+ 94	+ 191
Dallas	+ 65	+112	+ 324
San Francisco	+101	+ 93	+ 293

Because of the diverse trends in these accounts at the various banks, there has been a marked change in their reserve ratios. The present law provides that reserve banks must retain a reserve of 40 percent in gold certificates against Federal Reserve notes in circulation and 35 percent in gold certificates and "lawful money" against deposit liabilities. On December 31, 1940 the reserve ratio (percent gold certificates and lawful money of the total of deposits plus Federal Reserve notes in circulation) for the System was 91 percent. Since that time, even though total reserves have remained unchanged, the ratio has declined to 63 percent, due entirely to the 185 percent increase in Federal Reserve notes in circulation.

While total reserves at this bank increased 20 percent during this period, deposits and notes in circulation increased 63 percent and 143 percent, respectively, and as a result our reserve ratio declined from 84 percent on December 31, 1940 to 52 percent on December 31, 1943, one of the largest declines in the System.

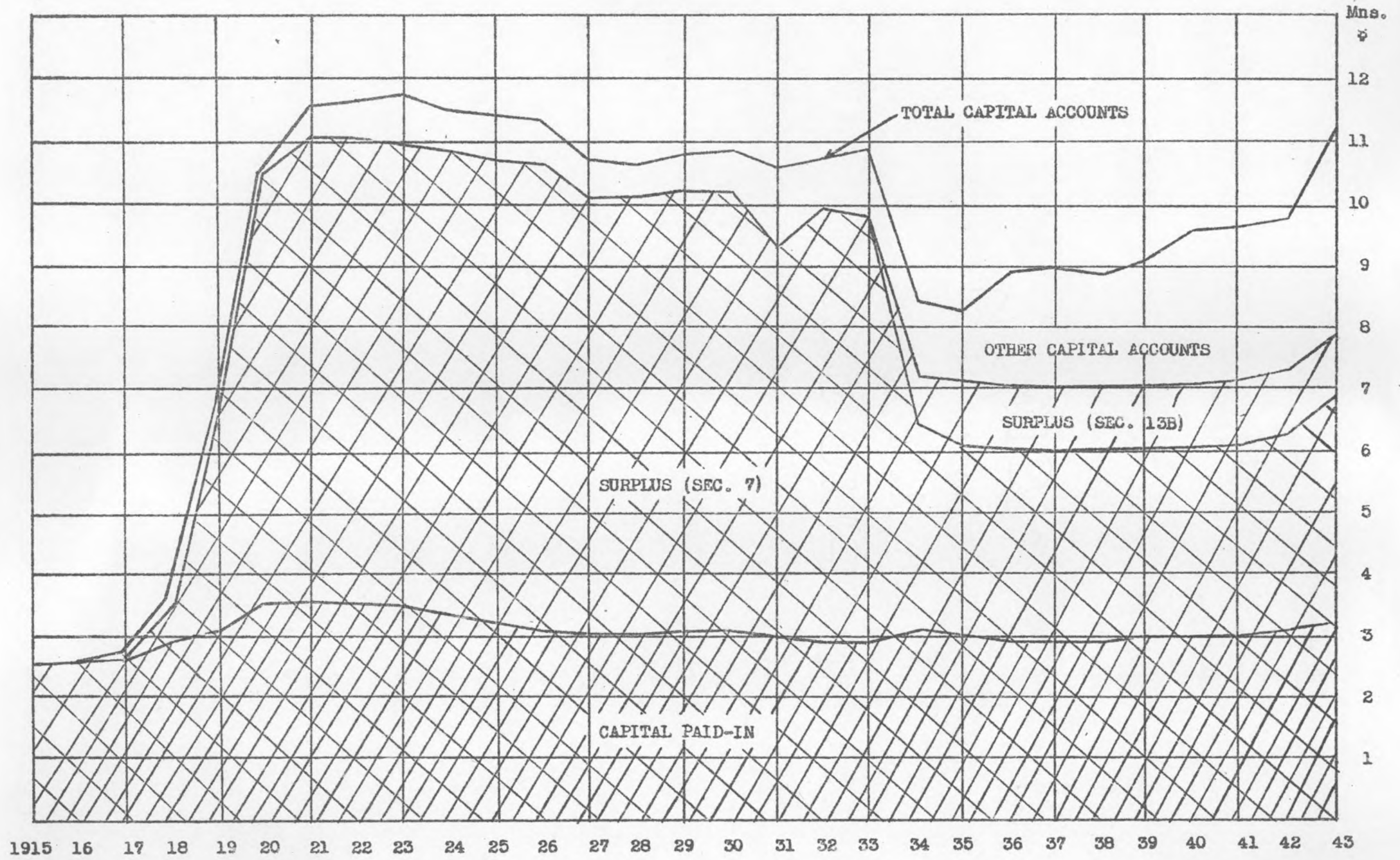
If these trends should continue long enough to result in the reserves of an individual Reserve bank becoming inadequate, an adjustment of the reserves between the banks may become desirable. In that event, the banks have a large volume of earning assets in the form of United States government securities and reserves of the various Federal Reserve banks could be equalized through the allocation of these securities in the Open Market account.

The following table sets forth the reserve ratios of the System and each of the Federal Reserve banks on December 31, 1943 and December 31, 1940:

	<u>Dec. 31,</u> <u>1943</u>	<u>Dec. 31,</u> <u>1940</u>
Reserve System	63	91
Boston	57	89
New York	66	95
Philadelphia	55	87
Cleveland	54	87
Richmond	61	83
Atlanta	60	83
Chicago	73	93
St. Louis	55	85
Minneapolis	52	84
Kansas City	55	80
Dallas	49	79
San Francisco	66	87

Some of the more important factors that will have a bearing on this bank's reserves in the future are: agricultural prices and income; out of district purchases of goods such as automobiles, farm machinery, building materials, etc.; liquidation of government securities by Ninth District non-bank owners; lending and investment policies of commercial banks; and production volumes of manufacturers and mines in the district.

CAPITAL ACCOUNTS



CAPITAL ACCOUNTS

Capital stock paid in increased 160 thousand dollars during 1943, bringing the total to \$3,235,500, the largest amount of stock this bank has had outstanding since 1924. This increase was occasioned in large part through increases in surplus accounts of member banks.

Surplus account, Section 7, increased 448 thousand dollars, bringing this account to a total of 3,669 thousand, the largest it has been since the end of 1933 when there was a charge to the surplus account of 3,509 thousand dollars for the purchase of F.D.I.C. stock.

Reserves for contingencies increased 845 thousand dollars during the year to a total of \$3,361,647. Six hundred and forty-five thousand dollars was set aside for postwar Head Office building expansion, improvements and repairs, 100 thousand dollars as an initial reserve for mutual war risk insurance and excess coverage over blanket bond insurance, and 100 thousand dollars as an initial reserve for mutual registered mail insurance on currency receipts and shipments.

The following table sets forth the disposition of the 1943 net earnings and their effect on surplus (Section 7) and reserves for contingencies:

Net 1943 earnings		\$ 1,484,291
Dividends paid	\$ 190,924	
Paid to U.S. Treasurer under Sec. 13b	147	
Transferred to surplus (Sec. 13b)	<u>2</u>	191,073
Transferred to surplus (Sec. 7)		\$ 1,293,218
Surplus (Sec. 7) January 1, 1943		<u>3,220,822</u>
Total before setting up contingency reserve		\$ 4,514,040
Transferred to reserve for contingencies		<u>845,000</u>
Surplus (Sec. 7) December 31, 1943		<u>\$ 3,669,040</u>

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Reserves for contingencies, January 1, 1943		\$ 2,516,647
Transferred from surplus (Sec. 7) as follows:		
Reserve for postwar Head Office building expansion, improvements and repairs	\$ 645,000	
Initial reserve for mutual war risk insurance and excess coverage over blanket bond insurance	100,000	
Initial reserve for mutual registered mail insurance on currency receipts and shipments	<u>100,000</u>	845,000
Reserves for contingencies, Dec. 31, 1943		<u>\$ 3,361,647</u>

Following is the statement of condition of the Federal Reserve Bank of Minneapolis and Helena Branch as of December 31, 1943 and the changes which have occurred since December 31, 1942:

COMPARATIVE STATEMENT OF ASSETS
(In thousands of dollars)

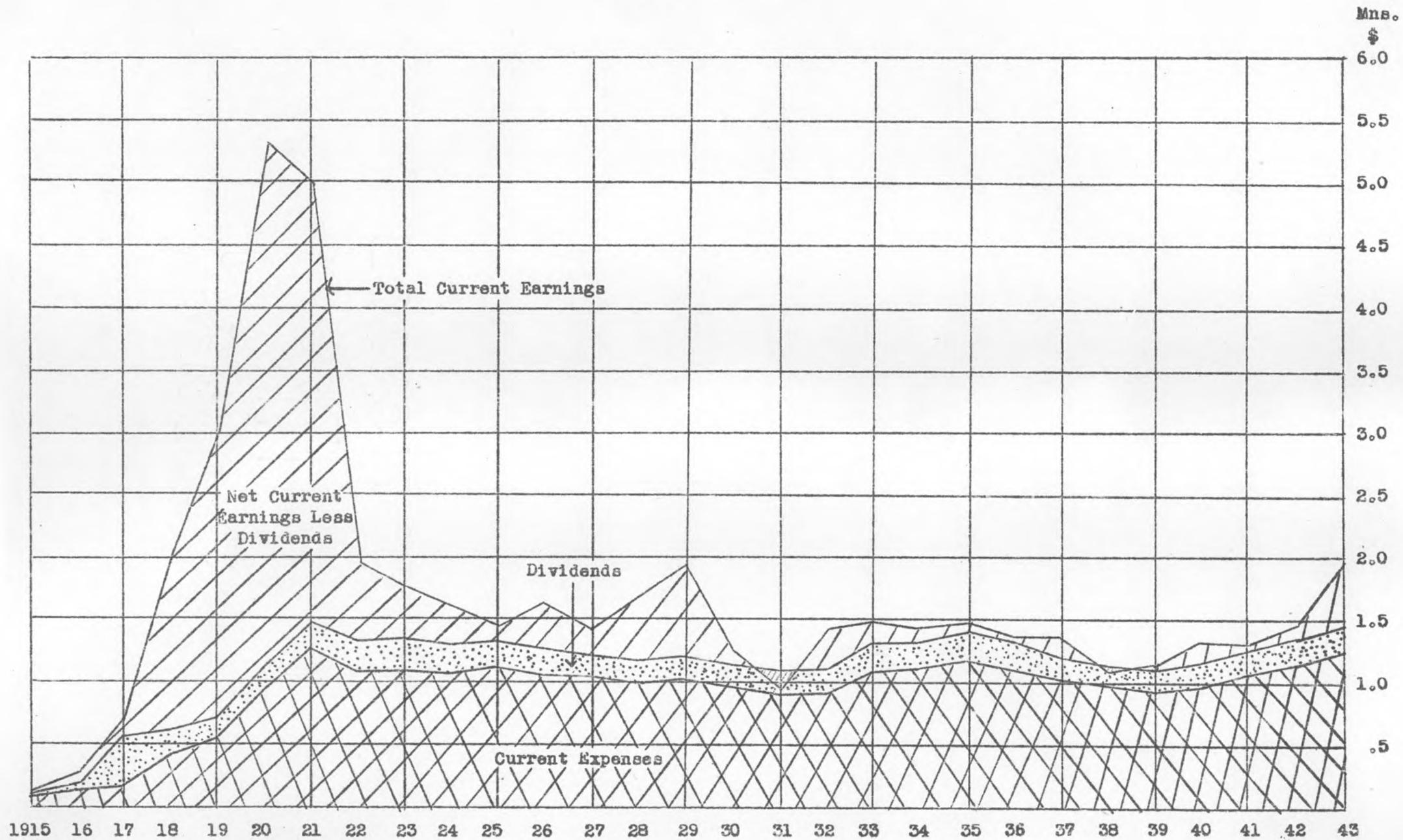
	<u>Dec. 31, 1943</u>	<u>Increase or Decrease since Dec. 31, 1942</u>
Cash Reserves:		
Interdistrict settlement fund	\$ 140,112	\$ - 26,939
Gold certificates with F.R.Agent	225,000	- 85,000
Redemption Fund-F.R.Notes	<u>8,625</u>	<u>+ 8,423</u>
Total gold certificate reserves	\$ 373,737	\$ -103,516
Other cash	<u>9,778</u>	<u>+ 1,425</u>
Total cash reserves	\$ 383,515	\$ -102,091
Bills and Securities:		
Foreign loans on gold	\$ -	\$ - 55
Industrial advances	178	- 188
U.S.Government securities in Open Market Account	284,722	+132,543
U.S.Treasury Bills held under Repurchase Option	<u>73,474</u>	<u>+ 71,474</u>
Total bills and securities.....	\$ 358,374	\$ +203,774
Due from Foreign banks.....	\$ 2	\$ + 2
F. R. Notes of other Federal Reserve banks	3,291	+ 1,183
Uncollected Items:		
Transit items	\$ 32,530	\$ + 1,968
Exchanges for clearing house.....	1,961	- 1,032
Other cash items.....	<u>1,788</u>	<u>+ 1,052</u>
Total uncollected items.....	\$ 36,279	\$ + 1,988
Bank premises.....	\$ 2,451	\$ -
Less reserve.....	<u>1,171</u>	<u>+ 30</u>
Bank premises - Net	\$ 1,280	\$ - 30
Miscellaneous Assets:		
Industrial advances past due three months	\$ 105	\$ - 46
Less reserve.....	<u>89</u>	<u>+ 5</u>
Industrial advances past due 3 mo. - Net	\$ 16	\$ - 51
F.D.I.C. stock	3,509	-
Less reserve.....	<u>3,509</u>	-
Difference account.....	-	-
Premium on securities.....	1,083	- 494
Interest accrued.....	556	+ 93
Reimbursable expenditures	459	+ 133
Deferred charges.....	20	+ 3
All other assets	<u>28</u>	<u>- 34</u>
Total miscellaneous assets	\$ 2,162	\$ - 350
TOTAL ASSETS.....	\$ 784,903	\$ +104,476

