

ANNUAL REPORT
OF
FEDERAL RESERVE BANK OF MINNEAPOLIS
TO THE
BOARD OF DIRECTORS
1949

I N D E X

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H I G H - L I G H T S O F 1 9 4 9

Capital accounts reach new all-time high.

- - - -

Net earnings and profits reach new all-time high.

- - - -

Interest on Federal Reserve notes paid to U. S. jumps to
\$6,268 thousand from \$5,081 thousand.

- - - -

Member bank reserve requirements at all-time high on
January 1, 1949.

- - - -

Rules governing reserve deficiency penalties relaxed.

- - - -

Check Collection Department sets new volume records.

- - - -

Revised check collection availability schedule benefits
member banks.

- - - -

Head Office becomes paying agent for Government card checks.

- - - -

Outgoing currency shipments reach 16 year high for single day.

- - - -

Industrial Loan program reactivated.

- - - -

Personnel "Farming Out Program" inaugurated.

- - - -

New bank movie produced.

- - - -

"Central Banking Seminar" sponsored.

- - - -

"Money and Banking Workshop" conducted for educators.

- - - -

Our share of securities held in System Open Market account
decreases \$100 million.

- - - -

Bank's activities televised.

- - - -

HEAD OFFICE DIRECTORS & MEMBER OF FEDERAL ADVISORY COUNCIL

Term Expires
December 31

Directors

Roger B. Shepard, Chairman, and Federal Reserve Agent
W. D. Cochran, Deputy Chairman

Class A

| | |
|--|------|
| J. R. McKnight, Chairman of the Board, The Pierre National Bank, Pierre, South Dakota | 1950 |
| Charles W. Burges, Vice President & Cashier, Security National Bank of Edgeley, Edgeley, North Dakota | 1951 |
| Henry E. Atwood, President, The First National Bank of Minneapolis, Minneapolis, Minnesota | 1952 |

Class B

| | |
|---|------|
| Walter H. McLeod, President, Missoula Mercantile Co., Missoula, Montana | 1950 |
| Ray C. Lange, President, Chippewa Canning Co., Chippewa Falls, Wisconsin | 1951 |
| Homer P. Clark, Honorary Chairman of the Board, West Publishing Co., St. Paul, Minnesota | 1952 |

Class C

| | |
|---|------|
| Roger B. Shepard, 322 Endicott Building, St. Paul, Minnesota | 1950 |
| Paul E. Miller, Director, Agricultural Extension Division, University of Minnesota, Minneapolis, Minnesota | 1951 |
| W. D. Cochran, G.M.C. Truck Distributor, Iron Mountain, Michigan | 1952 |

Member of Federal Advisory Council

| | |
|---|------|
| Joseph F. Ringland, President, Northwestern National Bank of Minneapolis, Minneapolis, Minnesota | 1950 |
|---|------|

OFFICERS

J. N. Peyton, President

O. S. Powell, First Vice President

H. C. Core, Vice President in Charge of Personnel

Personnel:

Cafeteria

Education & Welfare

Medical

Personnel Maintenance

Retirement System

Office Boys & Pages

E. B. Larson, Vice President

C. Ries, Assistant Cashier

Fiscal Agency

Securities:

Purchase and Sale

Federal Taxes

H. G. McConnell, Vice President

C. E. Tillander, Chief Examiner

Bank Examination

Securities Exchange Act

A. W. Mills, Vice President and Cashier

General supervision over all internal operations

Building

Protection

Purchasing

Otis R. Preston, Vice President

Clement Van Nice, Assistant Cashier

Public Services

R. E. Towle, Vice President

C. W. Groth, Assistant Vice President

Assigned to Helena Branch

Sigurd Ueland, Vice President & Counsel and Secretary

Legal

A. R. Larson, Assistant Vice President

Currency & Coin

Noncash Collection

Registered Mail

Securities:

Safekeeping

OFFICERS (Cont'd)

M. H. Strothman, Jr., Assistant Vice President
George M. Rockwell, Assistant Cashier
Industrial Loans
Loans & Discounts
Regulation V Loans

