

ANNUAL REPORT
of
FEDERAL RESERVE BANK OF MINNEAPOLIS
to the
BOARD OF DIRECTORS

1945

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ASSETS

The Minneapolis Federal Reserve Bank has reached a milestone in its history. In 1945 the total assets of the bank reached and exceeded the billion dollar mark. Total assets at the end of the year aggregated 1,054 million dollars.

Total assets in 1945 increased 172 million dollars. This is the second largest annual growth in assets in the history of the institution. In 1942 they increased 183 million dollars. This expansion in assets is due almost entirely to the larger holdings of U. S. Government securities. At the end of 1945, 630 million dollars were invested in these securities which is significantly more than one-half of the total assets.

Total Cash Reserves declined for the third consecutive year. On December 31, 1945 the total cash reserve aggregated 360 million dollars - 6 million dollars less than a year ago.

All of the decrease occurred in the amount of gold certificate reserve. The purchase of U. S. securities during the year is the primary cause of the 8 million dollar decline in the reserve. Securities held in the Open Market Account totalled 143 million dollars more at the end of 1945 than at the end of the preceding year.

By an Act of Congress, approved June 12, 1945, the minimum reserve required by law to be held against deposits and Federal Reserve notes was reduced. It is now necessary to hold a minimum reserve of 25 percent in gold certificates against both deposits and Federal Reserve notes.

With the continued rise in deposits and note circulation, on the one hand, and the steady decline in gold certificate holdings, on the other, the gold certificate reserve against both deposits and notes in circulation on December 31, 1945 had decreased to 35.3 percent. At the end of 1944, the gold certificate reserve against both deposits and notes stood at 43.8 percent.

Since the bank holds no discounts, Government securities are pledged as collateral for the notes in circulation. On December 31, 1945, 400 million dollars of Government securities were pledged as such collateral. This amount represents an increase of 100 million dollars from the end of 1944.

When collateral security is pledged for Federal Reserve notes, it is necessary to maintain a gold redemption fund equal to 5 percent of the amount

of notes in circulation that are in excess of the gold certificates held in reserve for them. Since more collateral security was pledged for the notes during the past year, the fund was increased to 20 million dollars from 15 million a year ago.

Federal Reserve Notes of Other Federal Reserve Banks. Such notes held at the end of 1945 totaled 6,713 thousand dollars - an increase of 2,800 thousand dollars from a year ago. These are notes of other Federal Reserve Banks which we have not returned to them.

Bills Discounted and Industrial Advances. On December 31, 1945 this bank held 1 million dollars of discounted bills. These bills are part of foreign loans made by the New York Federal Reserve Bank for the Federal Reserve System to the Royal Netherlands Bank and to the Banco De La Republica Oriental Del Uruguay and parceled out to the twelve Federal Reserve Banks.

As in the previous war years, no paper was discounted during 1945. The last discounted paper was held in February, 1942. Member banks, however, borrowed from this bank more during the past year than in any other year since the decade of the twenties. Banks purchased treasury bills with the surplus funds accumulated in war loan deposit accounts. As the U. S. Treasury drew down these accounts, bills were sold to this bank under repurchase agreement. At the end of June as much as 30,475 thousand dollars of these bills were held by this bank. Due to the Victory Loan Drive which boosted the war loan deposit accounts, these bills were again held by the member banks.

No industrial advances were carried on our books during 1945.

United States Government Securities. Government securities held at the end of 1945 aggregated 630 million dollars - an increase of 164 million from the end of the preceding year.

Most of these securities were held in the Open Market Account. On December 31, 1945 this account totaled 596 million dollars. The remaining 34 million dollars of U. S. securities were held under the repurchase option.

To reveal more clearly the holdings of each issue, as well as the changes that have taken place in the holdings, the amount of securities held

by types of issue at the end of the last three years is tabulated in the accompanying table.

	Dec. 31 1945	Dec. 31 1944	Dec. 31 1943
	(In thousands of dollars)		
Bonds	\$ 26,275	\$ 22,553	\$ 60,270
Notes	58,818	28,444	25,074
Certificates of Indebtedness	232,112	88,636	91,258
Bills in Open Market Account	278,431	312,607	108,120
Bills under Repurchase Option	33,923	13,595	73,474

The issues held during the past two years have been predominantly short-term. There has been a great demand for Government bonds maturing in 15 years and longer. The yield on these securities (taxable) has fallen from 2.48 percent in November 1944 to 2.33 percent in November 1945. To avoid competing with the public for these securities which would drive the yield down still more, the Open Market Committee has concentrated on the purchase of short-term securities. Of the total amount of Government securities held by the Federal Reserve Banks on November 28, 1945 only 3 percent had a maturity date of over 5 years.

As in former war years financing military operations dominated the monetary policy in 1945. During the year the Treasury initiated two bond drives. A special effort was made, as in previous drives, to borrow the needed funds from individuals and non-bank investors, but the portion of the quota not so taken by individuals was borrowed from banks. The Open Market Committee of the Federal Reserve System pursued a policy that provided the banks with excess reserves to invest in Government securities. Through the purchase of securities in the Open Market, more Federal Reserve bank credit was extended to member banks which increased their reserves. With excess reserves on hand, banks were in a position to invest in the Government securities offered by the U. S. Treasury.

Uncollected Funds. Cash items in the process of collection for banks and governmental agencies were 10 million dollars larger on December 31, 1945 than a year earlier. This increase in the amount of uncollected items reflects principally the rise in the number as well as in the value of cash items handled by this bank.

Out of these items arises a credit, commonly known as float, which

is absorbed by the Federal Reserve Bank. Since the deferred availability items, which is the offsetting account to uncollected items on the liability side of the balance sheet, increased 9 million dollars, the float was only 1 million dollars larger at the end of the year as compared with a year ago.

Bank Premises. The head office account was changed only by the depreciation charges. The only change occurring in this account other than depreciation charges was the cost of installing ventilating equipment at the Branch. The bank buildings were depreciated 2 per cent, and the fixed machinery and equipment 10 per cent of book value. To provide the reader with all of the details, the accounts are reproduced below.

LAND

	<u>Head Office</u>	<u>Helena Branch</u>	<u>Total</u>
Book Value	\$ 400,520.66	\$10,000.00	\$ 410,520.66

BANK BUILDING

Net book value December 31, 1944	\$ 769,969.14	\$65,250.00	\$ 835,219.14
Less: 1945 depreciation charges	25,665.60	1,500.00	27,165.60
Net book value December 31, 1945	\$ 744,303.54	\$63,750.00	\$ 808,053.54

FIXED MACHINERY AND EQUIPMENT

Net book value December 31, 1944	\$ -	\$ 5,882.45	\$ 5,882.45
Plus: 1945 additions	-	2,394.11	2,394.11
Less: 1945 depreciation charges	-	1,920.24	1,920.24
Net book value December 31, 1945	-	\$ 6,356.32	\$ 6,356.32

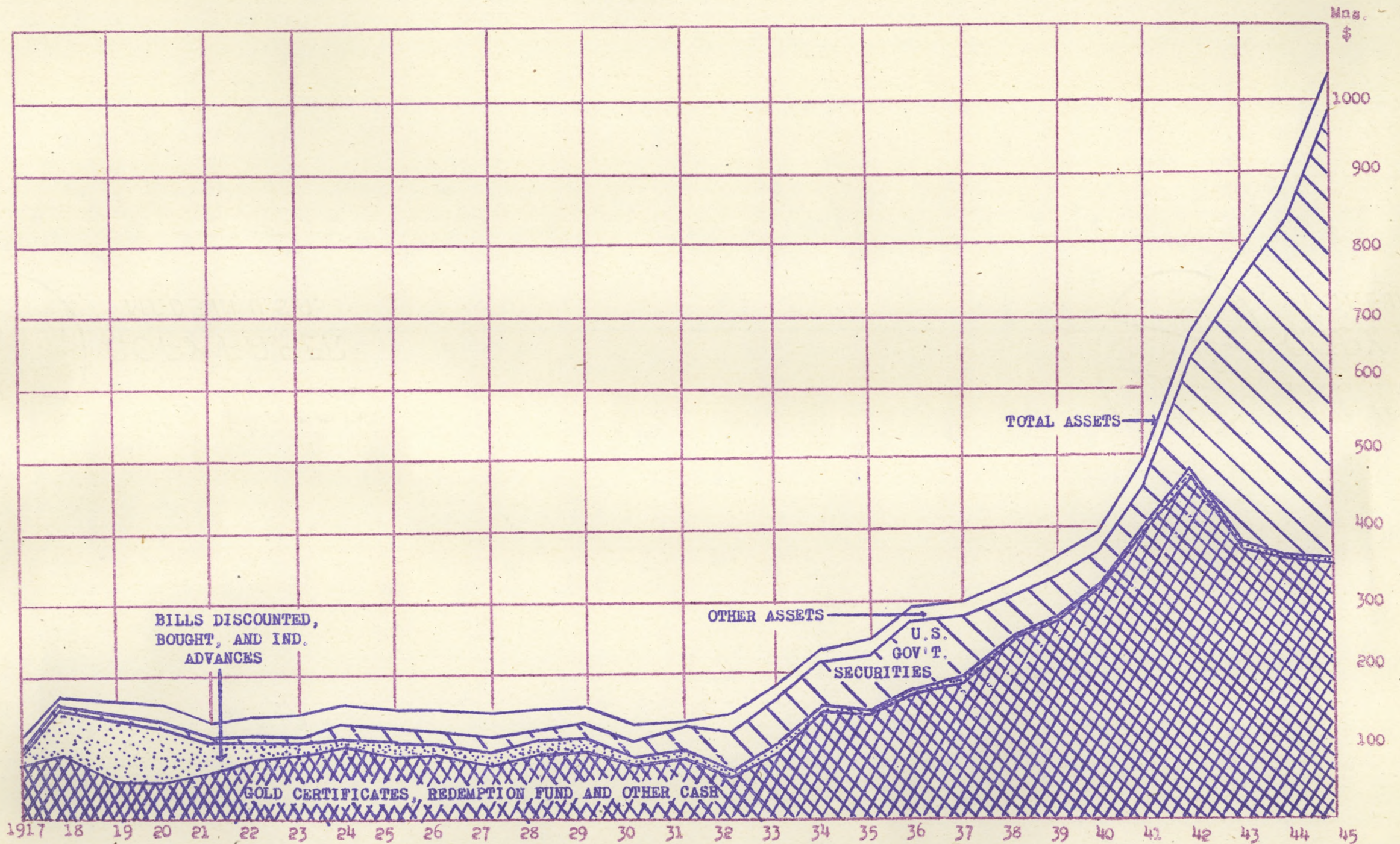
TOTAL BANK PREMISES

Net book value December 31, 1944	\$1,170,489.80	\$81,132.45	\$1,251,622.25
Plus: 1945 additions	-	2,394.11	2,394.11
Less: 1945 depreciation charges	25,665.60	3,420.24	29,085.84
Net book value December 31, 1945	\$1,144,824.20	\$80,106.32	\$1,224,930.52

Miscellaneous Assets. Among these assets the three important items were reimbursable expenditures, interest accrued, and premium on securities.

Nearly all of the increase in these assets during the year was concentrated in the amount of interest accrued on Government securities. At the end of 1945 the amount was 580 thousand dollars more than a year earlier. A small increase of 6 thousand dollars also occurred in the premiums on securities. Some of the increase in these two items was offset by a decline in other smaller items. In the aggregate, these assets rose 524 thousand dollars during the year.

ASSETS



LIABILITIES

Minneapolis Federal Reserve Notes in Circulation. 552 million dollars of notes were in circulation at the end of 1945. Since the end of 1940, which marks approximately the beginning of war activities in this country, notes in circulation issued by this bank have risen by nearly 3 1/2 times the former amount. The per capita currency in circulation in the United States on October 31, 1945, was \$200.24 while on December 31, 1940 it was \$65.96.

The amount of notes in circulation continues to rise but there is some evidence that the increase is tapering off. During 1945 notes in circulation of the Minneapolis Bank increased by 76 million dollars, an amount which is decidedly less than in the three preceding years. The increase in 1944 was 90 million dollars; in 1943, 83 million dollars; and in 1942, 96 million dollars.

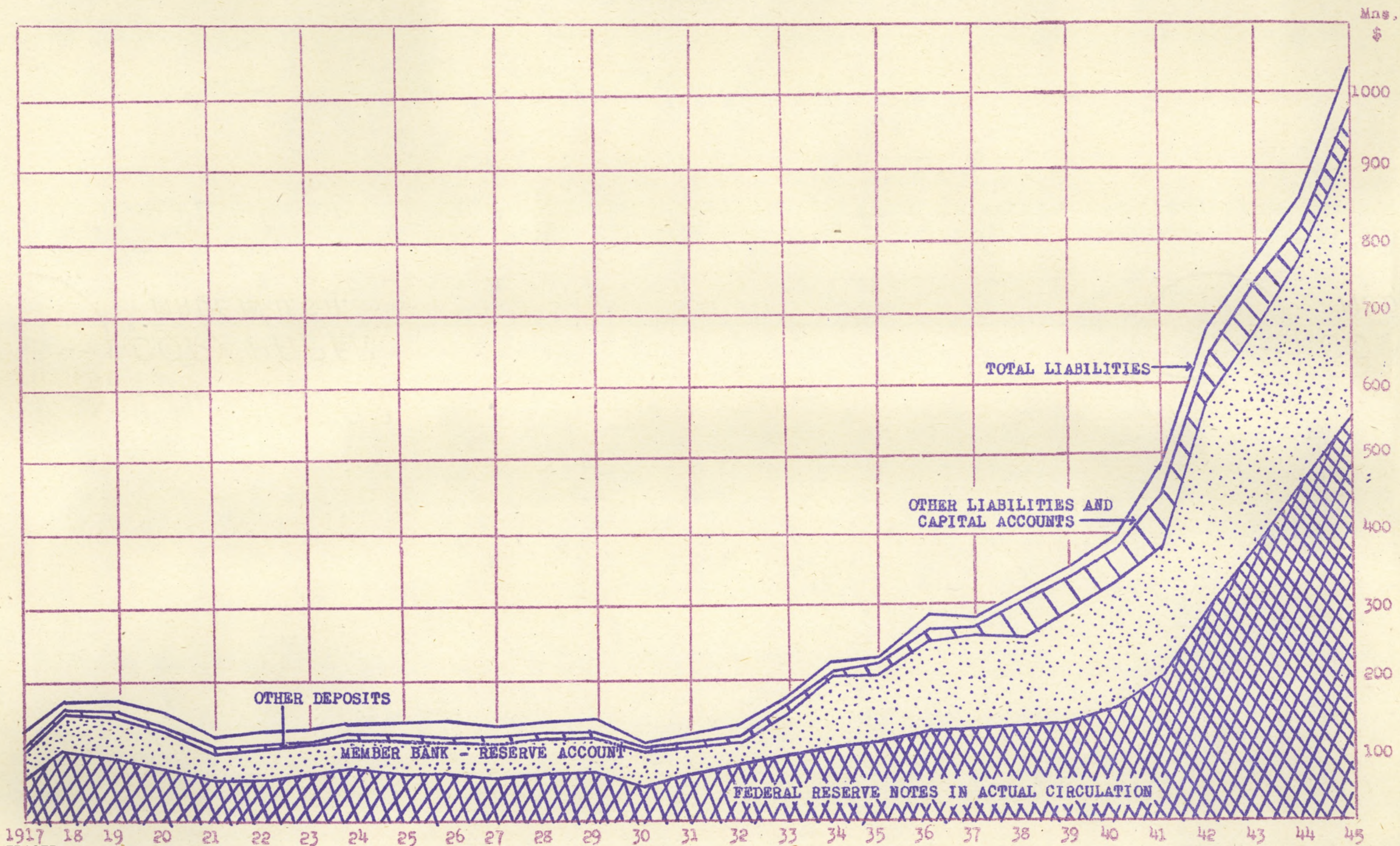
Member Bank Reserve Accounts. These accounts expanded faster during 1945 than in the two preceding years. During the year they increased by 68 million dollars to an all time high of 385 million dollars. Since the resources of banks have been drained steadily by the ever increasing amount of currency demanded by the public, adequate reserves have been maintained by member banks only through the operations of the Open Market Committee.