COMPARATIVE STATEMENT OF LIABILITIES

(In thousands of dollars)

	<u>Dec. 31, 1943</u>	<u>Increase or De- crease since Dec. 31, 1942</u>
F. R. Notes in actual circulation.....	\$ 385,761	\$ + 83,034
Deposits:		
Members - Reserve account	295,470	+ 18,644
U. S. Treasurer - General account	25,045	- 10,309
Foreign balances	27,852	+ 12,476
Nonmembers - Clearing account	839	+ 173
Officers' checks.....	8,513	- 615
Other deposits.....	<u>700</u>	<u>- 1,972</u>
Total Deposits.....	\$ 358,419	\$ + 18,397
Deferred availability items.....	29,290	+ 1,654
Miscellaneous Liabilities:		
Accrued taxes unpaid.....	64	+ 1
Sundry items payable.....	14	+ 10
Discount on securities	88	+ 79
Suspense account.....	-	-
Special reserve.....	<u>-</u>	<u>- 152</u>
Total Miscellaneous Liabilities	\$ 166	\$ - 62
Capital stock paid in	\$ 3,236	\$ + 160
Surplus Fund - Section 7	3,669	+ 448
Surplus Fund - Section 13b	1,000	-
Reserves for contingencies	<u>3,362</u>	<u>+ 845</u>
TOTAL LIABILITIES	\$ 784,903	+104,476
Gold certificate reserve against F. R. Notes		
In actual circulation after setting aside		
35 percent legal reserve against deposits	66.9%	- 54.2%
Reserve ratio against combined net deposits		
and note liabilities	51.5%	- 24.1%
Commitments to make industrial advances	-	-
Float absorbed	\$ 6,988	\$ + 333

NET CURRENT EARNINGS



NET EARNINGS AND PROFITS

Net earnings and profits totaled 1,484 thousand dollars during 1943, an increase of 1,233 thousand over 1942. Current earnings increased 517 thousand dollars to 1,995 thousand, while current expenses increased 96 thousand dollars to 1,262 thousand; net current earnings, therefore, increased 421 thousand dollars and totaled 733 thousand dollars, the largest for any year since 1929.

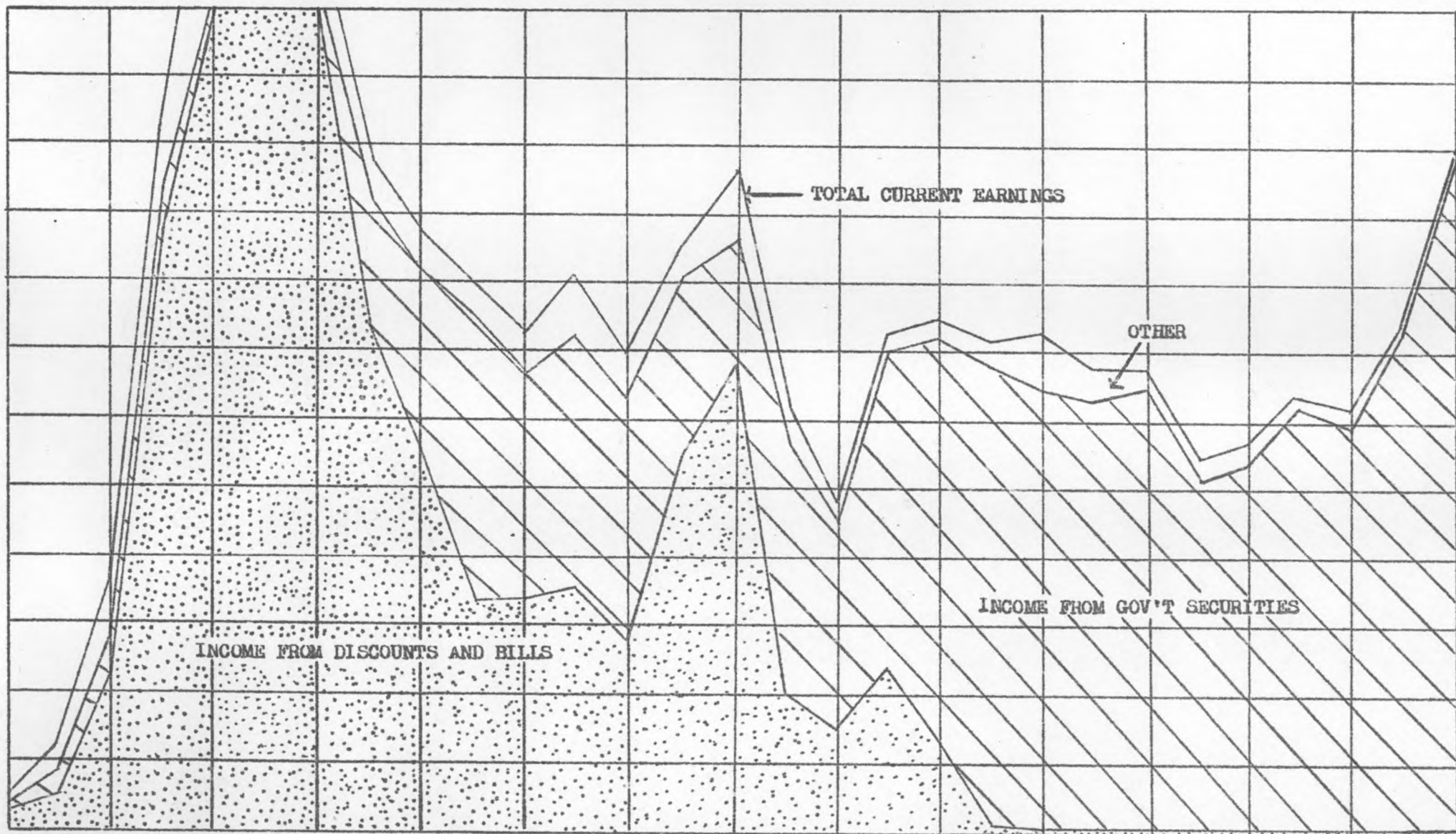
In addition to these large net current earnings, profits on government securities during 1943 totaled 1,083 thousand dollars, by far the largest profits from this source ever realized by this bank. The most important deduction from earnings was 331 thousand dollars for special contributions to the Retirement System to compensate for the decrease in basic interest rate on the System's funds and to provide funds for increased benefits to retiring members. Net additions to current net earnings, therefore, totaled 751 thousand dollars which, when added to the 733 thousand dollar net current earnings, resulted in net earnings and profits for the year of 1,484 thousand dollars.

	1943	Inc. or Dec. from 1942
Current Earnings	\$1,995,458	\$+ 517,136
Current Expenses	1,262,009	+ 95,661
Net Current Earnings	\$ 733,449	\$+ 421,475
Additions to Net Current Earnings		
Profit on U.S. Gov't Sec. sold	\$1,083,198	\$+ 980,482
Other additions	4,364	+ 1,899
Total additions	\$1,087,562	\$+ 982,381
Deductions from Net Current Earnings		
Losses and reserves for losses on industrial advances	\$ 4,800	\$- 6,200
Retirement System special contributions	331,041	+ 179,300
Other deductions	879	- 1,792
Total deductions	\$ 336,720	\$+ 171,308
Net Addition to Net Current Earnings	750,842	+ 811,074
Net Earnings and Profits	\$1,484,291	\$+1,232,549

CURRENT EARNINGS

1919 - 3.01
1920 - 5.32
1921 - 4.98

Mns.
\$
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
.8
.6
.4
.2



1915 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43

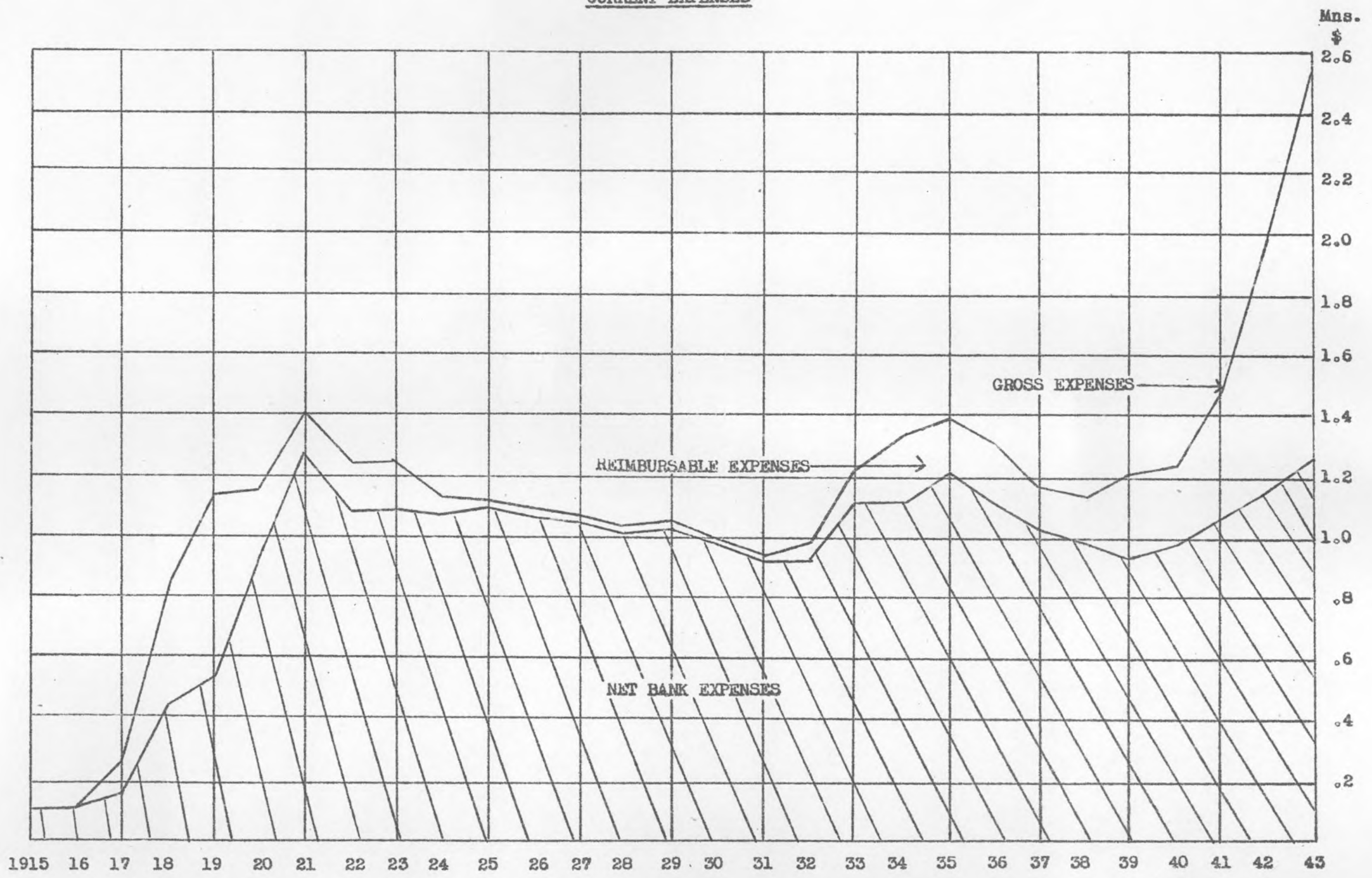
CURRENT EARNINGS

Earnings from current operations during 1943 totaled 1,995 thousand and dollars, an increase of 517 thousand dollars over 1942. Practically all of our earnings continued to be derived from interest on United States Government securities. In fact, only 18 thousand dollars were earned from other sources, industrial advances accounting for 5.7 thousand of that amount and deficient reserve penalties for 5.5 thousand.

While our holdings of government bonds more than doubled during the year, interest earned from that source was only about 35 percent larger. This was due to the fact that the average maturity of our government portfolio was materially shortened because of the sale of the longer term issues and heavy purchases of Bills and Certificates of Indebtedness. During 1942 the average earning rate on government securities was 1.6 percent, whereas it declined to 1.05 percent in 1943. The following table sets forth a detailed summary of current earnings:

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Discounted bills	\$ 564.04	\$ - 554.81
Industrial advances	5,668.86	- 15,607.61
Commitments to make industrial advances	-	- 47.80
United States Government securities	1,977,717.49	+529,731.74
Rent received: banking house	66.00	-
Deficient reserve penalties	5,536.93	+ 4,447.73
Interest on past due industrial advances	4,363.44	- 847.99
Sale of waste paper, money bags, etc.	306.30	- 20.24
Clearing House fines	192.00	+ 73.00
Interest received on personal loans to employees	4.32	+ 4.32
Interest received on advances to protect collateral	-	- 3.00
Savings in registration fee, etc. on registered mail shipments to member banks	1,036.63	- 37.48
All other	2.50	- 1.32
	<hr/>	<hr/>
Total	\$1,995,458.51	\$ +517,136.54

CURRENT EXPENSES



NET CURRENT EXPENSES

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$1,152,805	\$ +97,619
Helena Branch	<u>109,204</u>	<u>- 1,957</u>
	\$1,262,009	\$ +95,662

Head Office net expenses for the year 1943 totaled 1,153 thousand dollars and Helena Branch expense amounted to 109 thousand dollars, bringing total net expenses for this bank to 1,262 thousand dollars, an increase of approximately 96 thousand dollars over one year earlier. In 1935, the first normal business year following the Bank Holiday, expenses of this bank reached a peak of 1,210 thousand dollars, and by 1939 had declined to 951 thousand dollars. Since 1939 the volume of work and expenses have increased steadily. However, in spite of the substantially larger volume of work performed in 1943 than in 1935, total expenses were only 52 thousand dollars larger.

When comparisons are made for individual expense classifications with one year ago, the largest increases occurred in salaries, retirement system contributions, postage and expressage, printing and stationery, light, heat and power, and assessment for expenses of the Board of Governors, all of which, of course, reflect the increased volume of work performed. Major declines occurred in legal fees, repairs and alterations to the bank building, furniture and equipment and original cost of Federal Reserve currency.

SALARIES

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$613,793	\$ +89,311
Helena Branch	<u>61,855</u>	<u>+ 848</u>
	\$675,648	\$ +90,159

Net salary cost of the Head Office and Branch totaled 676 thousand dollars in 1943, an increase of 90 thousand dollars over 1942. The largest part of this increase consisted of overtime payments which it was necessary to make in 1943. Overtime payments amounted to 124 thousand dollars of which 58 thousand was reimbursable, leaving a net overtime expense chargeable to the bank of 66 thousand dollars. Another part of the increase in salary expense was due to an increase in the average number of employees

from 661 in 1942 to 910 in 1943. It is an interesting fact that while the salaries of the more experienced employees have risen as a result of increased responsibilities, those increases have been more than offset by the large number of placements of inexperienced help, and, as a result, the average salary of employees declined slightly during 1943.

On January 1, 1943 the Head Office had a staff of 823 of whom 16 were officers, and the Branch had 69 employees, including the manager and assistant manager. During the first half of the year the staff continued to grow, reaching a peak of 909 at the Head Office and 74 at the Branch. During the last half of the year the staff declined to 836 at the Head Office on December 31 and 76 at the Branch. Of the 912 employees on December 31, the salaries of 12 officers and 623 employees were all or partially reimbursable.

During the year Mr. Ueland was elected vice president and counsel and Mr. Baker was elected an assistant cashier. Mr. Hodgson who was assistant counsel left the service of the bank to enter the Navy.

RETIREMENT SYSTEM CONTRIBUTIONS

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$40,174	\$ +10,669
Helena Branch	<u>4,353</u>	<u>+ 585</u>
	\$44,527	\$ +11,254

Retirement System contributions totaled \$44,527, an increase of approximately \$11,000 over 1942. This increase was due, not only to a larger staff and consequently larger payroll, but also to an increase in the average rate paid by the bank on its payroll. On March 1, 1943 the current service rate was increased from 6.16 percent to 6.46 percent, and the rate for employees in military service from 4.5 to 5.6 percent. On November 1 the revision in the Retirement System, providing for additional benefits and reducing the basic interest rate from 4 to 3 percent, became effective, and as a result the average rate paid on employees' salaries again increased to 8.92 percent for current service, and 8.2 percent for employees in military service.

LEGAL FEES

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$3,073	\$ -4,768
Helena Branch	<u>0</u>	<u>- 14</u>
	\$3,073	\$ -4,782

Legal fees totaled only \$3,073 during 1943, a decline of \$4,782 as compared with 1942. In 1942 this expense in the main was the retainer fee for the bank's counsel. This item was eliminated on July 1 when Mr. Ueland was elected vice president and counsel of this bank. Since that time his salary has been included in salary expense.

TRAVELING EXPENSES

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$15,024	\$ - 257
Helena Branch	<u>1,537</u>	<u>+ 254</u>
	\$16,561	\$ - 3

The amount of traveling done in 1943 was not materially different from that in 1942, and as a result, traveling expenses were practically unchanged from the 1942 level. The largest increase in traveling expense was that in connection with the community postwar planning work done by our research department. Bank relations travel expense also increased due to the resumption of bank visits during the fall. The following table shows a detailed comparison of 1943 traveling expenses with increases or decreases from 1942 travel:

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
<u>Head Office</u>		
Bank examinations	\$ 6,833	\$ - 245
Community postwar planning	1,283	+1,283
Bank relations	1,148	+ 426
Presidents' conferences	930	+ 308
Consumer credit investigations and conferences	710	- 138
Retirement System committee meetings	349	+ 210
Talks before various groups	342	+ 59
Visits to Helena Branch	297	+ 297
Graduate School of Banking	198	+ 13
Industrial advisory committee expense	149	- 143
Industrial loan investigations	44	- 500
Group meetings, conventions and conferences	1,617	- 1,417
Miscellaneous	<u>1,124</u>	<u>- 410</u>
	\$15,024	\$ - 257

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
<u>Helena Branch</u>		
Head office auditors - travel costs	\$ 1,158	\$ + 903
Group meetings and conferences	374	+ 89
Miscellaneous	<u>5</u>	<u>- 738</u>
	\$ 1,537	\$ + 254
 Total	 <u>\$16,561</u>	 <u>\$ - 3</u>

POSTAGE AND EXPRESSAGE

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$130,125	\$ + 9,234
Helena Branch	<u>19,838</u>	<u>+ 1,863</u>
	\$149,963	\$ +11,097

The 150 thousand dollars postage and expressage costs reflected the increase in volume of work and were approximately 11 thousand dollars larger than in 1942. The increase in the dollar volume of currency shipments accounted for more than 4 thousand dollars of the increased postage expenses at the Head Office, and postage used on ordinary mail was \$3,700 larger. Express charges on the larger volume of checks sent out from this bank and the somewhat higher rate charged for Brink's Inc. express service accounted for the entire increase in Head Office expressage. A detailed account of postage and expressage costs at the Head Office is as follows:

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
<u>Postage</u>		
Absorbed on incoming currency shipments	\$ 28,902.96	\$ + 1,145
Placed on outgoing currency shipments	25,214.25	+ 3,054
Absorbed incoming coin	113.16	+ 113
Placed on outgoing coin shipments	9,105.46	+ 292
Net amount used on ordinary mail	48,308.42	+ 3,700
Postage used on security shipments	<u>155.37</u>	<u>- 522</u>
	\$111,799.62	\$ + 7,782
 <u>Expressage</u>		
Absorbed on incoming currency shipments	\$ 219.55	\$ + 5
Absorbed on incoming coin shipments	5,204.50	- 715
Government checks sent by express	1,553.37	+ 866
Checks sent to member banks by express	5,674.51	+ 265
Paid to Brink's Inc. for express service	4,898.00	+ 890
Mail car expense and miscellaneous	<u>775.04</u>	<u>+ 140</u>
	\$ 18,324.97	\$ + 1,451

OFFICE SUPPLIES

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$37,966	\$ + 2,942
Helena Branch	<u>4,270</u>	<u>+ 372</u>
	\$42,236	\$ + 3,314

Office supplies expenses at the Head Office increased \$2,942 in 1943 and the Helena Branch experienced an increase of \$372 over 1942.

INSURANCE ON CURRENCY AND SECURITY SHIPMENTS

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$6,121.37	\$ - 42.92
Helena Branch	<u>681.34</u>	<u>- 71.69</u>
	\$6,802.71	\$ -113.61

This bank's expense in connection with insurance on currency and security shipments was slightly smaller in 1943 than in 1942, in spite of the fact that the actual dollar shipments of both currency and coin were larger than one year earlier. This decrease was enabled by a reduction effective July 1 in the insurance rate from three cents to two and one-quarter cents per thousand dollars of currency shipped.