Ninth District Member Bank Reserves (In thousands of dollars) Daily average for the first half of December 1945

	<u>Reserve City Banks</u>		<u>Country Banks</u>		<u>All Member Banks</u>	
		Change since		Change since		Change since
	<u>Dec. 1-15</u>	<u>Dec. '44</u>	<u>Dec. 1-15</u>	<u>Dec. '44</u>	<u>Dec. 1-15</u>	<u>Dec. '44</u>
Reserve Accounts	\$172,939	\$ +19,102	\$214,547	\$ +46,728	\$337,486	\$ +65,830
Required Res.	166,320	+19,114	161,479	+32,619	327,799	+51,733
Excess Reserves	6,619	- 12	53,068	+14,109	59,687	+14,097
Excess:						
Minneapolis	1,916	- 366				
St. Paul	3,790	- 320				
Helena	913	+ 674				

Other Deposits were 16 million dollars larger at the end of 1945 as compared with a year earlier. The rise in these deposits was due almost entirely to the U. S. Treasurer's general account. On December 31, 1945, 38 million dollars were on deposit in this account, the largest amount since September 1943.

LIABILITIES



CAPITAL ACCOUNTS

Capital Stock paid in increased 361 thousand dollars during the year to a new total of 3,861 thousand dollars. Stock was issued to ten new member banks while four member banks severed connections with the Federal Reserve Bank.

Surplus Accounts. Surplus (Section 7) was increased 3,920 thousand dollars which brought the total to 8,870 thousand dollars. Of this amount 1,728 thousand was transferred from the reserves for contingencies and 2,192 thousand dollars from net earnings for the year.

Surplus (Section 13b) remained unchanged at 1,073 thousand dollars.

Contingencies. Some major changes were made in the reserves for contingencies. The two reserves for contingencies formerly on the books from earnings prior to 1937 and from surplus during 1937 and thereafter were abolished. A reserve of one million dollars was set aside for losses in excess of the blanket bond coverage on employees; a reserve of 500 thousand was earmarked for losses not covered by Loss Sharing Agreement; and the reserve for registered mail losses was raised to 131 thousand dollars.

Two losses were suffered from currency shipments. The combined loss of 2,821 dollars was debited to the reserves for registered mail losses. During the year this reserve was also credited with 8,522 dollars which brought the balance to 131 thousand dollars.

The following table reveals the disposition of 1945 net earnings and the changes made in the surplus accounts.

1945 Net Earnings	\$2,413,668.33
Dividends Paid	<u>221,686.96</u>
Transferred to Surplus Section 7	\$2,191,981.37

* * * *

Surplus, Section 7, December 31, 1944	\$4,949,737.28
Transferred from 1945 Earnings	2,191,981.37
Transferred from Reserves for Contingencies	<u>1,727,781.37</u>
Surplus, Section 7, December 31, 1945	\$8,869,500.02

* * * *

Surplus, Section 13b, December 31, 1944
Transferred from 1945 Earnings

\$1,072,621.34
None

Surplus, Section 13b, December 31, 1945

\$1,072,621.34

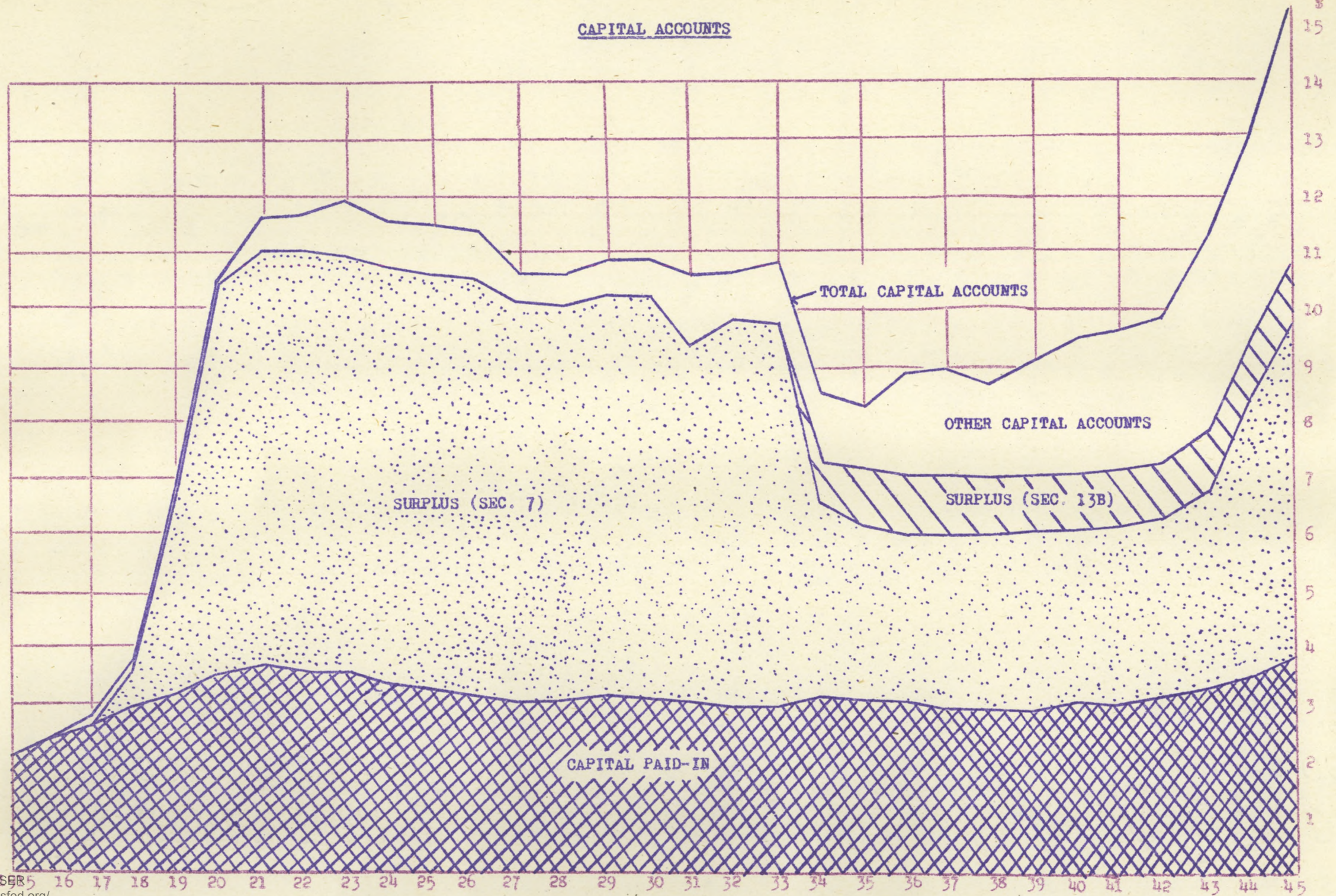
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Reserves for Contingencies, December 31, 1945

Reserve for losses in excess of blanket bond coverage	1,000,000.00
Reserve for losses not covered by Loss Sharing Agreement	500,000.00
Reserve for registered mail losses	<u>131.134.30</u>

\$1,631,134.30

CAPITAL ACCOUNTS



The financial statement of the Federal Reserve Bank of Minneapolis and Helena Branch as of December 31, 1945 and the changes which have occurred since December 31, 1944:

COMPARATIVE STATEMENT OF ASSETS
(In thousands of dollars)

	<u>Dec. 31, 1945</u>	<u>Increase or De- crease since Dec. 31, 1944</u>
Cash Reserves:		
Interdistrict settlement fund	\$ 161,935	\$ + 11,382
Gold certificates with F.R. Agent	170,000	- 25,000
Redemption Fund - F.R. Notes	<u>20,145</u>	<u>+ 5,325</u>
Total gold certificate reserves	\$ 352,030	\$ - 8,293
Other cash	7,637	+ 1,755
Total cash reserves	\$ 359,767	\$ - 6,538
Bills and Securities:		
Bills Discounted	1,081	+ 1,081
U. S. Government securities in Open Market Account	595,636	+143,396
U. S. Treasury Bills held under Repurchase Option	33,923	+ 20,323
Total bills and securities	\$ 630,640	\$ +164,305
Due from foreign banks	3	-
F. R. Notes of other Federal Reserve Banks	6,713	+ 2,300
Uncollected Items:		
Transit items	50,295	+ 10,120
Exchanges for clearing house	2,113	- 564
Other cash items	<u>1,691</u>	<u>+ 413</u>
Total uncollected items	\$ 54,099	\$ + 9,969
Bank premises	2,491	+ 40
Less reserve	<u>1,223</u>	<u>30</u>
Bank premises - Net	\$ 1,263	\$ + 10
Miscellaneous Assets:		
Premium on securities	\$ 378	\$ + 6
Interest accrued	968	+ 531
Reimbursable expenditures	376	- 22
Deferred charges	15	- 7
All other assets	<u>61</u>	<u>- 34</u>
Total miscellaneous assets	\$ 1,798	\$ + 521
TOTAL ASSETS	\$1,054,283	\$ + 171,570

COMPARATIVE STATEMENT OF LIABILITIES
(In thousands of dollars)

	<u>Dec. 31, 1945</u>	Increase or De- crease since <u>Dec. 31, 1944</u>
F. R. Notes in circulation	\$ 551,859	\$ + 76,065
Deposits:		
Members - Reserve Account	385,403	+ 67,614
U. S. Treasurer - General Account	38,287	+ 22,410
Foreign balances	18,869	- 6,563
Nonmembers - Clearing Account	1,767	+ 569
Officers' checks	437	- 209
Due to other F. R. Banks	47	+ 47
Other deposits	<u>174</u>	<u>- 91</u>
Total deposits	\$ 444,984	\$ + 83,777
Deferred availability items:		
Treasury	1,508	+ 1,508
Other	<u>40,165</u>	<u>+ 7,568</u>
Total	\$ 41,673	\$ + 9,076
Miscellaneous Liabilities:		
Sundry items payable	191	+ 114
Discount on securities	<u>141</u>	<u>- 11</u>
Total miscellaneous liabilities	\$ 332	\$ + 103
Capital stock paid in	\$ 3,861	\$ + 360
Surplus Fund - Section 7	8,870	+ 3,920
Surplus Fund - Section 13b	1,073	-
Reserve for contingencies	<u>1,631</u>	<u>- 1,731</u>
TOTAL LIABILITIES	\$1,054,203	\$ +171,570
Reserve ratio against combined net deposits and note liabilities	35.3%	- 8.5%
Commitments to make industrial advances ...	-	-
Float absorbed	\$ 12,426	\$ + 893

NET EARNINGS AND PROFITS

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Current Earnings	\$3,657,087	\$+964,300
Current Expenses	<u>1,345,323</u>	<u>+ 40,052</u>
Net Current Earnings	\$2,311,764	\$+924,248
Additions to Net Current Earnings:		
Profit on U.S. Sec. Open Market Acct.	\$ 95,519	\$- 4,258
All Other	<u>6,798</u>	<u>- 85,644</u>
Total Additions	\$102,317	\$- 89,902
Deductions from Net Current Earnings	\$ <u>413</u>	\$+ 8
Net Additions to Net Current Earnings	\$ <u>101,904</u>	\$- 89,910
Net Earnings & Profits	\$2,413,668	\$+834,338

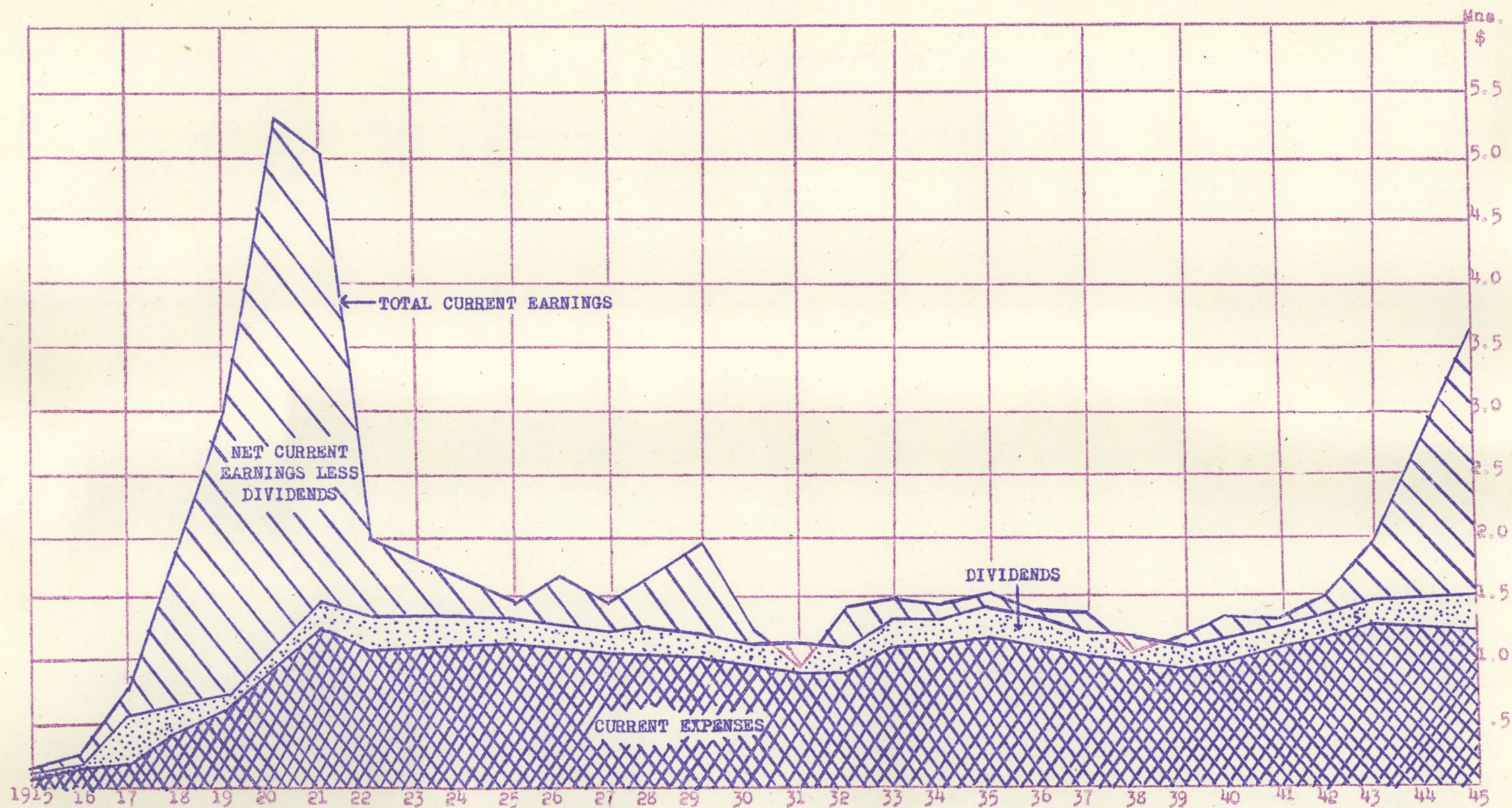
Net earnings and profits totaled \$2,414 thousand dollars during 1945, an increase of \$834 thousand over 1944. Current earnings increased \$964 thousand while current expenses increased \$40 thousand, leaving an increase in net current earnings of \$924 thousand over one year ago. For the second consecutive year net current earnings were the largest since 1921.

Net additions to net current earnings during 1945 were \$89,910 less than a year ago due mainly to the \$88,800 reserve against an industrial loan which was credited to Profit and Loss in 1944 when the loan was paid.

The table below gives a breakdown of the Profit and Loss transactions during 1945.

<u>Additions to Net Current Earnings</u>	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
Profit on sale of U.S. Gov't. sec. in Open Market account	\$ 95,519	\$ 95,519	\$ -
Profit on mutilated currency & coin	264	218	46
Sale of scrap	67	67	-
Recoveries from liquidation on misc. assets acquired in settlement of claims account closed banks	3,500	3,500	-
Recovery of items previously charged to Profit and Loss	2,690	2,690	-
Dividend received on claims - endorser unknown	276	276	-
Misc. small cash found in bank & turned in to Personnel Department	<u>1</u>	<u>1</u>	<u>-</u>
Total additions	\$102,317	\$102,271	\$46
<u>Deductions from Net Current Earnings</u>			
Discount on foreign currency & coin	\$ 2	\$ 2	\$ -
Loss on counterfeit	33	32	1
Items destroyed or lost - endorsers unknown	22	22	-
20 Pesos Philippine circulating note - source unknown	10	10	-
Difference account	<u>346</u>	<u>288</u>	<u>58</u>
Total deductions	\$ <u>413</u>	\$ <u>354</u>	\$59
Net Additions to Net Current Earnings	\$101,904	\$101,917	\$13

NET CURRENT EARNINGS



CURRENT EARNINGS

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Discounts & Advances	\$ 55,166	\$+ 36,617
Industrial Advances	-	- 3,979
U. S. Gov't. Sec. - System Account	3,396,901	+ 908,214
Treasury Bills held under Repurchase Option	200,255	+ 23,225
Deficient reserve penalties	3,730	+ 793
Interest on past due industrial advances	-	- 642
Sale of wastepaper, money bags, etc.	300	- 43
Service charges - Safekeeping	8	-
Clearinghouse fines	100	+ 10
Savings in registration fees, etc. on registered mail shipments for member banks during year	520	+ 10
Interest on personal loans to employees	-	- 12
All other	107	+ 107
	<u>\$3,657,087</u>	<u>\$+ 964,300</u>

Earnings from current operations totaled \$3,657 thousand during 1945, an increase of \$964 thousand over one year earlier and larger than any year since 1921. The largest source of our earnings in 1945 was from U. S. Government securities while in 1921 earnings of \$4,650 thousand were from discounts and advances and only \$142 thousand from Governments.

During 1945 earnings from discounts and advances totaled \$55,166, an increase of \$36,617 over one year ago. There have been no industrial advances on our books this year so the earnings on this account have decreased \$4 thousand.

Our earnings from government securities held in the Open Market account totaled \$3,397 thousand for 1945, an increase of \$908 thousand over last year. Our share of the System's earnings has increased from \$261 thousand for the month of January 1945 to \$354 thousand for December, or on an average daily basis, from \$8,419 in January to \$11,419 in December.

The table below shows our share of holdings in the System Open Market account (excluding Bills held under Repurchase Agreement) for the last business day of 1945 and 1944.

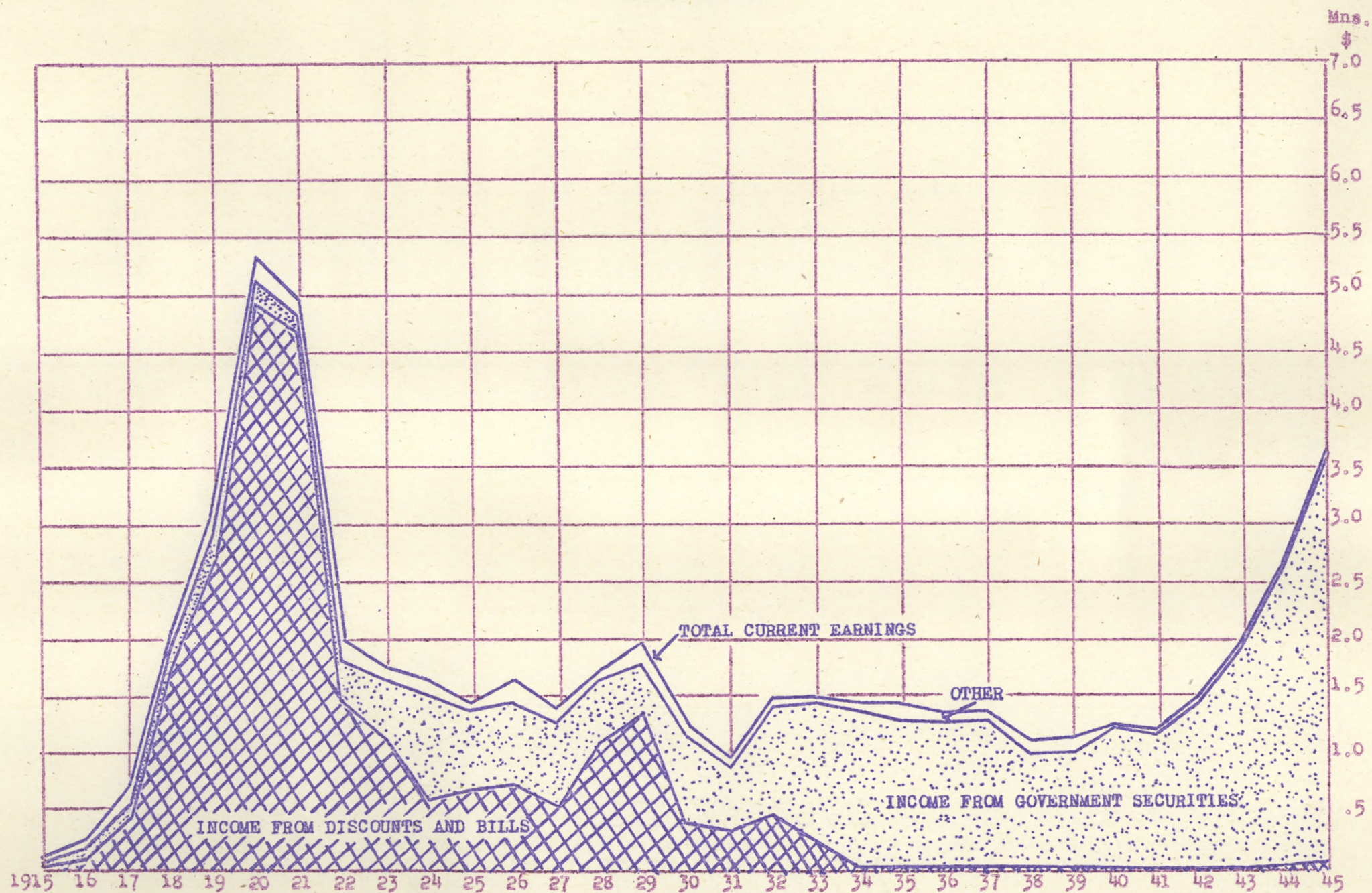
	<u>12-31-45</u>	<u>12-31-44</u>
Bills	\$278,431,000	\$312,607,000
Certificates	232,112,000	88,636,000
Notes	58,818,000	28,444,000
Bonds	26,275,000	22,553,000
	<u>\$595,636,000</u>	<u>\$452,240,000</u>

Our earnings from operations of purchase and sale of government securities which we hold under repurchase option totaled \$200 thousand for 1945, an increase of \$23 thousand over one year ago.

Earnings from deficient reserve penalties totaled \$3,730 during 1945, an increase of \$793 over last year's total.

During 1945, 122 banks were penalized 193 times while in 1944 the banks numbered 120 and the penalties 217. The reason for the larger amount of penalties during 1945 with a lesser number of penalties was accounted for by the fact that one bank was penalized ten times for a total of \$1,368.30 compared with that bank's single penalty in 1944 of \$129.54.

CURRENT EARNINGS



NET CURRENT EXPENSES

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$1,218,926	\$ +33,120
Helena Branch	<u>126,396</u>	<u>+ 6,932</u>
	\$1,345,322	\$ +40,052

Net expenses at the Head Office after deducting reimbursable expenses totaled \$1,219 thousand, and at Helena Branch \$126 thousand, bringing the total net expense to \$1,345 thousand for the year 1945, an increase of \$40 thousand over a year ago.

Expense items which showed the largest increases over a year ago are Salaries, Retirement System Contributions, Directors' Fees, Insurance Other Than on Currency, Coin and Securities, Taxes on Bank Premises, Repairs and Alterations, Furniture and Equipment, Board Assessment, and Redemptions of Federal Reserve Currency and other Miscellaneous Expense. Reductions occurred in Postage and Expressage, Insurance on Currency and Securities, and Original Cost of Federal Reserve Currency.

SALARIES

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$671,265	\$ +51,662
Helena Branch	<u>64,363</u>	<u>+ 1,261</u>
	\$735,628	\$ +52,923

Head Office salaries for 1945 totaled \$671 thousand, an increase of \$52 thousand over 1944. Of this increase, \$35 thousand is for salaries and \$17 thousand for overtime.

Helena Branch salaries for the same period increased \$1,261.

A shift from reimbursable to regular bank work has taken place during 1945. The number employed on reimbursable functions in December 1945 totaled 373 compared with 427 in 1944. Regular bank employees totaled 339 compared with 287 for the same period.

RETIREMENT SYSTEM CONTRIBUTION

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$76,577	\$ + 19,711
Helena Branch	<u>5,878</u>	<u>+ 200</u>
	\$82,455	\$ + 19,911

Retirement System Contributions totaled \$76,577, an increase of \$20 thousand over 1944. This increase was mostly due to a special prior service contribution. Helena Branch had very little change.

TRAVELING EXPENSE

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$21,772	\$ + 510
Helena Branch	<u>2,159</u>	<u>- 212</u>
	\$23,931	\$ + 298

Traveling Expense at the Head Office totaled \$21,772 for 1945, an increase of \$510 over a year ago. The largest increase was in Bank Relations work primarily due to our visiting more banks in 1945, while the collection of some old Closed Bank papers accounted for \$910.

A detail of this expense is shown below.

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
<u>Head Office</u>		
Bank examinations	\$ 8,917	\$ - 597
Bank relations	5,663	+ 1,321
Conference (miscellaneous)	1,478	- 35
Presidents' conference	229	- 277
Retirement System	174	- 57
Consumer Credit	24	- 229
Research and Statistics	2,642	- 598
Trips to Helena Branch	604	+ 335
Graduate School of Banking	247	+ 149
United Nations Monetary & Finance Conference	-	- 422
Claims account - Closed Banks	910	+ 910
Industrial Advisory Committee	147	+ 147
Miscellaneous	<u>737</u>	<u>- 137</u>
Total Head Office	\$21,772	\$ + 510
<u>Helena Branch</u>		
Head Office Auditors	\$ 1,008	\$ - 136
Bank relations	551	+ 184
E. W. Swanson - Helena	360	+ 360
Assistant Manager's trip to Minneapolis	-	- 125
Special expense survey	-	- 294
Montana Group Meeting	-	- 147
Miscellaneous	<u>240</u>	<u>- 54</u>
Total Helena Branch	\$ 2,159	\$ - 212
Total Traveling Expense	\$23,931	\$ + 298

POSTAGE AND EXPRESSAGE

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$138,104	\$ - 1,741
Helena Branch	<u>24,817</u>	<u>+ 1,477</u>
	\$162,921	\$ - 264

Postage and Expressage for the Head Office totaled \$138,104 for 1945, a decrease of \$1,741 compared with 1944.

There were several classifications of postage and expressage under this heading and the largest changes occurred in postage on outgoing currency, ordinary mail, and expressage on incoming currency.

The following table gives the details:

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
<u>Postage</u>		
Currency - Incoming	\$ 34,661	\$ - 121
Currency - Outgoing	27,201	-1,333
Coin - Incoming	291	+ 178
Coin - Outgoing	11,920	+ 721
Securities	425	+ 74
Ordinary mail	<u>44,246</u>	<u>-4,204</u>
	\$118,744	\$ -4,685
<u>Expressage</u>		
Currency - Incoming	\$ 2,880	\$ +2,714
Coin - Incoming	4,011	+ 390
Treasury Checks - Outgoing	2,290	+ 144
Transit Checks to Member Banks	5,658	- 30
Auto & Miscellaneous	669	- 274
Brink's, Inc.	<u>3,852</u>	<u>-</u>
	\$ 19,360	\$ +2,944

Helena Branch increased \$1,477 for the same period.