OTHER INSURANCE

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$7,787	\$ - 1,732
Helena Branch	<u>651</u>	<u>- 259</u>
	\$8,438	\$ - 1,991

Other insurance expenses during 1943 were 2 thousand dollars smaller than in 1942. The bulk of this decline was due to a \$1,300 decrease in the bankers' blanket bond premium as a result of the reduction from 1 million dollars to 500 thousand dollars in coverage which became effective August 1, 1942. Other major declines occurred in the net premium on group life insurance, workmen's compensation and fire insurance on building and contents because of somewhat larger dividends received on these policies than one year earlier. The largest single increase was for insurance carried on employees in military service. This was caused by the increase in the number of employees in service during the year. A detailed list of insurance costs is given on the following page:

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
<u>Head Office</u>		
Group life insurance	\$3,300	
Dividend group life insurance	<u>2,833</u>	\$ - 113
Bankers' blanket bond	4,350	- 1,300
Workmen's compensation	\$1,181	
Earned premium on workmen's compensation	<u>338</u>	- 591
Comprehensive public auto liability insurance	809	+ 134
Fire ins. on building & contents	\$ 917	
Unabsorbed premium on building and contents	<u>711</u>	- 494
Steam boiler insurance	129	+ 33
Collision insurance - officers and employees	-	- 93
Special police bonds	301	+ 233
Fidelity bonds (F.R.Agent, Asst.F.R. Agent, and Alt. Asst. F.R.Agent)	40	-
Notarial bond	-	- 11
Camera property floater and insurance on bank movie film	56	+ 2
Military service	<u>586</u>	<u>+ 468</u>
	<u>\$7,787</u>	<u>\$ - 1,732</u>
<u>Helena Branch</u>	<u>651</u>	<u>- 259</u>
	<u>\$8,438</u>	<u>\$ - 1,991</u>

LIGHT, HEAT, POWER AND WATER

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$20,764	\$ + 974
Helena Branch	<u>2,469</u>	<u>+ 349</u>
	<u>\$23,233</u>	<u>\$ +1,323</u>

This bank was requested by the Federal Oil Administrator to convert from oil heat to coal heat late in 1942. Because of this conversion, heating costs at the bank were \$390 higher than in 1942. The cost of heating with oil was approximately 28 cents per degree day, whereas the cost of heating with coal is nearly 34 cents per degree day. Power and light expenses increased \$747, due in large part to the longer working hours in effect during most of 1943. Sewage charges were \$263 smaller than in 1942 because the sewer department made no charge during the first six months of 1943 since the city had built up a surplus in its sewage fund.

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Heat	\$ 2,840	\$ + 390
Fuel for hot water	163	+ 16
Power and light	16,310	+ 747
Water	998	+ 84
Sewage	<u>453</u>	<u>- 263</u>
	<u>\$20,764</u>	<u>\$ + 974</u>

REPAIRS AND ALTERATIONS

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$7,066	\$ - 9,374
Helena Branch	<u>313</u>	<u>- 633</u>
	\$7,379	\$ -10,007

Repairs and alterations expenses declined sharply during 1943. Not only was a large volume of remodeling done throughout the bank to provide more working space and improve lighting conditions late in 1942, thereby making 1942 expenditures large, but also because of the lack of materials and help, it was necessary to defer a certain amount of repairs and alterations during 1943. A detail of the major repairs and alterations during 1943 is as follows:

Otis Elevator contract	\$ 2,760
Plastering, cleaning and painting second floor	1,266
Fluorescent light fixtures	667
Air conditioning duct over vault	381
Illuminated teller cage signs	196
Enlarge kitchen and rebuild counter	374
Raising curb in alley and installing concrete base	179

FURNITURE AND EQUIPMENT

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$8,946	\$ - 7,569
Helena Branch	<u>591</u>	<u>- 5,053</u>
	\$9,537	\$ -12,622

Expenditures for furniture and equipment during 1943 were less than half of those of one year earlier. Because of government restrictions, it became difficult for this bank to buy many items of furniture and equipment. Because of this the Treasury Department and the Reconstruction Finance Corporation acquired their furniture direct. In the past this bank has frequently bought furniture for these departments and they have used it on a rental basis. A detailed list of the more important items of furniture and equipment purchased is as follows:

103 tables	\$ 2,378
Sorting racks	1,574
1942 Ford car	1,374
9 desks	466
Display case for Honor Roll	442

(Cont'd)		
7 files		\$ 314
Rugs		278
4 tabulator card racks		190
Changeable letter signs		193
Hobart dishwasher		490
Deep freeze storage cabinet for cafeteria		450
Cashier machine for cafeteria		238
Brandt automatic cashier for cafeteria		150

OTHER EXPENSE ITEMS

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Directors' fees	\$ 11,051	\$ + 1,657
Federal Advisory Council fees & expenses	1,423	+ 49
Telephone & telegraph	13,722	- 29
Taxes on bank premises	65,330	- 768
"All other expenses"	<u>43,706</u>	<u>+ 7,092</u>
	\$135,232	\$ + 8,001

Other expenses of the bank were \$8,001 larger than in 1942. Directors' fees were \$1,657 larger. Taxes on bank premises declined \$768. "All other expenses" were \$7,092 larger than one year earlier. The increase of \$7,092 in "all other expenses" over one year earlier was due mainly to expenses in connection with the War Finance Conference which was held in March 1943. A list of the larger items included in "all other expenses" at the Head Office is as follows:

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Rental, repairs and maintenance of furniture and equipment	\$ 1,983	\$ + 188
Newspapers, periodicals, books, etc.	3,814	+ 779
Copies of bank examination reports and services	3,750	+ 35
Medical supplies and physical examinations	1,370	+ 97
Cafeteria net expenses	2,321	-1,280
Entertainment of bankers and others not in bank's employ	4,722	+2,603
Officers' and employees' dinners	2,117	+1,767
Employees' education, A.I.B.	2,445	+ 618
Federal Reserve Club	1,645	-1,428
Foreign department	3,031	- 62
War Finance Conference	7,727	+7,727

BOARD ASSESSMENT

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$53,062	\$ +14,785

The assessment which is made by the Board of Governors of the Fed-

eral Reserve System to defray the expenses of maintaining the Board's staff and Board building at Washington totaled \$53,062 in 1943, an increase of approximately 15 thousand dollars over 1942.

COST OF FEDERAL RESERVE CURRENCY

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Original cost (including shipping charges)	\$102,991	\$ - 7,956
Cost of Redemption	<u>6,857</u>	<u>+ 1,767</u>
	\$109,848	\$ - 6,189

In spite of the continued expansion in our Federal Reserve notes in circulation during 1943, the original cost of this currency was about 8 thousand dollars smaller than in 1942. Because of an unusually large purchase of Federal Reserve notes late in 1942 the cost of these notes appeared in 1942 expenses, but the notes were actually issued during 1943, thereby reducing the number of notes that needed to be purchased during this year.

The cost of redemption of Federal Reserve notes was about \$1,800 larger than in 1942, reflecting the larger volume of notes in circulation. A comparison of costs with the last five years' figures is shown below:

	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>
Printing costs	74,910	\$87,800	\$26,000	\$18,000	\$23,000
Postage	8,072	8,000	5,900	3,400	2,500
Surcharges	17,955	13,000	10,200	5,500	4,200
Insurance	1,951	2,000	1,600	1,200	900
Salaries of issue and redemption division	<u>103</u>	<u>200</u>	<u>400</u>	<u>200</u>	<u>300</u>
	\$102,991	\$111,000	\$44,100	\$28,300	\$30,900
Cost of redemption	<u>6,857</u>	<u>5,100</u>	<u>5,300</u>	<u>5,600</u>	<u>6,100</u>
	\$109,848	\$116,100	\$49,400	\$33,900	\$37,000

RENTAL RECEIVED

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Head Office	\$48,567	\$ + 7,120
Helena Branch	<u>3,819</u>	<u>+ 1,452</u>
	\$52,386	\$ + 8,572

Rental received from government agencies which is treated as a credit against our total expenses amounted to 52 thousand dollars during 1943, an increase of nearly 9 thousand over one year earlier. Rental re-

ceived from space accounted for approximately 45.7 thousand dollars of this amount, whereas furniture and equipment rental totaled 6.6 thousand dollars. Eighty-five hundred dollars of the increase over one year earlier was derived from space rental, whereas there was only 100 dollars of increase in rental from furniture and equipment.

This relatively larger increase in space rental than in rental from furniture and equipment was due to the fact that while the work of government agencies expanded and they were using a much larger portion of our floor space than previously, they furnished much of this increased floor space with their own furniture and equipment.

REIMBURSABLE EXPENDITURES

Reimbursable expenses during 1943 for the first time since 1919 were larger than the expenses in connection with the bank's own functions. Total reimbursable expenditures during the year totaled 1,318 thousand dollars, an increase of 488 thousand over 1942. Eight hundred and eighty-six thousand dollars of the total was for salaries, 45 thousand dollars for retirement system contributions, 120 thousand dollars for postage and expressage and 107 thousand for printing, stationery and supplies. Rental of space, furniture and equipment accounted for most of the other reimbursable expenses.

Expenses in connection with the sales and redemptions of U. S. Savings bonds accounted for 640 thousand dollars of the total. Expenses incurred by this bank on behalf of the War Finance Committees were the second largest item, totaling 185 thousand dollars. Reconstruction Finance Corporation department expenses totaled 119 thousand dollars, an increase of 34 thousand dollars over a year ago which was due, in the main, to the handling of the Idle Tire Program under the Defense Supplies Corporation.

Two new reimbursable departments were added to the bank during the year - the Ration Check department for the Office of Price Administration whose expenses were 27 thousand dollars, and the Withheld Taxes department whose expenses were about 6 thousand dollars.

Expenses of the Commodity Credit Corporation totaled 147 thousand dollars, a decline of 12 thousand from 1942, due to fewer loans on commodities

being made during 1943.

Expenses in connection with the War, Navy and Maritime departments, which were incurred in connection with guaranteed loans under Regulation V, increased slightly during 1943.