TELEPHONE & TELEGRAPH

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$ 4,481	\$ - 410
Helena Branch	<u>5,337</u>	<u>- 399</u>
	\$ 9,818	\$ - 809

Head Office Telephone and Telegraph expense during 1945 totaled \$4,481, a decrease of \$410 compared with 1944.

time we are setting aside in this reserve an amount equal to 2 cents per thousand of the aggregate total of such shipments handled during the fiscal year which begins December 1 and ends November 30. Based on the above mentioned 2 cents per thousand, we set aside \$8,432.38 for the fiscal year ended November 30, 1945.

The charges against this reserve during 1945 were:

1.	Our pro rata share of annual retainer fee paid to Marsh & McLennon, Inc.	\$ 70.00
2.	Outgoing \$60.00 shipment of pennies to Security Bank & Trust Co., Madison, South Dakota, lost in the mails, of which \$50.00 insurance coverage was received from the Post Office Department.	10.00
3.	Shipment of \$3,000 in ten dollar notes to First National Bank, Anoka, Minnesota, broken open and contents partially lost due to mail pouch rolling under the wheels of the mail train which does not stop at this point.	610.00
4.	Shipment of \$5,000 consisting of \$1,000 in \$1's, and \$4,000 in \$5's to Northwestern National Bank, Litchfield, Minnesota, broken open and contents partially lost due to the mail pouch rolling under the wheels of the mail train which does not stop at this point. Loss \$2,081. Recovery of \$39.50 by FBI.	2,041.50
		<u>\$2,731.50</u>

Incidentally, since the Reserve Banks set up this reserve for registered mail losses, Marsh & McLennon, Inc. have increased their rates from 2 1/4 cents to 4 cents per thousand on all currency and coin insurance except new Federal Reserve currency from Washington, which rate remained at 1 1/4 cents.

The following gives a detail of shipments made during the fiscal year:

	<u>Head Office</u>	<u>Helena Branch</u>	<u>Combined</u>
New F. R. Currency from Washington	\$ 87,900,000	\$ 8,900,000	\$ 96,800,000
Fit F. R. Notes to Bank of Issue	29,980,000	4,990,900	34,970,000
Currency & Coin between Offices	4,725,000	270,000	4,995,000
Other Currency & Coin - Outgoing	133,989,571	27,658,994	161,648,565
Other Currency & Coin - Incoming	106,622,361	13,552,496	120,174,857
All Other: (delivered or picked up by truck)			
Other Currency & Coin - Outgoing	-	1,509,880	1,509,880
Other Currency & Coin - Incoming	-	1,519,872	1,519,872
	<u>\$363,216,932</u>	<u>\$58,402,142</u>	<u>\$421,619,074</u>

OTHER INSURANCE

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$7,272	\$ + 2,499
Helena Branch	<u>1,410</u>	<u>+ 428</u>
	\$8,682	\$ + 2,927

Other insurance expense for the Head Office during 1945 totaled \$7,272, an increase of \$2,499 over one year ago. Premiums which show the largest changes are:

Group Life Insurance expense increased \$2,186 due to the bank absorbing the premium for the months of August, September and October 1945 ordinarily paid by the employees. This method was used to give the employees the benefit of the large dividend received. The dividend received on our Group Life Insurance policy totaled \$5,570 for the policy year ended March 31, 1945, an increase of \$424 over the previous year.

Military Service Insurance increased \$975 over the previous year due primarily to our change in the method of payment for Military Service Insurance to employees in the armed services from a yearly basis to the time of discharge. During 1945 discharges were rather heavy.

Police Officers Bond expense increased \$284 over the previous year. These bonds run for two years beginning July 1, 1945 so the only amount spent in 1944 would be in case we hired additional guards.

Helena Branch insurance increased \$428 for the same period.

A detail of Head Office insurance is shown below.

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Group Life Insurance	\$ 5,795	\$ + 2,186
Group Life Insurance Dividend	5,570	+ 424
Bankers Blanket Bond	2,628	- 134
Automobile Insurance	98	- 7
Building and Contents	912	-
Camera Property Floater & Insurance on Bank Movie Film	52	-
Comprehensive Public & Auto Liability	554	- 22
Military Service	1,546	+ 975
Special Police Bond	305	+ 284
Steam Boiler	72	- 22
Workmen's Compensation	872	- 305
Fidelity Bonds (F.R. Agent, Ass't F.R. Agent, and Alternate Ass't. F.R. Agent)		
Discontinued as of May 31, 1945	<u>8</u>	<u>- 32</u>
	\$ 7,272	\$ + 2,499

TAXES ON BANK PREMISES

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$71,505	\$+ 8,002
Helena Branch	<u>1,937</u>	+ <u>141</u>
	\$73,442	\$+ 8,143

Taxes on Bank Premises for 1945 actually were \$73,065 instead of the above mentioned \$71,505, of which \$1,560 was charged to 1944 tax expense on our books because of an error in the County Treasurer's Office in billing us \$1,560 less in 1945 than they had told us verbally in December 1944.

The reason for this \$1,560 deduction was that the assessed valuation of the bank building was reduced from \$1,187 thousand to \$1,148 thousand.

In December 1945 we were informed that the rate had increased from 100 mills to 118 which made a net increase of \$8,002 over 1944 after allowing for the \$1,560 decrease.

LIGHT, HEAT, POWER AND WATER

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$20,206	\$+ 142
Helena Branch	<u>2,372</u>	- <u>291</u>
	\$22,578	\$- 149

The cost of light, heat, power, water and sewage disposal for the Head Office totaled \$20,206 during 1945, an increase of \$142, while Helena Branch cost decreased \$291 for the same period compared with 1944.

A detail for Head Office is shown below.

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Fuel for hot water	\$ 187	\$+ 16
Fuel for heating	2,577	- 138
Power and light	16,072	+ 391
City water	811	- 61
Sewage	<u>559</u>	- <u>66</u>
	\$20,206	\$+ 142

REPAIRS AND ALTERATIONS

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$38,251	\$+ 30,307
Helena Branch	<u>553</u>	- 1,522
	\$38,804	\$+ 28,785

Cost of repairs and alterations at the Head Office totaled \$38,251 during 1945, an increase of \$30,307 over 1944. The major items are: \$22,000 for professional services of Larson & McLaren, architects, who charged 1% of an estimated cost of \$2,200,000 for planning additions and alteration of bank building; \$4,678 for painting the ceiling on the main banking floor which had not been renovated since moving into this building in 1925; \$1,172 for painting the second and third floors; and \$2,760 to Otis Elevator Company for maintenance of elevators.

Helena Branch shows a decrease of \$1,522 for this period.

FURNITURE AND EQUIPMENT

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$14,320	\$+ 5,554
Helena Branch	<u>933</u>	- 109
	\$15,253	\$+ 5,445

Furniture and equipment purchased at the Head Office totaled \$14,320 during 1945, an increase of \$5,554 over the year 1944. The large purchases are: 8 Remington Rand typewriters \$804, 3 sorting racks \$165, Information desk \$170, Calculator \$585, 3 scales \$336, payroll machine \$2,176, and 20 Burroughs adding machines \$11,002. Our 1942 DeLuxe Ford sold for \$1,042 which was credited to this account.

Helena Branch showed a decrease of \$109 for this period.

MISCELLANEOUS NET EXPENSE

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$39,791	\$+ 4,337
Helena Branch	<u>8,599</u>	+ 5,026
	\$48,390	\$+ 9,363

Miscellaneous net expenses at the Head Office totaled \$39,791 during 1945, an increase of \$4,337 over 1944. The items which showed the largest increases are: officers' and employees' dinners, Federal Reserve Club, Foreign Accounts, and Agricultural Economic Conference.

A detailed breakdown is shown below.

<u>Head Office</u>	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Rental, repairs & maintenance of furniture and equipment	\$ 4,604	\$- 293
Outside protection, vault inspection, etc.	691	- 43
Outside laundry and cleaning charges, etc.	87	- 40
Licenses & permits - auto, chauffeurs', elevator, etc.	69	- 44
Local transportation	457	+ 96
Post office box & postage meter rental	422	+ 2
Newspapers, periodicals, books, binding, clipping service, etc.	2,812	- 809
Collection charges absorbed	93	- 56
Copies of bank examination reports	3,313	+ 38
Commercial agency credit reports	591	- 72
Medical service & supplies & physical examinations	1,239	+ 268
Entertainment of bankers and others not in bank's employ	3,118	- 661
Officers' and employees' dinners	3,382	+1,228
Employees' education: AIB	2,857	+ 157
All other	305	+ 165
Federal Reserve Club	2,613	+1,513
Foreign accounts	4,117	+1,166
Membership dues and donations	1,692	+ 284
Cafeteria net expense	4,643	+ 123
Study on banking & credit policy	69	+ 69
Advertising for help wanted	199	- 53
Annual Twenty Year Club	460	- 43
Agricultural Economic Conference	1,036	+1,036
Special work on mailing list	117	+ 117
All other	305	+ 189
Net Total	\$39,791	\$+4,337

Helena Branch

Rental, repairs & maintenance of furniture and equipment	\$ 9,357	\$+7,308
Outside protection, vault inspection, etc.	199	+ 65
Outside laundry and cleaning charges	34	-
Licenses & permits - auto, chauffeurs', elevator, etc.	4	-
Post office box & postage meter rental	213	+ 59
Newspapers, periodicals, book bindings, clipping service, etc.	96	+ 39
Collection charges and protest fees absorbed	15	+ 1
Copies of bank examination reports	144	- 20
Medical serv. & supplies & physical examinations	161	- 40
Entertainment of bankers & others not in bank's employ	284	- 94
Officers' and employees' dinners	236	- 51
Federal Reserve Club	300	-
Membership dues and donations	1,011	+ 711
All other	84	- 54
Photographs of employees	-	- 100
	\$12,138	\$+7,846
Less Reimbursable Expenses	3,539	+2,820
Net Total	\$ 8,599	\$+5,026

BOARD ASSESSMENT

Assessment for expenses of the Board of Governors totaled \$53,409 during 1945, an increase of \$3,949 due mainly to the increase in our capital and surplus over the previous year even though the average rate of assessment was reduced to .00277 for 1945 compared with .00309 in 1944.

COST OF FEDERAL RESERVE CURRENCY

	<u>1945</u>	Inc. or Dec. <u>from 1944</u>
Original Cost (including shipping charges)	\$26,527	\$- 89,457
Redemptions (" " " ")	<u>10,953</u>	+ 4,000
	\$37,480	\$- 85,457

The cost of new currency totaled \$26,527 during 1945, a decrease of \$89,457 compared with 1944. The cost for 1945 was the lowest since 1940 due mainly to the substantial reduction in the printing of Federal Reserve Notes for us. With more money in circulation since the beginning of the war it is only natural that more bills were redeemed because of wear and tear, with the resulting \$4,000 increase in redemption expenses.

A detailed breakdown of the cost of Federal Reserve currency for the years 1941 through 1945 is given in the table below.

	<u>1945</u>	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>
Printing Cost	\$ 6,461	\$ 80,923	\$ 74,910	\$ 87,800	\$26,000
Postage	5,244	8,577	8,072	8,000	5,900
Surcharges	14,413	24,386	17,955	13,000	10,200
Insurance	175	1,941	1,951	2,000	1,600
Salaries of Issue & Redemption Division	<u>234</u>	<u>157</u>	<u>103</u>	<u>200</u>	<u>400</u>
	\$26,527	\$115,984	\$102,991	\$111,000	\$44,100
Cost of Redemption	<u>10,953</u>	<u>6,953</u>	<u>6,857</u>	<u>5,100</u>	<u>5,300</u>
	\$37,480	\$122,937	\$109,848	\$116,100	\$49,400

ALL OTHER EXPENSES

	<u>1945</u>	Inc. or Dec. <u>from 1944</u>
Legal	\$ 40	\$- 404
*Directors' Fees	11,615	+ 1,446
Federal Advisory Council	1,424	+ 81
*Depreciation on bank building	<u>29,085</u>	+ 239
	\$42,164	\$+ 1,362

*Includes Helena Branch.

RENTAL RECEIVED

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
Head Office	\$47,042	\$+ 682
Helena Branch	<u>5,123</u>	- 281
	\$52,165	\$+ 401

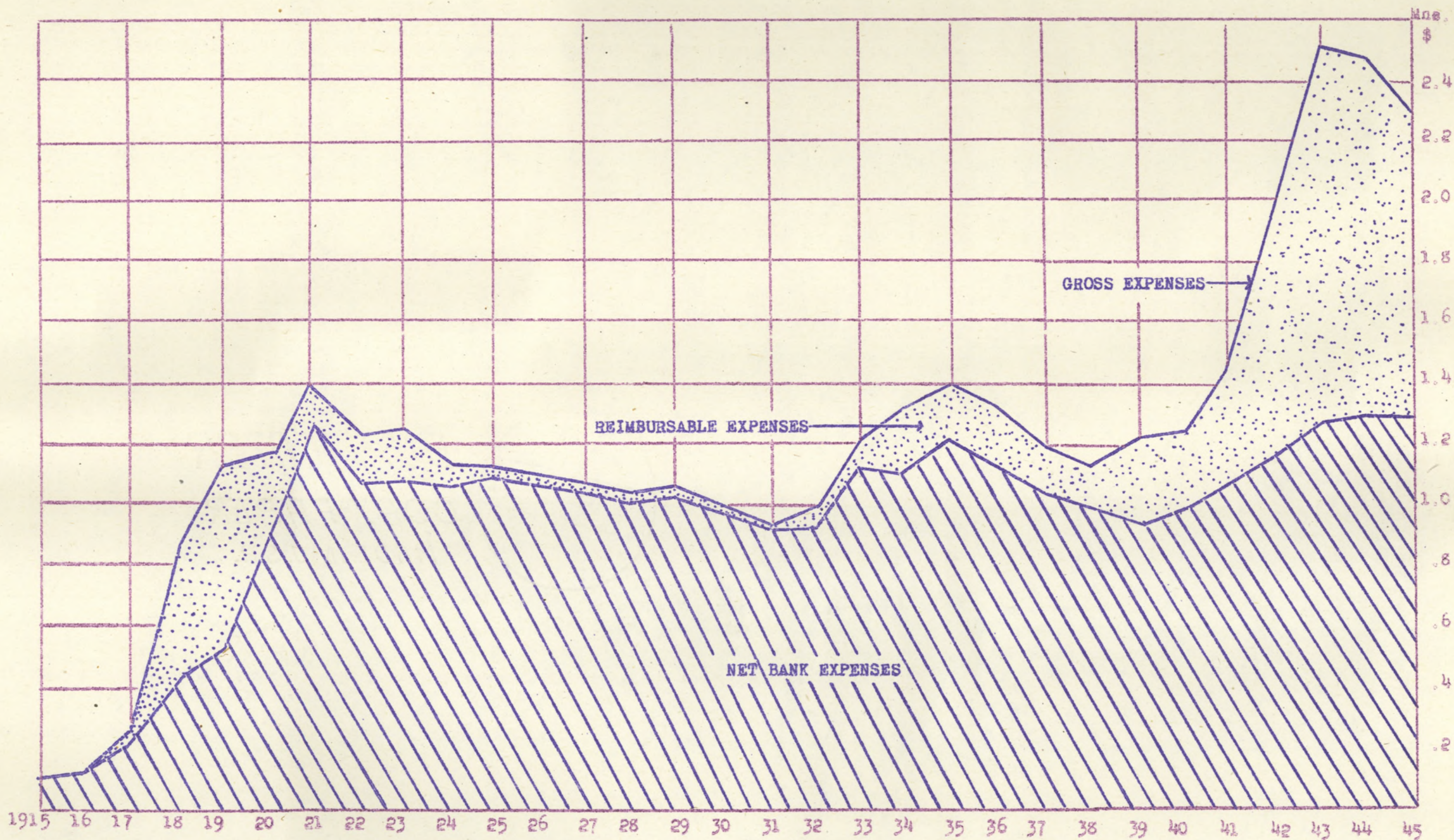
Rental received from government agencies, which is deducted from our total expenses, amounted to \$52,165 during 1945 for Head Office and Branch, an increase of \$401 over 1944. Space rental at the Head Office was \$722 more than a year earlier due to more space being used by the Fiscal Agency department here.