A detailed breakdown of the reimbursable expenses classified by types of expense and by functions were as follows:

	<u>1943</u>	<u>Inc. or Dec. from 1942</u>
Salaries: Officers	\$ 41,348	\$ + 12,098
Employees	844,259	+ 361,665
Retirement System contributions	44,530	+ 19,714
Legal fees	1,575	- 32
Traveling expenses	13,774	+ 5,701
Postage and expressage	119,522	- 38,327
Telephone and telegraph	21,912	+ 6,634
Printing, stationery and supplies	107,333	+ 62,813
Insurance on security shipments	4	+ 4
Other insurance	814	+ 394
Rent	8,254	+ 7,932
Furniture and equipment	9,222	- 6,200
Space maintenance	45,730	+ 8,467
Rental of furniture and equipment:		
Owned by Federal Reserve Bank	6,656	+ 105
Not owned by Federal Reserve Bank	4,482	+ 2,891
All other	<u>48,985</u>	<u>+ 44,475</u>
	\$1,318,400	\$ + 488,334

Departments or agencies for which these expenses were incurred:

U. S. Treasury issues	\$ 145,259	\$ + 76,710
War Finance Committee	184,709	+ 143,518
U. S. Savings Bonds	640,377	+ 227,561
Work relief checks	434	- 7,038
Foreign Funds Control	13,197	- 4,593
Withheld Taxes	5,941	+ 5,941
Reconstruction Finance Corporation	119,046	+ 33,813
Federal Farm Mortgage Corporation	1,995	- 2,569
Federal Land Banks	944	+ 33
Federal Intermediate Credit Banks	4	- 1
Federal Public Housing Authority	100	- 296
Federal Housing Administration	3	- 3
Commodity Credit Corporation	146,904	- 12,082
Maritime Commission	1,305	+ 296
War Department	23,445	+ 1,801
Navy Department	4,451	+ 250
Public Works Administration	10	- 28
Federal Home Loan Banks and Home Owners'		
Loan Corporation	1,592	- 955
Office of Price Administration	27,362	+ 27,362
Defense Contract Service	0	- 1,415
Leased wire service	1,185	- 13
Photostat service	<u>137</u>	<u>+ 42</u>
	\$1,318,400	\$ + 488,334

COMPARATIVE STATEMENT

NET CURRENT EXPENSES OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS & HELENA BRANCH

	<u>Minneapolis 1943</u>	<u>Helena Branch 1943</u>	<u>Combined 1943</u>	<u>Increase or De- crease since Dec. 31, 1942</u>
Salaries: Officers.....	\$ 102,497.27	\$ 9,983.41	\$ 112,480.68	\$ + 9,486
Employees	511,295.54	51,871.46	563,167.00	+ 80,673
Retirement System contributions	40,173.61	4,352.79	44,526.40	+ 11,253
Legal fees	3,073.42	-	3,073.42	- 4,782
Directors' fees and expenses	7,638.66	3,412.15	11,050.81	+ 1,657
Federal Advisory Council fees and expenses	1,423.10	-	1,423.10	+ 49
Traveling expenses.....	15,024.52	1,536.63	16,561.15	- 3
Postage and expressage	130,124.59	19,837.77	149,962.36	+ 11,108
Telephone and telegraph	8,873.45	4,848.75	13,722.20	- 40
Printing, stationery and supplies	37,966.19	4,270.40	42,236.59	+ 3,315
Insurance on Currency and Security shipments	6,121.37	681.34	6,802.71	- 113
Other insurance	7,787.29	650.96	8,438.25	- 1,991
Taxes on bank premises	63,666.76	1,663.57	65,330.33	- 768
Depreciation on bank building	25,665.60	3,180.84	28,846.44	-
Light, heat, power and water	20,764.53	2,468.65	23,233.18	+ 1,323
Repairs and alterations to bank building	7,065.97	313.04	7,379.01	- 10,007
Furniture and equipment	8,946.13	590.55	9,536.68	- 12,623
All other	40,345.68	3,360.59	43,706.27	+ 7,092
Rent	8.25	-	8.25	+ 8
Total Operating Expenses	\$1,038,461.93	\$113,022.90	\$1,151,484.83	\$ + 95,637
Received from Government Agencies for:				
Rental of space	42,816.23	2,913.79	45,730.02	+ 8,467
Rental of furniture and equipment	5,750.82	905.59	6,656.41	+ 105
Net Operating Expenses	\$ 989,894.88	\$109,203.52	\$1,099,098.40	\$ + 87,065
Board Assessment	\$ 53,062.27	-	\$ 53,062.27	+ 14,785
Federal Reserve Currency:				
Original cost including shipping charges	102,991.44	-	102,991.44	- 7,955
Cost of redemption including shipping charges	6,856.83	-	6,856.83	+ 1,767
Total Current Expenses	\$1,152,805.42	\$109,203.52	\$1,262,008.94	\$ + 95,662

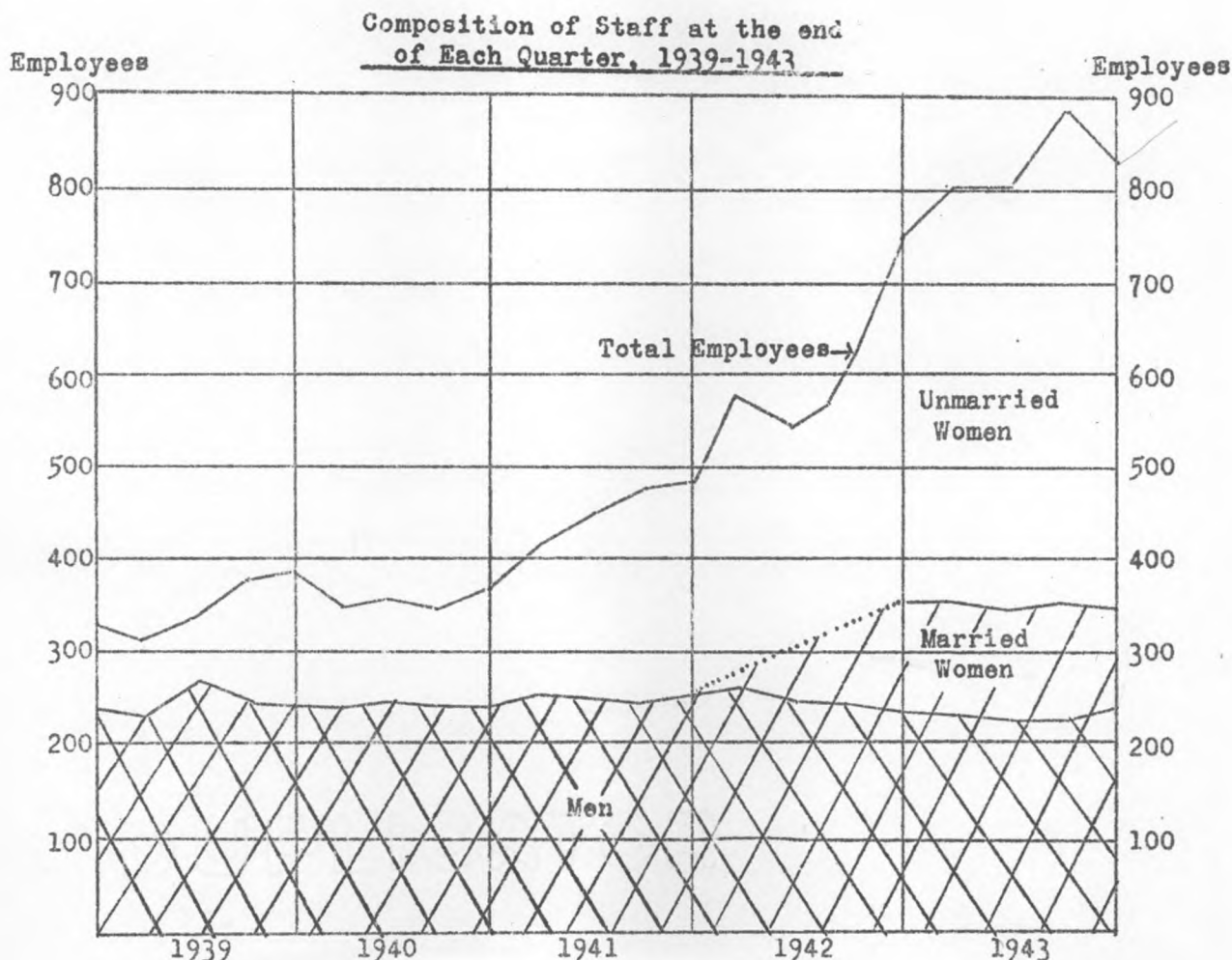
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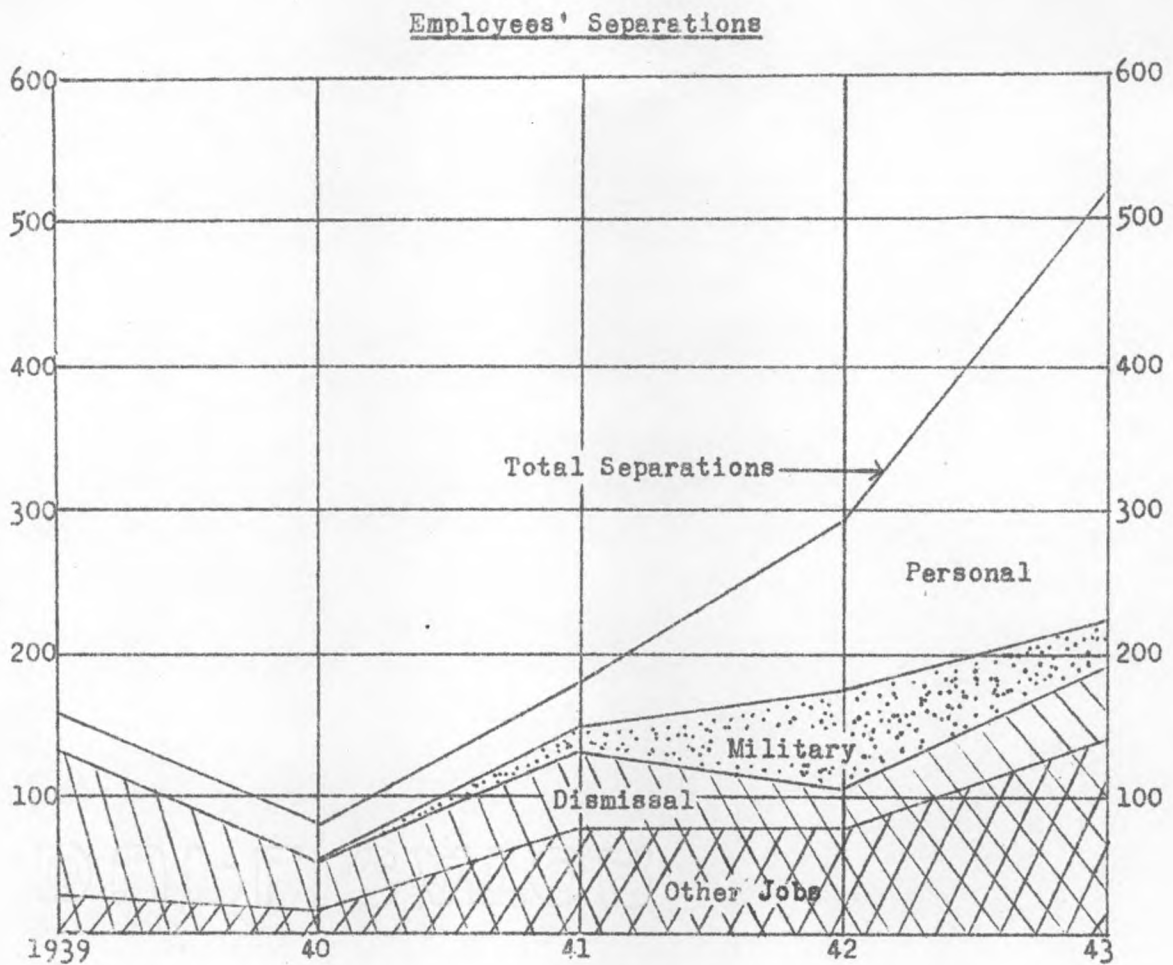
PERSONNEL DEPARTMENT

The activities of the personnel department at the Head Office over the past few years have centered on meeting the expanding help requirements occasioned by the demands of war-time duties. The staff of the bank has more than doubled during the past three years, and the entire increase has been in female help. To accomplish the over-all increase in staff, 326 placements were made in 1941, 564 in 1942 and 541 during 1943, making a total of 1,431 placements in the three year period. Separations during this same period ran 179 during 1941, 295 in 1942 and jumped to 526 during 1943 to reach a cumulative total for this 36 month period of 1,000.

During this period of expansion we have followed a policy of placing a married woman, employed for the duration, for each employee leaving for the armed services. Accordingly, the number of married women on the staff has increased from 6 to 120 in this three year period to more than cover the 85 men and 7 women now in the service. Sixty-five men and four women were on the permanent staff when they left the bank for military service, and these individuals have a promise (subject to certain conditions) of a return to a position of like seniority, status and pay in the bank upon the completion of their period of service.