REIMBURSABLE EXPENDITURES

	<u>1945</u>	<u>Inc. or Dec. from 1944</u>
U. S. Treasury Issues	\$177,518	\$- 5,662
U. S. Savings Bonds	618,861	- 117,976
Foreign Funds Control	8,583	- 746
Foreign Funds Control - Cy. trans- actions	839	+ 839
Withheld Taxes	7,685	- 1,496
Reconstruction Finance Corporation	59,785	- 13,280
Federal Farm Mortgage Corp.	1,305	- 2,447
Federal Land Banks	1,044	+ 67
Federal Intermediate Credit Banks	5	+ 1
Federal Public Housing Authority	22	- 46
Commodity Credit Corporation	52,443	- 36,306
Maritime Commission	1,227	+ 420
War Department	16,040	- 6,535
Navy Department	4,017	- 371
Public Works Administration	123	+ 103
Home Owners' Loan Corporation	1,247	- 1,002
Office of Price Administration	28,873	- 909
Leased Wire Service	1,508	+ 141
Photostat Service	<u>370</u>	+ 31
	\$981,495	\$- 185,174

Reimbursable expenditures during 1945 at the Head Office and Helena Branch totaled \$981,495, a decrease of \$185,174 compared with 1944. Expenses in connection with U. S. Savings Bonds showed the largest decline totaling \$117,976, while Commodity Credit showed a decline of \$36,306.

CURRENT EXPENSES



DEPARTMENTAL COMMENTS

Bank and Public Relations	32
Cafeteria	33
Check Collections	34
Consumer Credit	35
Currency and Coin	37
Discounts	38
Examinations	39
Fiscal Agency	42
Noncash Collections	50
Personnel	50
Reconstruction Finance Corporation	55
Research and Statistics	57
Safekeeping	60

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1945 BANK AND PUBLIC RELATIONS ACTIVITIES
(Head Office)

Bank officers and representatives delivered 110 addresses to an estimated audience of 9,849 people.

The attendance at showings of the Federal Reserve Bank movie during 1945 was 12,685. The bank continued its cooperation with the Wisconsin Bankers Association with regard to showing of the Federal Reserve movie. The movie was first made in the latter part of 1935 and since then it has been shown to approximately 464,800 individuals.

Requests were received for 846 copies of the picture book, "Your Money and the Federal Reserve System" in 1945. The picture book was completed and 50,000 copies received in May 1942. Distribution since then has been: 1942, 21,824; 1943, 1,927; 1944, 16,408; 1945, 856.

In April, an all-day Trust Conference was held at the bank. Discussions were led by Mr. Gilbert T. Stephenson, Trust Research Department of the ABA, who was conducting similar conferences in each Federal Reserve district. Attending were representatives from the offices of the Chief National Bank Examiner, the FDIC, and State Banking Departments of Minnesota, North Dakota and South Dakota. Luncheon was served at the bank and dinner at the Radisson Hotel.

In July, the directors and officers of this bank accepted the invitation of the University of Minnesota and made a conducted tour of the Agricultural Experiment Station in St. Paul, paying particular attention to plant-breeding experiments, followed by a discussion of the swine development program.

In October, an all-day conference was held attended by the agricultural economists from the agricultural colleges of the states of Montana, North Dakota, South Dakota, Minnesota and Wisconsin. Speakers included Dr. Joseph S. Davis, Director, Food Research Institute, Leland Stanford University; R. M. Evans, member of the Board of Governors of the Federal Reserve System; R. R. Renne, President of the Montana State College; O. B. Jesness, Department of Agricultural Economics of the University of Minnesota; and Phil Eckert of the Montana State College. Entertainment consisted of luncheons at this bank on October 26 and 27, and a dinner at the Athletic Club on October 26 at which the economists and businessmen and bankers from the Twin Cities also were present.

Ten bank tours were made by students of out-of-town high schools and colleges. Three of these groups were our guests at luncheon.

Six additional luncheons were held at the bank with bank officers, prominent businessmen, and University professors as our guests. At each luncheon a guest speaker discussed some topic of the day.

A dinner in honor of Governor John K. McKee of the Board of Governors in Washington was held on March 8, 1945, for 87 guests consisting of our directors, Twin City bankers and businessmen, and our officers.

Messrs. Preston and McCracken made an inspection tour of the public relations operations of a number of the Federal Reserve Banks.

The operating ratio statement covering 1944 operations of member banks in this district was mailed out to all member banks. Special studies of operating ratios were computed for the State Banking Departments of North Dakota and South Dakota and in Wisconsin for Ninth District State banks in that state.

One thousand, one hundred and seventy five banks and bank offices in the district were visited during 1945, of which 168 were visited twice. Calls were reported by 17 men.

In October, a joint meeting of the directors of the Head Office and Helena Branch was held at Pierre, South Dakota, on the invitation of Director J. R. McKnight.

CAFETERIA

Comments, observations and figures seem to indicate that our cafeteria was as popular an eating place during the war as before, despite difficulties in obtaining food. We have fared quite well, and now that foods are becoming more easily available, we are rapidly getting back to a prewar basis. In addition to the employee relationship value of our lunchroom, we understand our service is faster than outside. It is believed that both the bank and the employees are fortunate in having a good eating place at reasonable cost.

Employees' cost per meal during 1945 averaged .2115 cents, while cost to the bank was .2443 cents. During 1945 our cafeteria served 155,241 meals compared with 165,736 in 1944, or a daily average of 514 compared with 547, which is comparable with decrease in number of employees, so that patronage is quite constant.

CHECK COLLECTION DEPARTMENT
(Head Office)

A grand total of 40,486,000 checks was handled in 1945, which total exceeds by 3,529,000 the number of checks handled in 1944 and is the largest number of checks handled in any one year in the history of the bank.

Checks drawn on banks outside of the Twin Cities increased 1,729,000, city checks increased 485,000, Treasury punch card checks increased 1,943,000, return items increased 47,000, while Treasury paper checks decreased 681,000 in number. Three times during the year the total number of checks functioned in one day passed the 200,000 mark. The largest day's business was on November 13, when 217,000 checks were handled.

Thirty new adding machines were purchased, 23 of which have been delivered. These new machines were required because of the increased volume of business.

With a 50 percent increase in volume of Treasury punch card checks, an additional I. B. M. sorting machine and another tabulating machine were added to this division. The number of checks handled in this division increased each month from 425,000 in January until it reached a peak of 647,000 in July. From August until December, the volume decreased monthly, until in December the total was only 411,000.

	<u>Volume Data</u>		<u>Amount</u>	
	<u>Number of checks handled</u>		<u>(000 omitted)</u>	
	<u>1945</u>	<u>1944</u>	<u>1945</u>	<u>1944</u>
City checks	7,158,000	6,673,000	\$ 5,745,788	\$ 5,316,391
Country checks	25,404,000	23,675,000	3,911,989	3,390,715
Checks on us	86,000	80,000	628,416	608,959
Return items	310,000	263,000	79,297	68,582
Gov't checks (paper)	1,676,000	2,357,000	1,450,912	1,432,250
Gov't checks (punch card)	5,852,000	3,909,000	353,279	308,480
	<u>40,486,000</u>	<u>36,957,000</u>	<u>\$12,169,681</u>	<u>\$11,125,377</u>

Mail Department

In August of this year our method of handling outgoing mail to banks in our district, Federal Reserve Banks, and Branches, and other large banks, was changed. Prior to the change, a certain amount of our mail was sorted and en-

closed with our transit letters. Mail received after our transit letters were delivered to the Post Office, was forwarded separately so that some banks received several pieces of mail from us daily.

We now sort all mail in special sort racks that were constructed for this purpose. These racks contain over sixteen hundred pigeon holes so that it is possible to keep all mail and other enclosures sorted and ready for enclosing in prepared envelopes when the deadline for mailing is reached. A crew of six part-time girls and three men is employed for this purpose.

This system of enclosure has proved to be a big improvement over the old method of mailing and has cut missorted items to a minimum.

Ration Check Department
(Head Office)

The number of ration checks handled this year showed a decrease of only 75,000 items from the total of 2,282,000 in 1944, in spite of the fact that most rationing was discontinued during the last quarter. During the month of July a total of 231,512 checks was handled. In December only 35,227 checks were handled.

	<u>Number Transmittal Letters Received</u>	<u>Number Transmittal Letters Sent Out</u>	<u>Number Ration Checks</u>
1945	65,989	259,317	2,206,962
1944	66,095	277,955	2,282,328
Daily Average (Based on the last three months of the year 1945)	190	776	5,154
Daily Average (Based on the last three months of the year 1944)	208	936	6,827

CONSUMER CREDIT DEPARTMENT
(Head Office)

During 1945 the Consumer Credit Department operated with one full time investigator and the part time assistance of a stenographer. Since no complaints of violations of Regulation W were received during the year, the supervisory activities of the department were negligible. Apart from the issuance of new registration statements, the work of the department consisted

almost entirely of answering inquiries and handling requests for interpretations, mostly in connection with new amendments to the Regulation.

There were 139 new registrations in 1945, as compared with 148 in 1944. The 1945 registrants were for the most part new business enterprises; larger registration figures for 1944 were largely attributable to the preparation of a single chain of retail stores for postwar instalment credit business.

During the year the restrictive provisions of the Regulation were somewhat relaxed by the adoption by the Board of Governors of five amendments. Amendment 15, adopted February 5, 1945, broadened the exemption of servicemen's guaranteed loans which had been provided for in Amendment 14.

Amendment 16, adopted June 11, 1945, constituted the first softening of restrictions following VE Day. Certain articles were removed from the restricted list; the maximum maturity of housing and home improvement loans was extended from 12 to 18 months; and fuel conservation credits negotiated prior to November 1, 1945, were allowed a maximum maturity of 24 months.

Amendment 17, adopted July 27, 1945, exempted certain military aircraft from the operation of the Regulation and modified the exemption qualifications for railroad watches.

Amendment 18, adopted October 14, 1945, was a further relaxation of requirements as to certain types of transactions. The maximum maturity of loans otherwise than for the purchase of listed articles was extended from 12 to 18 months, and real estate and home improvement loans were freed from restriction.

Amendment 19, adopted December 1, 1945, exempted credit extended for the purpose of providing demonstrators to bona fide automobile salesmen. It also provided that where the maximum maturity for any class of transaction had been increased, a renewal of obligations theretofore contracted might be based upon such increased maturity provisions.

On June 30, 1945 Mr. R. D. Baker, Assistant Cashier, resigned, and the department was placed under the supervision of Mr. M. H. Strothman, Jr., Assistant Counsel.

CURRENCY AND COIN
(Head Office)

The volume of work in the Currency and Coin Department continued to expand during 1945. The number of outgoing currency and coin shipments increased 3,236 and the dollar amount paid out increased \$36,515,390. The number of incoming shipments increased 2,891 and the dollar amount received increased \$37,846,888.

The number of pieces of currency and coin handled by the department last year increased almost two million pieces. A decrease in the hand verification of notes was made possible by the purchase of a shadowgraph scale. After sorting and counting, packages of fit for use currency put up by new clerks are weighed instead of making a hand verification. During the year we increased the number of sorting tellers from nine to sixteen.

The dollar amount of currency paid out in denominations of 50, 100, 500 and 1,000 was less this year, but currency in the smaller denominations increased considerably over 1944.

During the year 1945 the following changes were made in the Currency and Coin Department: three separate units have been established in place of one unit, which was the Paying and Receiving Teller. The new units having separate control over their cash are: (1) City Teller, (2) Receiving Teller, and, (3) Currency Sorting Teller.

A registered mail section has been installed, which division writes up all incoming registered mail and delivers to the Minneapolis Post Office all outgoing currency and coin shipments sent by registered mail.

<u>Number of Pieces Handled</u>		
	<u>1945</u>	<u>1944</u>
Notes Received and Counted	43,922,466	43,007,016
Notes Rehandled	4,886,511	4,756,458
Hand Verification of Notes	9,469,707	12,484,758
Coin Rehandled	6,299,668	5,374,800
	<u>64,578,352</u>	<u>65,623,032</u>

<u>Currency Paid Out</u> <u>to</u> <u>Ninth District Commercial Banks and Governmental Agencies</u>		
	<u>1945</u>	<u>1944</u>
1's and 2's	\$ 25,015,000	\$ 23,586,000
5's	44,524,000	42,555,000
10's	86,728,000	80,465,000
20's	81,437,000	70,004,000
50's	7,307,000	7,070,000
100's	25,709,000	26,238,000
500's	1,498,000	2,623,000
1000's	1,993,000	4,484,000
	<u>\$274,211,000</u>	<u>\$257,025,000</u>

Outgoing Shipments

	1945		1944	
	Number	Amount	Number	Amount
Currency Paid out	29,339	\$274,211,000)	27,599	\$257,025,000)
Currency shipped to Helena Branch & for other F. R. Banks		23,775,000)		5,338,815)
Coin	11,773	6,429,376	10,277	5,536,171
	41,112	\$304,415,376	37,876	\$267,899,986

Incoming Shipments

	1945		1944	
	Number	Amount	Number	Amount
Currency	19,266	\$228,290,000	16,358	\$191,196,103
Coin	1,906	3,230,753	1,923	2,477,762
	21,172	\$231,520,753	18,281	\$193,673,865

DISCOUNT DEPARTMENT

During the year 1945 the discount rate remained at one percent, and one-half of one percent on loans to member banks secured by direct obligations of the United States Government having one year or less to run to maturity or to call date.