An analysis of the employee separations from the bank indicates that prior to 1941 separations were largely at the convenience of the bank, while since that time the trend has been the other way. The following chart reveals that while the number of those leaving for other jobs, military service, or who were dismissed has shown a moderate upturn, those leaving for personal reasons (reasons over which the bank had no control) have increased sharply. The reasons most frequently offered in this personal classification are: "Leaving Town", "Needed at Home", "Joining Husband in Service" and "Returning to School", in that order.



With the sharp increase in separations the net turnover rate has shown a steady upward trend during recent years, and our need to expand the staff has, therefore, meant that each separation has posed an immediate problem of replacement. The annual net turnover rates for this bank for the last five years is as follows:

<u>Year</u>	<u>Percent</u>
1939	14
1940	8
1941	34
1942	41
1943	50

During the last few months of 1942 it became evident that a definite shortage of applicants for beginning clerical and typing positions was developing. After considering this situation it was decided to contact high schools in an effort to work out an arrangement which would permit the bank to employ graduating seniors on a part-time basis prior to graduation, with the understanding that they would be transferred to full-time work upon graduation. Arrangements of this kind have been consummated and are proving very successful.

In August of this year an effort was made to utilize a heretofore untouched work force through establishing part-time shifts designed to prove attractive to housewives having previous business experience. These shifts were set up on a half-time basis, one in the morning and one in the afternoon. As many as 26 housewives have been productively employed on this basis in our fiscal agency department.

On June 21, 1943 the War Manpower Commission designated the operations of the Federal Reserve banks and branches an essential activity. This move made the assistance of the United States Employment Service available to us and served as a deterrent against raids on our employees by other essential activities. Because of this essential classification we were permitted to file a Replacement Schedule which was approved October 20, 1943. On it we requested periods of deferment ranging from one month to more than six months for 40 of the 223 men on our staff at that time. In almost every case deferment was granted in line with our specific request, and in a few cases longer deferments were granted than had originally been requested.

The past few years have also seen a complete shift in the composition of our mail and messenger force. This work was formerly handled by young boys or University students, but now is handled by a staff composed entirely of men between the ages of 50 and 63. This move has eliminated what would have been a serious turnover problem due to the draft, and the men themselves have proved interested and dependable.

A study of the length of service of those on our staff in December of this year discloses that 79 percent of the present employees have less than five years' service with this bank and that more than 1/3 have

have been with us for less than one year. Only 21 percent of the staff have more than five years' service, and it is this nucleus of experienced employees upon which we must draw for trainers and supervisors.

Length of Service of Staff at Head Office

<u>Years of Service</u>	<u>Number of Employees</u>	<u>Percent of Staff</u>
20 years and over	80	10
15 thru 19 years	23	3
10 thru 14 years	35	4
5 thru 9 years	37	4
1 thru 4 years	340	41
Less than 1 year	<u>321</u>	<u>38</u>
Total -	836	100%

During 1942 and early 1943 we put 100 supervisory employees through courses of Job Instruction Training, following a procedure advocated by the Training Within Industry branch of the War Manpower Commission. These courses greatly improved our methods of training new clerks on our work, and increased the number of persons on our staff capable of training.

Average annual salary of bank employees has actually declined over the past six years in spite of the war's upward pressure on salaries. This is accounted for by the fact that such a large portion of the staff is new, inexperienced help. The average salary of a number of employees of longer service has increased materially as additional responsibilities and experience warranted such adjustments.

The average annual salary for this bank for the last six years was as follows:

<u>Year</u>	<u>Amount</u>
1938	\$ 1,623
1939	1,501
1940	1,485
1941	1,399
1942	1,441
1943	1,438

BANK AND PUBLIC RELATIONS ACTIVITIES

Bank officers and representatives delivered 168 addresses to an estimated audience of 20,787 people and made 181 visits at member banks and 235 visits at nonmember banks in the district.

The attendance at showings of the Federal Reserve Bank movie during 1943 was 6,561. The bank continued its cooperation with the Wisconsin Bankers' Association with regard to showings of the Federal Reserve movie.

A comparative statement of operating ratios for 1940, 1941 and 1942 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 Banking Commissioner.

The picture book was mailed to the editors of 300 educational publications at the suggestion of the United States Commissioner of Education. The board of education at Cincinnati, Ohio purchased 210 copies of the booklet, and 75 copies were requested by the national educational director of the A.I.B. for use by instructors of an introductory banking course. In all, a total of 1,927 copies were requested during the year.

Five luncheons were held at the bank with Twin City bank officers as our guests and two luncheons with prominent businessmen as our guests. At each luncheon a guest speaker discussed some topic of the day.

In addition to serving as one of the sponsoring agencies for the kick-off of the Committee for Economic Development organizational work in the 9th district, our research department has very actively participated in the development of postwar planning at the community level. Dr. Upgren served as the original CED acting chairman for the Ninth district and has served as vice chairman since the permanent district organization was set up in May. Representatives of our research department have met and worked with postwar planning committees in approximately 45 cities throughout the district. Members of that department were also instrumental in setting up postwar planning research and advisory committees in Montana, North Dakota, South Dakota and Wisconsin.

To integrate the efforts of the several agencies that were sponsoring postwar planning in our district, an informal group called the Northwest Research Committee was organized of which Dr. Upgren is a member and

also director of projects and research. The well-known Albert Lea study was accomplished under the guidance of this committee. At the present time the Northwest Research Committee is expediting the completion of local studies in 15-18 representative communities in Minnesota so that their findings may be consolidated into figures which will serve as a base for a "Report for Minnesota" on postwar plans at the state level.

In October Dr. Upgren prepared an article entitled "Agricultural Income and Farm Real Estate Prices" which was mailed to all banks in the district and to a selected group of businessmen.

Twelve issues of the Monthly Review were printed and distributed to a mailing list which in December consisted of 5,520 names. The News Review was sent to a mailing list of 560 member banks and others each week during the year.

RESEARCH AND STATISTICS

The year 1943 has seen a great number of changes in the work of the research and statistical department. In addition to the regular statistical work of a more or less routine nature which requires the time of the largest proportion of the staff, special work has been done in securing information on the "Growth and Ownership of Demand Deposits" for the Ninth District. This information has been brought together for the nation as a whole by the Board and has been widely commented upon for its usefulness in understanding some inflation possibilities, in arranging the government's war financing programs, and in better understanding the importance of business financial policy (in light of the rapid growth of bank deposits owned by business generally). A widening range of work of this kind is steadily being undertaken in cooperation with the Board's staff.

A very large amount of the work and energy of the staff of the department has been devoted to rendering assistance in community postwar planning. Beginning in March and May meetings were held in Minneapolis, St. Paul and elsewhere, at which times the staff assisted in the organizational work of the Committee for Economic Development. After the organization was com-

pleted assistance was also given in launching various community and trading area projects.

The research and statistical staff has given considerable help in the efforts to launch this work and even more help in the development of methods that seemed fruitful for use in typical Ninth District communities and trading areas. It is gratifying to report that this work is now very greatly reduced and, in fact, is largely confined to assisting two groups that rightfully should play the larger role in this work. These groups are the Northwest Research Committee, an informally organized committee that assists both in service and guiding research for various organizations in the Ninth District when requests for such assistance are made, and the University of Minnesota which has undertaken fairly direct supervision of community post-war planning work that is to be brought together for its significance for the State of Minnesota in a forthcoming "Report for Minnesota". The staff has assisted in making arrangements for similar "servicing" for each of the states in the Ninth District (Upper Peninsula of Michigan excepted).

The department is now engaged in the development of a major project in the area of the needs of business for financing during reconversion and in the postwar period. This project has been set up by the Subcommittee on Research of the Presidents' Conference. Because the Minneapolis Bank has the chairmanship of this committee on business financing, it has accepted primary responsibility for the development of the project. The work itself will involve an inquiry into (1) a measurement of the needs of business for bank financing in the postwar period, assuming several different levels in the rate of business activity; and (2) the needs for financing by a large number of classes of business and industry.

In the study it is necessary that the foundation of the work shall be an estimate of the liquidity or illiquidity that business may be expected to have at the end of the war and factors that will affect that liquidity, favorably or unfavorably, as well as policies that may suggest themselves to maximize in an orderly way the liquidation of wartime business. This work is of direct "banking interest" because it is hoped that if business is prepared for high-level production after the war, banking, by understanding in advance the possible magnitudes of the job to be done, will be no less prepared for

doing its part.

The research and statistical department also hopes, since taxation arrangements are an important part of this work, to make, if possible, a contribution to the current thinking that is developing on the changed business taxation arrangements that should prevail after the war.

DISCOUNT DEPARTMENT

During the year 1943 the discount rate remained at 1 percent and 1/2 of 1 percent on loans to member banks secured by direct obligations of the United States Government which had one year or less to run.

Eight banks took advantage of loan privileges on twenty-one different occasions during 1943 borrowing an aggregate amount of \$3,330,000, all of which items were member bank bills payable secured by U. S. Government obligations. Only one bills payable, in the amount of \$750,000 was discounted by a Twin City member bank. In 1942 eleven banks were accommodated for an aggregate amount of \$14,679,402.

United States Treasury bills bought under repurchase agreements totaled \$470,992,000 during 1943. In the year 1942 only \$19,000,000 U. S. Treasury bills were purchased, all during December.

Thirty-four industrial advances were made in 1943 for an aggregate amount of \$748,461. All of the advances were made under Regulation V to two different borrowers and there were no participations by financing institutions. Repayments on advances during the year totaled \$827,165, leaving a net balance of \$283,129 on December 31. It does not appear that the repayment in full of any loans during the year was the result of refinancing. One loan carried in our past due account, on which no payments had been received since June 1942, was paid in full from the proceeds of the sale of real estate collateral. There was no contingent liability under commitments during the year.

Interest charged on industrial loans remained on the sliding scale of 2 1/2 percent to 5 percent, which went into effect May 16, 1942.

Ninety-one applications for guaranteed loans were received during

1943. Of this number, together with 18 under consideration and available from 1942, sixty-eight were approved and made, sixteen rejected, twelve withdrawn after and eleven before approval and two were under consideration at the end of the year.

In 1942 one hundred and sixty three applications were received of which one hundred and three were approved, fourteen rejected, eighteen withdrawn after and ten before approval and eighteen were under consideration at the end of the year.

Advances amounting to \$81,047,035.61 were made by financing institutions under Regulation V, guaranteed by the War Department, Navy Department and Maritime Commission during the year compared to \$28,947.12 during 1942. The approvals of applications for guaranteed loans ranged from \$4,500 to \$5,000,000, practically all of which were in the form of revolving credits. A large majority of the guarantees were for 90 percent.

As of December 31, 1943 the amount of loans outstanding guaranteed by the War Department was \$23,747,877.55, portion guaranteed \$19,708,159.73; the Navy Department \$599,761.82, portion guaranteed \$497,670.54; and the Maritime Commission \$337,996.32, portion guaranteed \$324,196.68.

As of December 31 one application for \$750,000 for a VT loan under Regulation V was held pending approval of the Industrial Advisory Committee and the Discount Committee.

CURRENCY DEPARTMENT

The 1943 figures show an increase in the volume of currency and coin handled by the department as compared to 1942. The amount received from banks and government offices increased by 11 percent and the amount paid increased by the same rate.

During March 1942, at the request of the Treasury Department, the standard of fitness in retiring currency for redemption was lowered considerably and this standard was maintained until May of this year. We are now maintaining the standard we had before March 1942. The amount of cancelled currency shipped increased 46 percent, due in part to this return to pre-March 1942 standard, and in part to the increase in money in circulation.

Federal Reserve notes of other Federal Reserve banks returned to the bank of issue and also shipped to the member banks of the Federal Reserve bank of Chicago increased 58 percent. The payment of Federal Reserve Bank notes on hand and in stock with the Comptroller of the Currency was commended in June 1943. The entire stock of the Comptroller and our stock of supply of such notes has now been depleted with the exception of notes in \$50 and \$100 denominations.

Coin received from our member banks did not equal the amount received last year while the amounts shipped was 16 percent more, thereby requiring considerable more new coin shipped to us from the Mint. It was difficult to maintain a supply of cents until a request to banks in this district to forward their excess supply was made in November 1943 which relieved the situation to a great extent.

In looking over the figures for currency paid out by our currency department during 1943 it was found that there was a very small increase in the amount of currency paid out in the smaller denominations whereas there was a marked percentage increase in the amount of the larger denominations paid out.

Currency Paid Out

	<u>1943</u>	<u>1942</u>	<u>Percentage</u> <u>Change</u>
1's & 2's	\$ 23,913,000	\$ 23,482,000	+ 2
5's	45,287,000	47,322,000	- 4
10's	90,713,000	80,527,000	+ 13
20's	73,885,000	62,500,000	+ 18
50's	6,249,000	4,380,000	+ 42
100's	18,942,000	12,008,000	+ 58
500's	1,659,000	877,000	+ 89
1000's	<u>2,561,000</u>	<u>1,343,000</u>	<u>+ 91</u>
Total	\$263,209,000	\$232,439,000	+ 14

Outgoing Shipments

	<u>1943</u>		<u>1942</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency	28,649	\$269,823,000	29,301	\$242,588,000
Coin	<u>9,976</u>	<u>5,471,000</u>	<u>8,823</u>	<u>4,866,000</u>
Total	38,625	\$275,294,000	38,124	\$247,454,000

Incoming Shipments

	<u>1943</u>		<u>1942</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency	15,478	\$168,772,000	15,417	\$151,603,000
Coin	<u>2,241</u>	<u>2,309,000</u>	<u>2,314</u>	<u>2,906,000</u>
Total	17,719	\$171,081,000	17,731	\$154,509,000

	<u>Items Handled</u>	
	<u>1943</u>	<u>1942</u>
Notes Received and Counted	\$42,399,000	\$38,673,000
Notes Rehandled	3,314,000	2,144,000
Hand Verification of Notes	5,761,000	3,035,000
Coin Rehandled	6,219,000	5,858,000
	<u>\$57,693,000</u>	<u>\$49,710,000</u>

RATION CHECKS DEPARTMENT

The Office of Price Administration instituted the Ration Banking Plan in January 1943, and a department was started in this bank on January 29 to clear ration checks issued by or received by merchants of the Ninth Federal Reserve district. At the end of 1943 ration checks were being drawn for sugar, processed foods, meats and fats, shoes, fuel oil and gasoline. This department has a staff of eleven full time people. The number of items handled, however, has leveled off during recent months and probably will not increase much beyond the present level unless the Office of Price Administration adds additional commodities to the ration program.

At the end of 1943 there were 1,089 banks in the Feder Federal Reserve District participating in the ration banking program, and the ration check department was receiving an average of 246 letters a day containing 8,504 checks and sending out 936 transmittal letters. During 1943 this department received the total of 59,614 letters containing 1,924,461 checks and it sent out 223,438 transmittal letters.

Since January 29, 1943, the effective date of starting this department, to and including December 31, 1943, the ration check department has handled the volume of work as indicated below:

	<u>Number Transmittal Letters Received</u>	<u>Number Transmittal Letters Sent Out</u>	<u>Number Ration Checks</u>
Total Jan. 29 to Dec. 31	59,614	223,438	1,924,461
Daily Average (based on Oct. - Dec.)	246	936	8,504

NONCASH COLLECTION DEPARTMENT

Grain drafts handled during the year reached an all-time high of 866,730 items, an increase of 44,000 items over the previous high in 1942. The value of grain items handled totaled \$529,449,000 as against \$309,526,000 in 1942.

There was an increase of 3,259 in city collection items handled

over 1942 which was due in part to an increase in drafts received with securities attached and for a time we handled Dairy Feed Loan drafts (R. F. C.) which also was a part of this increase.

During the past year the Reconstruction Finance Corporation and U. S. Savings Bond department routed their check payments through the transit department instead of the collection department which reflected a decrease in country collection items handled of 13,997 as compared to 1942.

Security collections show an increase of 2,580 items over 1942, although there has been a decrease in the number of coupons received for collection detached from bonds held in safekeeping for member banks.

Member banks forwarded 3,755 collections totaling \$10,073,320 direct to other Federal Reserve banks for their credit with us during 1943 as against 6,294 items totaling \$20,480,755 in 1942.

Comparison of Number of Items Received for Collection

	<u>City Collections</u>		<u>Country Collections</u>		<u>Security Collections</u>	
	<u>1943</u>	<u>1942</u>	<u>1943</u>	<u>1942</u>	<u>1943</u>	<u>1942</u>
<u>Number of Items</u>						
Grain Drafts	866,730	822,511				
City items	<u>33,797</u>	<u>33,797</u>				
Total	900,527	853,049	41,162	55,159	31,540	28,960
<u>Dollar Value</u> (000 omitted)						
Grain Drafts	\$529,449	\$309,526				
City Items	<u>146,591</u>	<u>98,775</u>				
Total	\$676,040	\$408,301	\$54,552	\$51,434	\$29,699	\$24,675

SAFEKEEPING DEPARTMENT

At the close of business December 31, 1943 the total of all securities held in our custody for safekeeping and collateral purposes totaled \$1,302,874,906, an increase of \$520,933,182 over 1942. The majority of this increase was due to activity in the five following items:

Collateral to War Loan accounts increased	\$302,815,200
Member bank safekeeping accounts "	110,310,115
Treasury Bills held under Repurchase "	70,874,000
Safekeeping - Pledged accounts "	28,374,810
Safekeeping - Nonmember banks "	16,785,000

In explanation of the items held in safekeeping for nonmember banks, we might state that during the latter part of 1942 it was agreed by the Federal Reserve banks and the Board that any Federal Reserve bank should be permitted during

the war to hold in safekeeping for nonmember banks Treasury Bills and Certificates of Indebtedness.

On August 28, 1943 there was a decrease of \$14,767,975.00 in our total of U. S. Savings bonds held in safekeeping due to a transfer of this amount of bonds held for individuals and others to the Federal Reserve Bank Annex.

Two new accounts have been added during the year: "U. S. Depository Bonds held in Safekeeping" of which we hold \$3,089,000 and "U. S. Depository Bonds held as Collateral to Time Deposits" of which we hold \$112,500.00. The depository bonds are described as U. S. Depository Bonds, Second Series, 2%, maturing 12 years from date of issue and are issued for the purpose of offsetting additional costs incurred by depositaries in receiving from employers payments of withheld taxes and remitting funds thus collected to the Federal Reserve Bank.

The safekeeping department issued 15,821 receipts and handled 9,875 withdrawals during 1943 as compared to 11,084 receipts and 6,094 withdrawals during 1942. There were 6,267 transfers from one account to another, during 1943 compared to 3,274 for 1942.

During the period from January 1, 1943 to August 28, 1943 we issued 32,511 safekeeping receipts on U. S. Savings bonds and 1,991 withdrawals compared to 16,080 receipts and 1,255 withdrawals for the full year of 1942.

During 1943 we received 110,102 pieces as compared to 81,513 pieces in 1942, and delivered 51,778 pieces as compared to 40,397 the previous year. The number of coupons clipped this year was 249,956 as compared to 211,600 the previous year.

For comparative purposes we list below a statement of all accounts showing securities held at the close of business December 31, 1943 and December 31, 1942:

	<u>Dec. 31, 1943</u>	<u>Dec. 31, 1942</u>
Government and miscellaneous securities held in safekeeping for members	\$ 575,932,906	\$ 465,622,791
Securities pledged to secure public deposits	181,638,320	153,263,510
U. S. Savings Bonds held for nonmembers	12,894,250	22,449,750
Securities held for U. S. Treasurer and others	3,274,600	4,310,600
Securities held for Reconstruction Finance Corporation	15,505,599	15,921,530
Collateral to War Loan Deposits	416,701,850	113,886,650
U. S. Depository Bonds held in safekeeping	3,089,000	0

	<u>Dec. 31, 1943</u>	<u>Dec. 31, 1942</u>
	(Continued)	
U. S. Depository Bonds held as collateral to time deposits	112,500	0
Collateral to discounts, rediscounts and industrial advances	853	1,045
Securities held for U.S.Housing Authority	2,850,028	2,853,028
Collateral to consignment account - U.S. Savings Bonds, Series E	273,800	690,800
Treasury Bills held under repurchase option	72,874,000	2,000,000
Safekeeping - nonmember accounts	17,727,000	942,000
War Savings Stamps	179	21
Unclaimed Cashier's Checks	22	22
	<u>\$1,302,874,907</u>	<u>\$781,941,747</u>

CONSUMER CREDIT DEPARTMENT

During 1943 the activity in the consumer credit department was greatly reduced. There was little demand for general educational meetings as the district was well covered in 1942 and the number of necessary investigations was not large. Registrations of lenders and venders were confined largely to newly organized businesses. There were 154 registrations during the year, bringing total registrations on December 31, 1943 to 14,254.

State banking authorities cooperated in reporting violations that they encountered during their examinations of Credit Unions, small loan companies and banks, and our investigations resulted largely from their reports to us. Only a few were the result of complaints of individuals or businesses. Fifty-seven investigations were made in 1943 of which 36 were of Credit Unions, 5 of small loan companies, 5 of banks, 7 of retail establishments and 4 of individuals. Investigations revealed that for the most part violations were technical in nature and were inadvertently due in many cases to changes in personnel in the various organizations visited.

CHECK COLLECTION DEPARTMENT

During 1943 the check collection department handled 33,738,000 items, an increase of 1,750,000 items over the number handled in 1942. Checks drawn on the Treasurer of the United States increased from 3.9 million to 5 million in number. Checks handled in the Twin City Clearing department

and checks drawn on country banks each increased approximately 450 thousand in number, while checks drawn on banks outside of our district decreased approximately 270 thousand. The dollar value of all checks handled increased from \$8,266,612,000 to \$10,743,238,000. Of these amounts Treasury checks totaled 94 million dollars in 1942 and 144 million dollars in 1943.

During November an "I.B.M." sorter and an "I.B.M." transcriber were installed for handling Treasury punch card checks. The sorting machine sorts the checks at the rate of 200 to 400 a minute, depending on their condition, into the various symbols and to the Federal Reserve banks where they are payable. The transcriber lists and adds checks as to amounts and describes as to Federal Reserve district numbers, symbol numbers, account numbers and check numbers. Considerable time is saved by the use of this equipment. More time could be saved if it were not for the mutilated condition of many of the checks. Pin and spindle holes, tears, folds or any mutilations may prevent checks from going through the machines or may cause the machines to mis-handle checks.

New type sort racks have been installed, enabling clerks to sit down while sorting. All bins of the racks can be reached without stretching. Sorting while seated is not as rapid but is less fatiguing.

On December 20 a new all time high was established for handling of checks. On that day a total of 190,000 checks was handled, surpassing by 11,000, the previous high, which was established on March 15, 1943.