Seventeen banks took advantage of loan privileges on two hundred and sixty-seven different occasions during 1945, borrowing an aggregate amount of \$1,441,966,000, all of which was represented by member bank bills payable secured by U. S. Government obligations. \$17,566,000 of the total discounted represented borrowings of members other than Twin City banks. The large total was the result of one Twin City member renewing one-day notes in large amounts for different periods of time rather than discounting notes with longer maturities. In 1944 ten banks were accommodated to the extent of \$328,780,000. As of December 31, 1945, there was no member bank borrowing. A similar condition existed on December 31, 1944.

United States Treasury Bills bought under repurchase agreements totaled \$723,734,000 during 1945, as compared to \$652,262,000 during 1944. On December 31, 1945 the amount of Treasury Bills held was \$33,923,000 compared with \$13,595,000 held on December 31, 1944.

No industrial advances were made in 1945. No industrial loan applications were under consideration as of December 31, 1945.

Forty-two applications for guarantees on loans were received during 1945. Of this number, together with eleven under consideration and available from 1944, forty-one were approved and made, one rejected and four withdrawn after, and seven before, approval. None were under consideration at the end of the year.

In 1944, sixty-four applications were received. Of this number, together with two under consideration and available from 1943, thirty-nine were approved and made, six rejected, three withdrawn after, and seven before, approval, and eleven were under consideration at the end of the year.

Advances amounting to \$36,613,677.31 were made by financing institutions under Regulation V, guaranteed by the War Department, Navy Department and Maritime Commission, during the year, compared to \$78,745,200.11 during 1944. The approvals of applications for guaranteed loans ranged from \$23,000 to \$3,000,000, practically all of which were in the form of revolving credits. The large majority of the guarantees were for 90 percent.

As of December 31, 1945, the amount of loans outstanding guaranteed by the War Department was \$2,907,967.18, portion guaranteed \$2,646,933.06; the Navy Department, \$1,223,816.80, portion guaranteed \$1,101,435.12; and the Maritime Commission, \$70,000.00, portion guaranteed \$52,500.00.

In 1945, eight hundred and twenty-three Foreign Funds Control applications to engage in transactions relating to blocked property were received, one hundred and seven of which involved the release of blocked securities, sixty-three received no action or were denied and six hundred and fifty-three were approved and licenses issued.

During the year all failed bank assets remaining as property of this bank were examined and borrowers contacted wherever possible in an effort to effect collections or compromise settlements. \$5,419.21 was received. Expenses and commissions incurred in making these collections amounted to \$1,061.62.

EXAMINATION DEPARTMENT

There were on December 31, 1945, one hundred seventeen 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 1945.

As of the end of the year, eleven 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, custodianship and safe-keeping accounts; in each of these cases their activities were checked by our examiners and a brief report written.

Sixty-nine national banks held permits to exercise full or limited trust powers. Application in behalf of one national bank for full trust powers was received during the year and powers 1 to 5 were approved by the Board at Washington. During the year, one national bank surrendered its trust powers and a similar application on the part of one other national bank has 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>
Michigan	15	-
Minnesota	26	3
Montana	38	-
North Dakota	0	-
South Dakota	25	-
Wisconsin	<u>14</u>	<u>-</u>
	118	3

Examination of Holding Company Affiliates

Each of the three holding company affiliates which are residents of this District was examined during the year. Examinations of the First Bank Stock Corporation and Bank Shares Incorporated were completed earlier in the year, but the examination of the Northwest Bancorporation, which was commenced as of the close of business November 26, 1945, has not yet been completed.

State Bank Applications for Membership 1945

Applications of three banks which were received in 1944 were approved during 1945 and membership completed. Five applications for membership in the Federal Reserve System were received from State banks during 1945. The applications of four of these banks were approved and the banks admitted to membership. One application for membership was pending as of the close of the year.

This application has been sent to the Board's office, but at the year end we had not been informed of the Board's action.

Reports of Examination of State Member Banks

The number of reports of examination received from the various State Banking Departments in the Ninth Federal Reserve District during 1945 of State member banks examined independently by them was as follows:

Minnesota	28
South Dakota	2
Wisconsin	2

Applications for permission to exercise Fiduciary Powers Approved, etc.

Application of the following banks for permission to exercise fiduciary powers were approved by the Board at Washington during 1945:

<u>Name of Bank</u>	<u>Location</u>	<u>Date Approved</u>	<u>Powers</u>
The Peninsula Bank of Ishpeming	Ishpeming, Michigan	*11-30-45	Limited
Crookston Trust Company in behalf of	Crookston, Minnesota	**11-19-45	Limited
Crookston National Bank	Crookston, Minnesota		

(*Board's conditions not yet accepted by bank.)

(**Effective if and when national bank is authorized to commence business.
National bank charter issued effective 11-21-45)

Application of the following bank for surrender of fiduciary powers was approved during the year:

<u>Name of Bank</u>	<u>Location</u>	<u>Date Approved</u>
The First National Bank of Little Falls	Little Falls, Minnesota	5-19-45

Application of The First National Bank of Kalispell, Kelispell, Montana, for surrender of fiduciary powers was forwarded to the Board at Washington on October 18, 1945 and is held in abeyance by the Board.

Applications for National Charters

Two applications for conversion of State institutions into national banking associations were referred to this office for recommendation during the year. These conversions were completed. One other application for a national bank charter to succeed another national bank which contemplated liquidation was referred to this office for recommendation, and certificate of authority to

commence business was issued by the Comptroller of the Currency.

Bank Changes in 1945
(Per Stock Book Records)

Total number of member banks in the District January 1, 1945	467
National banks organized	3
State banks admitted	<u>7</u>
	477
National banks succeeded by nonmember State banks	2
National banks absorbed by nonmember State banks	1
State member banks absorbed by other State member banks	<u>1</u>
	4
Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year	473

Membership

At the close of the year there were 473 member banks in this District as compared with 467 member banks at the beginning of the year. The number of national banks remained the same and there was a net gain of 6 State member banks. The total membership at the close of the year was divided into 356 national banks and 117 State banks.

State Bank Membership According to States

<u>State</u>	<u>No. of State Bank Members 1-1-45</u>	<u>No. of State Banks Admitted During Year</u>	<u>No. of State Banks Which Withdrew During Year</u>	<u>No. of State Bank Members 12-31-45</u>
Michigan	15	-	-	15
Minnesota	25	-	-	25
Montana	33	6	1	38
North Dakota	-	-	-	-
South Dakota	24	1	-	25
Wisconsin	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</u>
	111	7	1	117

FISCAL AGENCY DEPARTMENT
(Head Office)

During 1945 the Fiscal Agency Department handled all the details incident to the issuance of 16 offerings of marketable government securities for cash or exchange, excluding Treasury Bills. Seven of the issues were offered during the Seventh War Loan Drive and the Victory Loan Drive. The total number of subscribers for all such issues for the year was 39,632, of which 7,271 were banks, as compared to 47,814 subscribers in 1944, 6,482 of that number be-

ing banks. The total subscriptions received and allotted aggregated \$1,403,-575,500 as compared to total subscriptions received and allotted aggregating \$1,433,476,900 in 1944, the latter figure being based on a total of 25 offerings of marketable government securities during the year 1944.

There were received in 1945 2,631 tenders for Treasury Bills aggregating \$615,112,000 of which \$433,112,000 was accepted. The total tenders received represent 2,658 subscribers as compared with 4,104 tenders in 1944 covering 4,454 subscribers. The decrease evidently was due to banks seeking higher income by investing in Certificates of Indebtedness.

During the year this bank issued U. S. Savings Bonds of Series E, F, and G in the amount of \$183,872,000 (maturity value) involving 818,606 pieces as compared to \$213,059,325 (maturity value) involving 1,046,344 pieces issued in 1944. The issuing agents in this head office portion of the district issued 3,832,000 Series E Savings Bonds amounting to \$333,160,760 as compared to 5,280,869 pieces amounting to \$421,163,165 issued in 1944.

We shipped 4,015,351 pieces of Series E Savings Bonds to issuing agents in 1945 as compared to 5,508,765 pieces in 1944.

As of December 31, 1945 there were 1,111 incorporated banks and 102 branches properly qualified to redeem certain classes of U. S. Savings Bonds, Series A through E, as compared with 1,087 banks on December 31, 1944. Effective June 30, 1945 the Treasury Department authorized savings and loan associations, building and loan associations and credit unions, as well as certain other classes of financial institutions, to pay Savings Bonds, Series A through E, on the same basis as banks. There were on December 31, 1945, thirteen savings and loan associations and 2 branches, 2 building and loan associations and 2 branches, and 3 credit unions properly qualified to pay Savings Bonds. From Oct. 2, 1944 through June 30, 1945 banks were reimbursed on a quarterly basis for services rendered in paying Savings Bonds as follows:

- 15 cents each for the first 1,000 bonds
- 12 cents each for the second 1,000 bonds
- 10 cents each for all over 2,000 bonds

After June 30, 1945 the reimbursement schedule for all paying agents was as follows:

- 15 cents each for the first 1,000 bonds
- 10 cents each for all over 1,000 bonds

Reimbursement for paying bonds amounting to \$450,943.48 for 3,573,175 pieces was paid to paying agents making such requests during the year. During the

year 1945 the daily average of all United States Savings Bonds redeemed at the head office was 13,234 pieces as compared to a daily average of 11,837 for the period October 2, 1944 through December 31, 1944, October 2, 1944 being the date when banks were first authorized to pay Savings Bonds. The figures include redemptions by paying agents and direct redemptions by this bank.

There are 1,145 banks in the district now qualified as Special Depositories, of which 977 have active accounts, which number includes 86 active accounts handled by the Helena Branch. The amounts deposited in these accounts, exclusive of those accounts handled by the branch, aggregated \$1,045,929,829.50 for the year. The total deposits in War Loan Deposit Accounts as of December 31, 1945 were \$578,427,015.58.

During the year 1945 the number of Savings Bonds received for safekeeping averaged 8,622 pieces per month as compared with a monthly average of 9,721 pieces for 1944. The monthly average number of these bonds released from safekeeping during 1945 was 2,973 pieces compared to a monthly average of 1,770 pieces in 1944. As of December 31, 1945 this bank held for safekeeping 270,390 savings bonds as compared to 203,610 bonds as of December 31, 1944.

During the past year our Reissue Division handled 74,620 pieces of savings bonds for reissue for one purpose or another, the amount involved being \$8,782,455 as compared to 66,674 pieces in 1944 amounting to \$7,714,710. Reissue cases arise where original bonds have been incorrectly inscribed, where it is necessary to add, omit or substitute a beneficiary, add a co-owner, or change a beneficiary to a co-owner, and many other types of cases, and it is necessary to issue a new bond in order to effect the proper change.

We redeemed 523,912 Government coupons amounting to \$37,267,490.09 as compared to 437,819 coupons totaling \$29,084,090.81 during 1944. We also redeemed 18,264 Governmental Agency coupons amounting to \$315,966.46 during 1945 as compared to 63,906 totaling \$785,018.15 during 1944.

Beginning October 29, 1945, the opening of the Victory Loan Drive, there was placed on sale a \$200 denomination Savings Bond, Series E, in honor of the late President Franklin Delano Roosevelt. 39,824 pieces were sold during the Victory Loan Drive ending December 31, 1945.

Under the Tax Adjustment Act of 1945, U. S. Excess Profits Tax Refund Bds. became payable at par at the option of the holder on and after Jan. 1, 1946. These

bonds are not negotiable at the present time. There were received during November and December 915 such bonds amounting to \$6,879,832.02 for payment on and after January 1, 1946.

Adjusted Service Bonds, or Bonus Bonds as they were popularly called, matured on June 15, 1945. Because of the large volume of these bonds presented for payment at maturity, it was necessary to set up a special unit at the War Bond Annex to handle this work. This unit operated for a period of about six weeks and when the volume ran off, the work was returned to the main office and handled in regular course. These bonds were originally issued in \$50.00 denominations, and at maturity were redeemed at \$50.00 plus \$13.50 accrued interest. We received 180,403 pieces amounting to \$9,020,150 during the year for payment on which we issued 15,489 checks. The number of bonds presented by holders averaged 11 plus.

On December 31, 1945 there were 280 employees as compared with 323 on December 31, 1944.

The Victory Loan Drive which ended December 31, 1945 concluded the most successful war financing program in the history of the world. In order to briefly review the contribution made by the Ninth Federal Reserve District during the various drives, there is attached an exhibit setting forth certain interesting figures. These are statistical figures for the Ninth Federal Reserve District which include all incoming allocations of credit originating outside the district and exclude all outgoing allocations of credit arising as a result of sales originating in the district. The figures do not include sales to commercial banks for their own account. Series E Bond sales as shown in the exhibit include Army and Navy personnel purchases and post office sales for the entire State of Wisconsin, but exclude all post office sales and out-of-district sales for the State of Michigan, which were received and reported by the Detroit Branch of the Federal Reserve Bank of Chicago.

Sales to Non-Bank Investors in the Ninth Federal Reserve District

(In thousands of dollars)

<u>Drive</u>	<u>Dates</u>	<u>Natl. Quota</u>	<u>Total Natl. Subscription</u>	<u>Marketable Issues</u>	<u>E Bonds*</u>	<u>F&G Bonds</u>	<u>Tax Notes</u>	<u>Total</u>	<u>Ninth District Quota</u>
First	11-30-42 to 12-23-42	9,000,000	12,900,000	48,072	23,369	8,138	13,756	93,335	None
Second	4-12-43 to 5-1-43	13,000,000	18,600,000	163,782	87,162	28,806	33,524	313,274	175,000
Third	9-9-43 to 10-2-43	15,000,000	18,900,000	244,935	135,313	34,618	49,651	464,517	356,679
Fourth	1-18-44 to 2-15-44	14,000,000	16,700,000	225,400	152,419	39,144	66,974	483,937	317,800
Fifth	6-12-44 to 7-8-44	16,000,000	20,600,000	336,462	144,858	36,433	54,952	572,705	403,100
Sixth	11-20-44 to 12-16-44	14,000,000	21,621,000	394,885	134,286	30,725	57,813	617,709	339,600
Seventh	5-14-45 to 6-30-45	14,000,000	26,313,000	416,871	171,323	36,681	55,693	680,568	364,500
Victory Loan	10-29-45 to 12-8-45	11,000,000	21,144,000	388,644	102,975	26,899	38,365	556,883	255,400
	TOTAL	106,000,000	156,778,000	2,219,051	951,705	241,444	370,728	3,782,928	2,212,079

*Includes Army and Navy personnel purchases and post office sales for entire state of Wisconsin, but excludes all post office sales and out-of-district sales for state of Michigan which were received and reported by the Detroit Branch of the Federal Reserve Bank of Chicago.