Volume Data

	<u>1943</u>		<u>1942</u>	
	<u>Number</u>	<u>Amount</u> (000 omitted)	<u>Number</u>	<u>Amount</u> (000 omitted)
City checks	5,508,000	\$ 5,852,349	5,031,000	\$ 4,402,540
Country checks	23,232,000	3,176,814	21,805,000	2,733,309
Checks on us	62,926	439,885	19,866	217,148
Return items	246,017	82,658	293,240	75,958
Government checks	5,000,000	1,725,451	3,046,000	1,092,294
Work relief checks	49,000	1,581	881,000	28,889
	<u>34,097,943</u>	<u>\$11,278,738</u>	<u>31,076,106</u>	<u>\$ 9,454,008</u>
Average cash letters daily	1,124		1,021	

TABULATING EQUIPMENT

During the year 1943 International Business Machines tabulating equipment was installed in the fiscal agency and check collection departments. In February arrangements were completed to sort and list on tabulating equipment the duplicate stubs of Series E war savings bonds sold. The Treasury requires lists of such bonds sold by month of issue, denomination, and by serial numbers in numerical sequence. As the bond numbers now have nine digits, the manual sorting of the large volume handled proved impractical.

Since September 1942 Reserve banks have prepared consolidated quarterly-monthly and monthly reports of sales of war savings bonds by cities, counties and States, such reports previously having been prepared by the Treasury. The Third War Loan reports to the Treasury and State chairmen of war finance committees were prepared on tabulator equipment. Arrangements have been made to provide similar reports for the Fourth War Loan Drive.

Effective November 1 the scheduling of war savings bonds redeemed was also transferred to tabulating equipment. This arrangement eliminates the necessity of sorting war savings bonds redeemed according to serial numbers and will permit the Treasury Department to discontinue also the sorting of war savings bonds redeemed according to serial number.

A large percentage of Treasury checks issued are now on tabulator cards. Arrangements were completed in November to sort and list Treasury punched card checks on tabulator equipment, eliminating the manual handling of such items except folded, spindled or mutilated card checks.

Up until the time that the Treasury Department suggested that we install punch card equipment to handle expanding fiscal agency activities, it was felt that the volume of work in this bank which might be done by the use of punch cards would not warrant the installation of equipment of this nature. Since this equipment has now been installed, consideration is being given to using this type of equipment in connection with payroll accounting, functional expense distribution, the classification of expense, safekeeping of bonds, and possibly the collection of coupons clipped from bonds and certain statistical

and research records. In order that we might be fully informed and prepared to determine whether or not this type of accounting should be expanded in this bank, four officers and two department managers attended a special two and one-half day course at the local offices of the company, studying the machines and their application. Two more senior men are attending another thirty-day school of instruction at the local offices of the company, and in May of next year three officers of the bank may be guests of the International Business Machines Corporation at Endicott, New York for a two-week period where instruction will be given in the application of I.B.M. equipment to different accounting plans.

Punch card accounting is highly specialized, and this extensive training program in punch card accounting was adopted in order that this bank might know of the advantages and disadvantages of this type of equipment and make use of any increased efficiency that might be obtained through the use of machines of this type.

BANK EXAMINATION DEPARTMENT

There were on December 31, 1943 ninety-six State member banks. Each State member bank in this district was examined once by examiners for the Federal Reserve Bank of Minneapolis during the calendar year 1943.

Each of the three holding company affiliates which are residents of this district were examined during the year. Examinations of the Northwest Bancorporation and Bank Shares Incorporated were completed earlier in the year, but the examination of First Bank Stock Corporation, which was commenced as of the close of business November 30, 1943, has not yet been completed.

As of the end of the year, twelve State member banks were exercising trust powers, and the trust department of each of those member banks was examined during the year. Four other State member banks having trust powers have restricted their activities to the handling of escrow and custodianship accounts only; in each of these cases their activities were checked by our examiner.

Seventy-one national banks held permits to exercise full or limited trust powers. During the year, eleven national banks surrendered their trust powers and similar applications on the part of two other national banks have been submitted to the Board at Washington for appropriate action.

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

	<u>State Banks</u>	<u>Holding Company Affiliates</u>	<u>Trust Departments</u>
Michigan	15		1
Minnesota	24	3	2
Montana	28		9
South Dakota	23		2
Wisconsin	<u>6</u>		<u>2</u>
	96	<u>3</u>	16

Three applications for membership in the Federal Reserve System were received from State banks during the year. The application of one of these banks was approved and the bank admitted to membership. The other two applications were received shortly before the close of the year and have not been acted upon. The Citizens Bank of Montana, Havre, Montana, whose application for membership was received and approved late in 1942, was admitted to membership in 1943. Two other applications on hand December 31, 1942 were withdrawn.

Status of Applications for Membership Which Were on Hand December 31, 1942

Total number on hand		3
Admitted to membership during 1943	1	
Withdrawn	<u>2</u>	3

Status of Applications for Membership Received During 1943

Total number received		3
Admitted to membership	1	
Membership not yet completed	<u>2</u>	3

The number of reports received from the Chief National Bank Examiner's Office during the year totaled 733. The number of reports of examination received from the various State Banking Departments in the Ninth Federal Reserve District during 1943 of State member banks examined independently by them was as follows:

Minnesota	23
Montana	3
South Dakota	10
Wisconsin	2

During the year three calls for a report of condition of each member bank were issued. All member banks were also required to submit semi-annual reports of earnings and dividends. The condition and related reports, together with reports of earnings and dividends, were received, checked and recorded.

During the year two hundred eighty-two applications for adjustment of holdings of Federal Reserve Bank stock were received from member banks. Stock was issued to two new members. One application for total surrender of stock by a member bank was received, the national bank having been placed in voluntary liquidation.

No applications for national bank charters were referred to this office for recommendation during the year.

RECONSTRUCTION FINANCE CORPORATION

During 1943 the following new functions came to this department:

For Commodity Credit Corporation we paid 167 thousand Dairy Feed Sight Drafts aggregating almost 1 1/4 million dollars. The C.C.C. also had new angles in connection with purchase of dry beans and purchases and sales of wheat. We have been relieved of some of their accounting which will reduce our work considerably.

For Defense Supplies Corporation we have completed disbursements for the automobile tires turned in under the Idle Tire Program, except for number of adjustments. These tires have been released during this last year in various ways which have affected inventories carried by us and have caused certain expense items for transportation; we also have paid storage and other expense items. They have had other tire programs, such as purchases from dealers, purchases of used tires from the Army, etc.

We have disbursed over 2,600 subsidies on meats to packers, butchers, etc. aggregating over 6 million dollars. We have also handled purchases and resales of rationed articles such as oil burners, furnaces, electrical refrigerators, etc.

For Defense Plant Corporation we have continued disbursing on vari-

ous projects, and in addition have had to set up a new system involving inventories in connection with the several projects requiring a review and pickup of all prior transactions.

For Smaller War Plants Corporation (not a subsidiary of the R.F.C.) we handle loans after the initial disbursement. The law provides that the Defense Plant Corporation (which is a subsidiary of the R.F.C.) shall act as agent for the S.W.P.C.

The following summary briefly indicates the department's volume for the year:

	<u>Number</u>	<u>Amount</u>
Loans disbursed for R. F. C.	62	\$ 1,576,000
Purchases of rationed articles for R. F. C.	85	106,006
Policies renewed for War Damage Corporation	Approx. 20,000	Over 1 billion
Disbursements for Defense Plant Corporation	250	4,078,750
Loans carried for Smaller War Plants Corp.	21	511,877
Active loans of Disaster Loan Corp.	64	33,035
Meat Subsidy disbursements	2,619	6,167,722
Tires and tubes purchased (Idle Tire Program)	443,748	594,414
Stirrup Pumps purchased for Defense Supplies Corp.	281,130	557,453
Disbursements for Metals Reserve Company	22	15,887
Grain loans purchased for Commodity Credit Corp.	104,766	89,180,385
Checks issued for Commodity Credit Corp.	58,625	154,981,746
Dairy Feed Sight Drafts	167,467	1,218,770

FISCAL AGENCY DEPARTMENT

During 1943 one of the important functions of the fiscal agency department was to handle all the details incident to the issuance of fourteen offerings of marketable government securities for cash and exchange, excluding Treasury Bills, six of the issues being offered during the Second and Third War Loan Drives. The total number of subscribers for all issues for the year was 36,252 of which 7,997 were banks. The total subscriptions received aggregated \$1,902,925,000 and the amount allotted was \$946,551,500.

Four thousand eight hundred and forty-six tenders were received for Treasury Bills in 1943 aggregating \$838,010,000 of which \$789,751,000 was accepted. The total tenders received represent 5,746 subscribers as compared with 1,990 tenders in 1942, covering 2,336 subscribers. The large increase very likely is attributable to the Treasury's decision permitting tenders to

be accepted on a fixed price basis of 99.905 with a maximum of not more than \$100,000, maturity value, from any one subscriber, and also the fact that the Federal Reserve banks were authorized to repurchase bills on the same price basis.

During the year this bank issued United States Savings bonds of Series E, F and G in the amount of \$156,510,850 (maturity value), while the issuing agents in this district, not including those in the State of Montana, issued Savings Bonds of Series E in the amount of \$353,454,100 (maturity value). Five million, four hundred and forty thousand, one hundred and fifty-three pieces of Series E Savings Bonds were shipped to the same issuing agents in 1943 as compared to 2,675,588 pieces in 1942.

The amount of F and G Savings Bonds issued by this bank during the period amounted to \$118,153,575 involving 166,886 individual pieces.

The increasing volume of redemption and safekeeping of savings bonds during 1943 required the acquisition of 15,525 square feet of additional space in the old Farmers & Mechanics Savings Bank building which is now known as the War Savings Bond Annex. During January 1943 the number of savings bonds received for redemption averaged 2,382 per day as compared to an average of 7,518 bonds per day received during December, 1943. The average number of checks issued per day in payment of savings bonds during January 1943 was 1,521 as compared to 3,682 issued per day during December 1943.

Because of the Second and Third War Loan Drives considerable increased activity was experienced with respect to the War Loan Deposit Accounts. One thousand, one hundred and twenty-nine banks in the district are now qualified as special depositories of which 939 have active accounts, which number includes 91 accounts handled by the Helena Branch. The amount deposited in these accounts aggregated \$921,675,852 for the year.

Many banks in the Twin City area during the year inaugurated a charge for safekeeping of savings bonds, while others discontinued their safekeeping facilities entirely. These factors greatly affected the increased volume of safekeeping items handled by us during the year with respect to savings bonds. From January 1, 1943 to August 15, 1943 the number of savings

bonds received for safekeeping averaged 4,648 pieces per month. The number of pieces accepted for safekeeping from August 16, 1943 to December 31, 1943 averaged 7,555 pieces per month, making an increase of 62 1/2 percent for the latter period over the preceding period which can be accounted for by the action of Twin City banks and the increased sale of savings bonds.

As of December 31, 1943 this bank held for safekeeping 106,537 savings bonds as compared to 39,545 bonds as of December 31, 1942.

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	<u>Pieces</u>	<u>Amount</u>
Government Issues Delivered on Original Issue		
Tax Series	26,508	\$ 128,141,325
Direct Government Obligations	106,240	1,788,341.275
U. S. Savings Bonds Delivered on Original Issue		
By Us	1,078,250	156,510,850
By Issuing Agents	4,917,066	353,454,100
Redemptions of Bonds, Stamps, Notes, etc.	1,632,991	1,237,588,799
Exchanges delivered (coupon and registered) and issued against receipts by other Fed- eral Reserve Banks	20,602	237,481,300
Savings Bonds - issued a/c Reissues	44,671	6,764,800
Delivered to agents on Consignment Series E	5,440,153	405,958,825
Securities handled by Bond Delivery Division in connection with the sale of securities for other than our own account	13,919	169,292,855
Securities handled by us for U. S. Governmental corporations and credit agencies	3,739	7,488,675
Total items handled by Fiscal Agency	<u>13,284,139</u>	<u>4,491,022,804</u>

723,758 Treasury checks were issued in payment of Savings Bonds, Adjusted Service Bonds and other Public Debt Redemptions.