Note: These are statistical figures for the Ninth Federal Reserve District which include all incoming allocations of credit originating in other Federal Reserve District as the result of sales and exclude all outgoing allocations of credit arising as a result of sales originating in the district.

COMPARATIVE VOLUME REPORT
Fiscal Agency Department
GOVERNMENT ISSUES AND OTHER THAN GOVERNMENT ISSUES

 1945.....	 1944.....	
	<u>Pieces</u>	<u>Amount</u>	<u>Pieces</u>	<u>Amount</u>
Gov't. Issues Delivered on Original Issues				
Tax Series	15,466	\$ 85,505,500	28,399	\$ 146,045,700
Direct Gov't. Obligations	117,086	1,717,869,000	122,874	1,904,951,400
U.S. Savings Bonds Delivered on Orig. Issues				
By us	818,606	183,872,000	1,046,344	213,059,325
By Issuing Agents	3,832,000	333,160,760	5,280,869	421,163,165
Redemptions				
War Savings Stamps & Thrift Stamps	37,915	472,104	49,581	645,020
U.S. Savings Bonds	4,001,445	194,559,770	2,656,774	123,729,810
Adjusted Service Bonds	180,403	9,020,150	5,269	264,700
Treasury Notes Tax Series	20,423	121,251,900	17,358	106,303,200
Coupon and Registered Securities Redeemed or Exchanged for New Issues	64,327	1,087,375,982	72,225	1,182,646,375
Exchanges Received (Coupon & Registered) and received against issues by other Federal Reserve Banks (CPD)	20,842	389,590,150	15,715	265,012,740
Savings Bonds Received a/c Reissues	74,511	8,782,455	66,293	7,714,710
Total to agree with Form E	9,183,024	\$4,131,459,771	9,361,701	\$4,371,536,145
Exchanges delivered (Coupon and Registered) and issued against receipts by other Federal Reserve Banks	20,000	\$ 380,145,750	20,687	\$ 275,946,950
Savings Bonds issued a/c Reissues	74,620	8,782,455	66,674	7,714,710
Delivered to agents on Consign. Series E	4,015,351	355,244,880	5,508,765	443,051,525
Securities handled by Bond Delivery Division in connection with the sale of Securities for other than our own account	17,179	395,764,700	15,950	252,488,175
Total	13,310,174	\$5,271,397,556	14,973,777	\$5,350,737,505
Securities handled by us for U.S. Govern- mental Corp. & Credit Agencies	12,637	\$ 23,525,325	50,117	\$ 49,959,250
Total Volume handled by Fiscal Agency	13,322,811	\$5,294,922,881	15,023,894	\$5,400,696,755
Treas. Checks issued in payment of Savings Bonds, Adjusted Service Bonds and other Public Debt Redemptions	84,297			743,730

Tabulating Operations in Fiscal Agency

The tabulating division of the Fiscal Agency department at Head Office increased the scope of its activities during the year to include services previously performed by the International Business Machines service bureau. An alphabetic tabulator was installed enabling the department to prepare all sales reports at the close of the Seventh and Victory War Loan drives and reports of sales by cities of Series E, F and G bonds between drives.

Effective July 1, 1945 arrangements were completed to submit to the Treasury schedules of bonds spoiled in the process of issue by issuing agents and this office on the same basis as redeemed savings bonds, expediting the handling of such bonds by the Treasury and eliminating the sort by serial numbers. During the period July 1, 1945 through December 31, 1945, 80,710 bonds spoiled in the process of issue were handled under this arrangement.

Tabulating equipment was installed at the Helena Branch permitting the handling of the Seventh and Victory Loan drive sales reports on this equipment. The tabulating equipment at Helena was also utilized for handling Treasury punch card checks, the scheduling of savings bonds sold, the preparation of sales reports between war loan drives of sales of Series E, F and G bonds. Effective November 1, 1945 arrangements were completed for the Helena Branch to submit schedules of savings bonds redeemed on a basis similar to that in effect at Head Office. In addition to the detail listings of savings bonds redeemed and shipped, tabulator listings are furnished the Treasury at the close of the month of the bonds redeemed in serial number order. This arrangement eliminates the necessity of the Treasury sorting the bonds according to serial numbers to note redemptions on the numeric registers of bonds issued. The Branch also uses the tabulating equipment for the recording of number of pieces of savings bonds redeemed by each qualified bank and for preparing a monthly report of the amount of redemptions of savings bonds by counties.

The tabulating division of the Fiscal Agency department at Head Office prepared schedules of savings bonds sold by month of issue, denomination and in serial number order for 4,650,606 savings bonds sold during 1945. Detailed

shipping schedules and lists of savings bonds, Series A-E redeemed, also arranged in serial number order were tabulated during 1945 for 3,982,973 savings bonds redeemed as compared with 2,645,140 during 1944.

The Treasury expects to inaugurate a new plan of handling redeemed savings bonds effective February 1, 1946 materially increasing the tabulating activities of this bank. The Treasury will discontinue one of two audits under the revised procedure and the detailed checking of bond serial numbers on Federal Reserve bank shipping schedules. In lieu of submitting lists of bonds redeemed in serial number order, under the new procedure the Reserve banks will submit the punch cards prepared for each redeemed bond to a Treasury Regional office.

NONCASH COLLECTION DEPARTMENT

During 1945 the Noncash Collection Department handled 837,472 grain drafts, an increase of 38,121 items as compared to 1944. The value of grain items handled totaled \$690,584,580, an increase of \$146,440,000 over 1944. This increase in dollars and number of items was due to the increased volume of grain shipments in 1945.

There was an increase of 2,601 city collection items, and 7,641 country items handled in 1945 compared to 1944.

Security collections showed a decrease of 4,128 items, although the dollar value of security collections increased \$6,641,000 over 1944.

Member banks forwarded 2,883 collections, totaling \$24,778,815 direct to other Federal Reserve banks for their credit with us during 1945, as against 3,735 during 1944.

Comparison of Number of Items Received for Collection

	<u>City Collections</u>		<u>Country Collections</u>		<u>Security Collections</u>	
	<u>1945</u>	<u>1944</u>	<u>1945</u>	<u>1944</u>	<u>1945</u>	<u>1944</u>
<u>Number of Items</u>						
Grain Drafts	837,472	799,351				
City Items	27,620	25,019				
	865,092	824,370	42,190	34,549	25,504	29,632
<u>Dollar Value</u> (000 omitted)						
Grain Drafts	\$690,585	\$544,143				
City Items	242,485	185,868				
	\$933,070	\$730,011	\$37,381	\$24,230	\$34,533	\$27,891

PERSONNEL DEPARTMENT

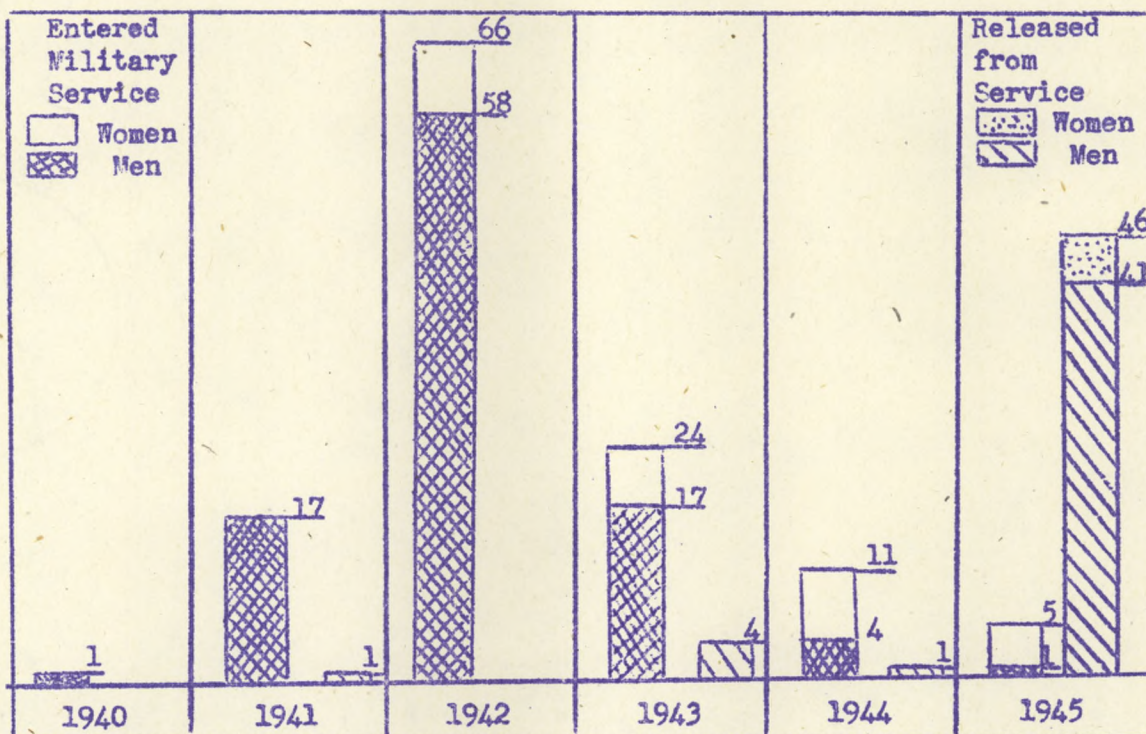
During 1945, the employment picture in the bank turned about until at the end of the year our need for new help was at a four year low. Factors which helped create this favorable situation were: first, our carefully developed and long term friendly contact with the local high schools which made it possible for us to employ a near normal number of June graduates despite a tight labor market and a small city-wide graduating class; second, a consistent downward trend in our net turnover figures during the entire last six months of the year.

Throughout the year a total of 307 persons were employed as against 317 during 1944, while separations were reduced 20 percent, totaling 324 dur-

ing 1945 as against 405 during 1944.

The change from all-out war to victory meant that only five persons (four women and one man) left the bank for military service during 1945, the smallest number since 1940. At the same time, servicees have been and are being released from service at an accelerating rate.

Employees Entering and Leaving Military Service
(Head Office)



Thus far our records indicate that a little more than half of the 125 employees in military service from this bank and branch have been released. Fifty-four have been discharged, four are on terminal leave, three have been released to inactive duty and five died in service.

Twenty-four servicees have been reemployed, eighteen at Minneapolis, and six at Helena. Eighteen servicees have accepted employment in other lines, four are attending school under the G. I. Bill and fifteen are looking around, still undecided as to their ultimate plans.

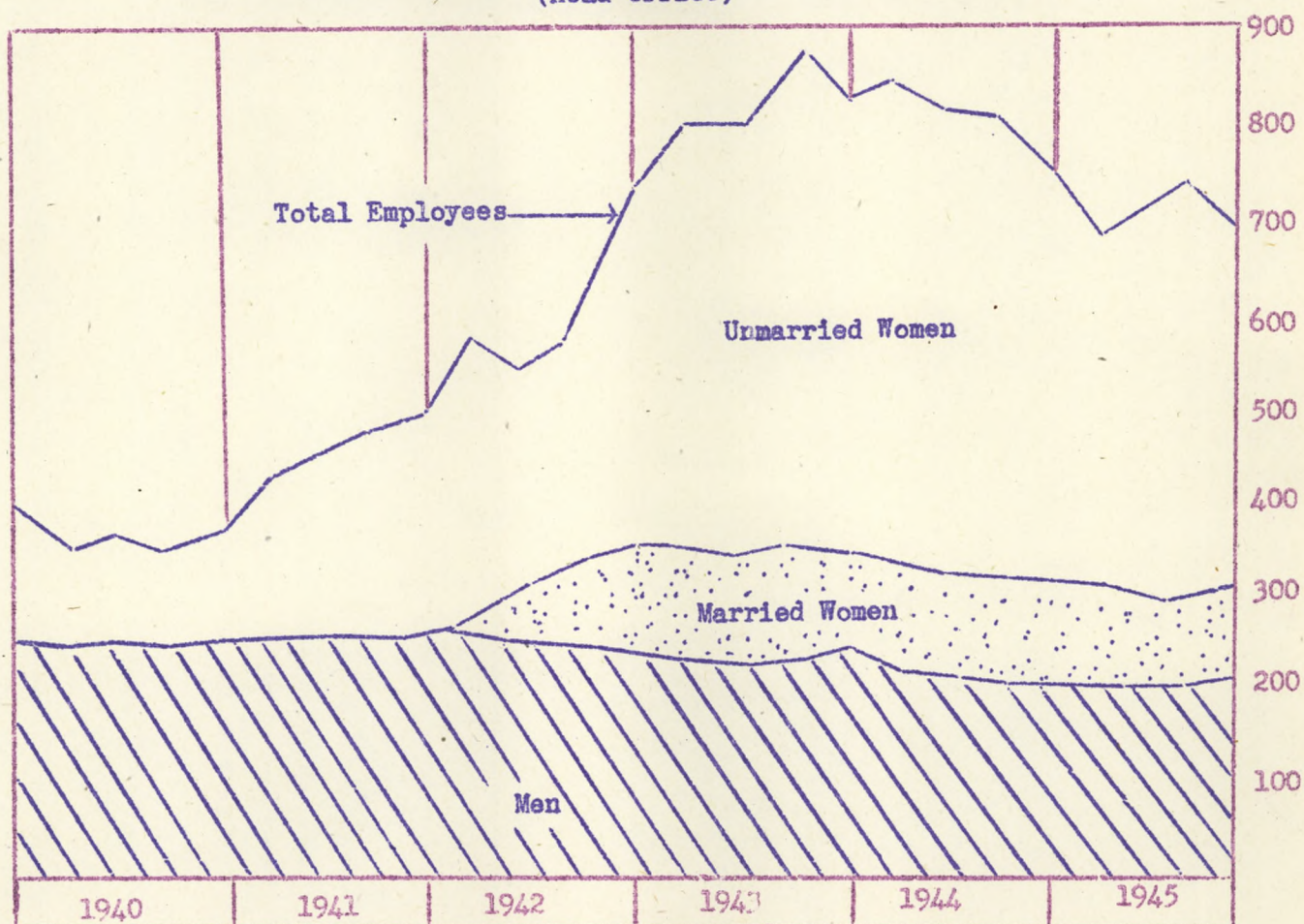
Realizing that 1945 would see a rapid release of servicees and present a pressing problem of reemployment, the Personnel Department, early in the year, completed careful plans for the reassignment of veterans.

Salary studies were prepared to permit analysis of salary changes, during the war period, by salary groups and these studies were the basis of a reemployment salary schedule for returning veterans. This schedule is used in

increasing the servicee's salary base to a level consistent with his probable earnings, had he been able to remain on the job throughout the war.

With further respect to the reemployment of veterans, the Personnel Department developed a plan which called for the preparation of concise departmental war-period histories for use in reorientation talks during the first day or two of the servicee's return to the job. Such talks serve to quickly and painlessly bring the servicee up to date on changes which have taken place in operations or procedures during the war.

Composition of Staff at the end of each Quarter, 1940-1945
(Head Office)



Early in the year a continuing series of "Mothers and Daughters Luncheons" were started, beginning with more recent additions to the staff. Employees are invited to ask one of their parents to lunch at the bank, the lunch to be followed by a bank tour. Thus far 76 employees and their guests have accepted our invitation. The favorable comments from employees and guests have been both unanimous and gratifying and indicate accomplishment of our dual purpose, creating understanding and establishing friendships.

The luncheons are arranged by departments, in so far as is possible, and the Officer and department head serve, with a representative of the Personnel, as hosts. The guests go through the regular cafeteria line and carry their own trays, in this way gaining, at first hand, experience in the employee's eating arrangements. After lunch the employees and their guests are taken on a tour of the bank and at its conclusion each employee takes her visitor directly to her own desk. Here the visitor may meet the employee's fellow workers and see the work performed. Pictures of each employee and guest are taken during this part of their visit and prints are later sent each visitor along with a copy of "Your Money" and the "Peggy" booklet. Correspondence with the guests both before and after the luncheons are signed by the Officer in charge of the department in which the employee involved is assigned.

In April a Job Evaluation Committee was set up to prepare job descriptions and conduct job analyses to test the feasibility of a Job Evaluation program for this bank. The secretary of this committee, a member of the Personnel department, is now preparing a report covering a review of this preliminary step.

In June, Mr. Peyton established an employee counseling service and this office is staffed by a member of the Personnel department who, with the welfare secretary as assistant, acts as counselor for employees who have personal problems, troubles, suggestions, complaints, etc. Thus far, our experience with this service indicates it is of value to employees and the bank.

In July the Personnel department assumed the operation of the fiction library for the Federal Reserve Club and in so doing moved its location from the Research department to a position on the third floor adjacent to the cafeteria. This move coupled with an increased schedule of library hours has caused a 30% increase in circulation of books.

During the month of July a dividend was received from the Equitable Life Assurance Society. This payment was occasioned by an unusually favorable

insurance experience with employees covered under our group life contract. It was decided to pass this reimbursement on to employees participating in the insurance and accordingly the money was used to pay the employees' group life and accidental death premiums for the three months August, September and October. This is the first time any such action has been possible and it served as a noticeable morale booster for those sharing in the benefit.

In November, inspectors from the Wage Hour Division of the U. S. Department of Labor made an inspection of wage-hour records at this bank and its Helena branch. The inspection, which consumed about ten days, was the first of its kind experienced by this bank though six other Reserve banks have been so inspected.

The department has continued its policy of attempting to keep informed on ideas and problems in personnel, with representatives attending meetings of the local chapter of the Office Manager's Association, seminar meetings at the University of Minnesota and personnel conferences held at the New York and Chicago Reserve banks.

RECONSTRUCTION FINANCE CORPORATION DEPARTMENT
(Head Office)

Our activities for the RFC during 1945 have been in the main much as before. There were several new angles, however. One was the absorption by the RFC of five of its affiliates: Disaster Loan Corporation, Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company, and Rubber Reserve Company, which, however, did not materially change matters for us. The Corporation put into operation a plan whereby it agrees under a blanket agreement to purchase participations up to 75% of loans made by banks. During the year 183 banks qualified under the plan, but only about 75 loans aggregating less than \$3 million were made under it. Comparatively few new loans were made this year; most of them were made by the Smaller War Plants Corporation. We have a number of old loans on our books. The new RFC loans totaled \$500 thousand plus and the Smaller War Plants Corporation about \$700 thousand. Preferred stock and debenture holdings are being constantly reduced; numerous banks have completed retirement of their issues. Activities for account of affiliates have been largely in reverse; for instance, properties and equipment owned by the Defense Plant Corporation (now RFC) have and are being disposed of; plants, including many privately owned, are being cleared of equipment furnished by Defense Plant Corporation; wool owned by Defense Supplies Corporation (now RFC) is being disposed of -- that held for the United Kingdom has and is being transported abroad -- (storage charges paid during 1945 on wool owned by Defense Supplies Corporation aggregated \$25,500 and on that held for the United Kingdom \$154 thousand. We verify all such charges.); and rationed articles which had been acquired by Defense Supplies Corporation have for the most part been disposed of.

Subsidy payments are being made. 649 disbursements on flour for 1945 aggregated \$67 million, making a grand total to date of 1,267 aggregating about \$106 million. 6,445 disbursements on meat for the year aggregated over \$15 million, making a grand total of over \$35 million.

We have a number of bond issues which we service. These were acquired in connection with various Public Works Administration projects,

RFC irrigation and drainage projects, etc.

We now issue checks for payrolls of the local agency which has grown very considerably, principally because of property disposal. We also issue checks for various expenses and costs involved in the disposal and other programs.

War Damage Corporation activity has been very light -- no new policies and very few adjustments.

Activity for other RFC affiliates, RFC Mortgage Company and Federal National Mortgage Association, has largely been servicing of loans made or acquired prior to 1945.

Federal Public Housing Administration

We have several bond issues acquired in connection with housing projects which it financed. Some of its projects are financed by short term notes sold to eastern banks or trust companies which will later be refinanced through the issue of bonds by the Housing Administration. One such transaction is still on our books.

Federal Works Agency

During 1945 we acquired only two new bond issues from financing of hospitals.

Commodity Credit Corporation

During 1945 we paid drafts drawn against the Commodity Credit Corporation as follows: Dairy Production Sight Drafts totaling 1,151,022 for \$56,226,729.49, Sheep and Lamb Production Drafts 27,257 for \$1,342,792.10 and Beef Production Drafts 20,128 for \$1,273,995.15.

We disbursed checks for purchases of grain, grain notes, payments of freight, storage etc. aggregating \$146,630,560.76. The total number of checks disbursed for the year was 33,634 for a total sum of \$205,474,077.50.

We received for collection and credit to Washington checks, drafts, and other items aggregating \$91,596,192.53.

Grain notes received for custody totaled 17,274 and we released 17,351. Warehouse receipts received totaled 6,315 and we released 12,240.

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Our department handling the matters mentioned above is now reduced to 36 people..

Auditors of the R.F.C. came to our bank on last September 28 for the first time in five years. The outlook is that they may not finish until in March. There are about fifteen men in the crew, most of whom work on our records; the others are at the local loan agency.

RESEARCH DEPARTMENT

Major Personnel Changes

The activities of the Research Department in 1945 continued along the course of the preceding years.

There were three major personnel changes. In May 1945, Arthur R. Uppgren, Vice President and Economist, resigned from the bank to accept positions as Associate Editorial Editor of the Minneapolis Star Journal and Professor of Economics at the University. The Director of Research Paul W. McCracken was placed in charge of the research activities.

The second major change was incident to the return from military service of George Wilkens. Mr. Wilkens was made Statistician, to be in general charge of the statistical activities of the Department, and O. F. Litterer, formerly Statistician, was shifted to the position of Industrial Economist. The latter position had not been previously filled. Mr. Litterer's new work will deal with industry studies in the Ninth District and economic analyses incident to Northwest commercial and industrial development. This new work is parallel with the setup of the research activities at the other Federal Reserve Banks.

The third personnel change was the addition of Miss Eileen Miller as head librarian. Miss Miller is a professional librarian with a library science degree from the library school of St. Catherine's College of St. Paul,

and has had library experience at Macalester College and the University of San Francisco.

Library

The addition of a professional librarian was in line with our program of developing the library into a more useful method of disseminating information. In December a library letter was inaugurated. Its chief purpose is to inform the bankers (and others) in the District about material in the library available for circulation. Reviews of recently acquired publications are written by the various members of the staff for this publication.

During the year our inventory of books was further expanded. At the present time we are subscribing to 95 periodicals, all of which are available for use within the bank.

Publications

The major publications of the Department have been continued and expanded. The Monthly Review is currently being circulated to 5,512 bankers and others, all of whom are on our mailing list by request. It is interesting to note that 17 issues are circulated to overseas readers.

Special articles carried in the 1945 Monthly Reviews included the following:

- "Bank Earnings Continue to Expand"
- "Beef Cattle Situation Suggests Caution"
- "Consumer Credit A Factor in Instability"
- "Income From Livestock Tops Grain in Ninth District"
- "Price Control Has Curbed Wartime Prices"
- "Expansion in Construction Already Noted"
- "Liquid Assets Stimulate Postwar Economy"

The Farm News has met with increasing popularity, and at the present time has a requested circulation of 1,437.

The typography of the Weekly News Review has been redesigned; it continues to be sent only to executive officers of member banks. A survey of the readers to determine if the News Reviews were actually read revealed that 98 percent of those returning the survey read it regularly. A majority found items on agriculture to be of most interest and those on deposits and

money in circulation of the least interest. The selection of our material is being modified accordingly.

In addition to these regular publications, a special study on the wheat situation written by F. L. Parsons was circulated during the year.

The Proceedings of the Conference of Agricultural Economists held in October were also sent to the bankers and newspapers in the District. It is interesting to note that the major address at this conference was featured in "Vital Speeches".

Conferences and Speaking Engagements

A new type of conference this year was sponsored by the Research Department with the Federal Reserve Bank acting as host. Agricultural economists from all over the Ninth District were invited into Minneapolis for an all-day session to consider the subject "Issues Involved in Agricultural Policy." Approximately 35 economists attended this session, and all of the full states in the District were represented, together with a delegation from the University of Wisconsin and the agricultural economists from the Federal Reserve Bank at Chicago.

The program of the day was as follows:

- 9:45 Registration
- 10:15 J. N. Peyton, President, Welcoming Remarks
- 10:30 O. S. Powell, First Vice President, "Reserve Bank Operations Related to Ninth District Agricultural Economy."
- 11:00 Paul McCracken, Director of Research, "Research."
- 11:30 F. L. Parsons, Agricultural Economist, "The Agricultural Economists Place in the District."
- 12:00 Luncheon, Phil Eckert, Montana State College, "Agricultural Credit in Paraguay."
- 1:15 Tour of Bank
- 2:30 R. R. Renne, President, Montana State College, "Agricultural Policy in Review."
- 3:15 O. B. Jesness, Department of Agricultural Economics, University of Minnesota, "Agricultural Policy, A Look Forward."
- 4:00 Discussion on Agricultural Policy and Problems.
- 6:30 Dinner - Speakers:
 - R. M. Evans, Member, Board of Governors of the Federal Reserve System, Washington, D. C.
 - Dr. Joseph S. Davis, Director, Food Research Institute, Leland Stanford University.

In addition to this, the senior members of the Department have continued their procedure of accepting speaking engagements out over the

District, and a total of 102 of these engagements were filled in 1945. Most of these were made initially through the bankers in the various communities. The subjects of most interest were international monetary stabilization, agricultural outlook and policies, and looking ahead at northwest business.

Special Projects

During the year our statisticians assisted in the tabulation of 6 community surveys. The service which we performed was two-fold. We assisted in tabulating the returns on employment and consumer demands in the area, and in some cases throughout the survey some of our personnel advised with the local committees in the more technical statistical problems of setting up the projects.

The bank deposits ownership survey was substantially enlarged, and approximately 370 banks sent in ownership data for tabulation.

System Research

In line with the current System policy of emphasizing regional System-wide research, the personnel in our Department served on a number of these System research committees. Our Department was represented on the over-all Subcommittee of the President's Conference Committee on Research (a group consisting of the heads of research at all of the banks and the Director of the Division of Research at the Board), the Agricultural Committee, the Business Finance Committee, and the Committee on State and Local Finance. These committees have held meetings at various times during the year in accordance with their particular projects.

SAFEKEEPING DEPARTMENT (Head Office)

At the close of business December 31, 1945, the total of all securities held in our custody for safekeeping and collateral purposes (excluding U. S. Savings Bonds for individuals) totaled \$1,795,300,984.92, an increase of \$263,302,128.55 during the year. The principal increases

were as follows:

Member bank safekeeping	\$176,871,109.08
Safekeeping-Pledged accounts	17,132,078.55
Collateral to War Loan Deposit Accounts	36,201,400.00
Treasury Bills held under Repurchase Option	17,323,000.00
U. S. Savings Bonds held for non- members	13,832,625.00
Safekeeping -- Nonmember accounts	3,574,000.00

The department issued 14,268 receipts and handled 10,957 withdrawals during 1945, as compared with 15,193 receipts and 12,105 withdrawals during 1944.

We received 83,382 pieces and delivered 68,072 pieces in 1945, as compared to 79,954 pieces received and 63,967 pieces delivered during 1944. There were 6,293 transfers from one account to another in 1945, compared to 5,907 transfers for 1944. The number of coupons clipped this year was 281,717 as compared to 275,021 the previous year.

For comparative purposes, there is listed below a statement of all accounts showing securities held at the close of business December 31, 1945 and December 31, 1944.

	<u>December 31, 1945</u>	<u>December 31, 1944</u>
Government and miscellaneous securities held in safekeeping for members	\$ 865,182,331.85	\$ 688,311,222.77
Securities pledged to secure public deposits	210,138,985.43	193,006,906.93
U. S. Savings Bonds held for Nonmembers	41,266,950.00	27,434,325.00
Securities held for U.S. Treasurer and others	3,479,400.00	3,464,400.00
Securities held for Reconstruction Finance Corporation	12,834,431.49	13,855,522.49
Collateral to War Loan Deposits	605,253,000.00	569,051,600.00
U. S. Depositary Bonds held in Safekeeping	3,589,000.00	3,375,000.00
U. S. Depositary Bonds held as Collateral to Time Deposits	119,500.00	103,500.00
Federal Works Administration	75,020.00	54,806.00
Collateral to Discounts, Rediscounts and Industrial Advances	200,708.00	1,052.00
Securities held for U.S. Housing Authority	1,747,024.00	2,823,028.00
Collateral to Consignment Account--U.S. Savings Bonds, Series E	131,500.00	136,300.00
Treasury Bills held under Repurchase Option	31,423,000.00	13,595,000.00
Safekeeping--Nonmember Accounts	19,810,000.00	16,236,000.00
U. S. War Savings Stamps	111.68	170.76
Unclaimed Cashier's Checks	22.42	22.42
Suspended Delivery (Original Issue)	-	500,000.00
	<u>\$1,795,300,984.92</u>	<u>\$1,531,998,856.37</u>