A. W. Johnson, Assistant Cashier
Accounting:
General Books and Bank Accounts
Expenditures
Transfer of Funds
Foreign Exchange Reports

Wm. E. Peterson, Assistant Cashier
Accounting
Custodianships:
RFC, CCC, and others

M. O. Sather, Assistant Cashier
Check Collection
Equipment Repairs
Files & Old Records
Ordinary Mail

W. H. Turner, Assistant Cashier
Duplicating
Telephone
Vault

M. E. Lysen, Operating Research Officer
Efficiency Studies
Equipment
Office Forms
Operating Manuals
Planning
Suggestions

- - - -

J. Marvin Peterson, Director of Research
F. L. Parsons, Associate Director of Research
Library
Publications
Research
Statistics

- - - -

O. W. Ohnstad, Auditor

- - - -

HELENA BRANCH DIRECTORS

Term Expires
December 31

James A. McCain
Chairman

| | |
|--|------|
| Theodore Jacobs, President, First National Bank, Missoula, Montana | 1950 |
| E. D. MacHaffie, President, State Publishing Co., Helena, Montana | 1950 |
| James A. McCain, President of Montana University, Missoula, Montana | 1950 |
| W. A. Denecke, Livestock Rancher, Bozeman, Montana | 1951 |
| B. M. Harris, President, The Yellowstone Bank, Columbus, Montana, and President, The Yellowstone Bank, Laurel, Montana | 1951 |

CHANGES DIRECTORS AND OFFICERS

Changes in directors and officers of the bank included the election in November of Henry E. Atwood, President of the First National Bank of Minneapolis, Minnesota, as a Class A director, and the re-election of Homer P. Clark, Honorary Chairman of the Board of the West Publishing Company, St. Paul, Minnesota, as a Class B director. Both were elected for three-year terms beginning January 1, 1950.

In December the Board of Governors of the Federal Reserve System redesignated Roger B. Shepard, St. Paul, Minnesota, as Chairman of our Board of Directors and Federal Reserve Agent for 1950. W. D. Cochran, Iron Mountain, Michigan, was redesignated Deputy Chairman for 1950 and was also reappointed Class C director for a three-year term beginning January 1, 1950. At the same time a new director for the Helena Branch was appointed for a two-year term beginning January 1, 1950. He is W. A. Denecke, Bozeman, Montana, livestock rancher.

At the December 6 meeting the Board of Directors of our bank re-elected B. M. Harris, President of the Yellowstone Bank, Columbus, Montana, and the Yellowstone Bank, Laurel, Montana, to a two-year term beginning January 1, 1950, as director of the Helena Branch. Joseph F. Ringland, President of the Northwestern National Bank of Minneapolis, was elected to the Federal Advisory Council for the year 1950.

On January 14, 1949, our Board of Directors named Franklin L. Parsons of the Research Department, Associate Director of Research.

A. R. Larson was promoted to Assistant Vice President from Assistant Cashier effective June 1, 1949.

Harry I. Ziemer, Vice President and Secretary, died on November 10.

He entered our employ in 1917 and except for a period during World War I, in which he served in the navy, he was with the bank until the time of his death.

At the November 15 directors' meeting, Sigurd Ueland was elected Secretary of the Federal Reserve Bank in addition to his present official title and duties.

On December 6 the following promotions were announced:

| <u>Name</u> | <u>Previous Title</u> | <u>Department</u> | <u>New Title</u> |
|----------------------|------------------------------|-------------------|---------------------------------------|
| Harold C. Core | Personnel Officer | | Vice President in Charge of Personnel |
| Earl B. Larson | Asst. Vice President | | Vice President |
| M. H. Strothman, Jr. | Assistant Counsel | | Asst. Vice Pres. |
| C. E. Tillander | Chief Examiner (Nonofficial) | Examination | Chief Examiner (Official) |
| Arthur W. Johnson | Department Head | Accounting | Asst. Cashier |
| Christian Ries | Supervisor | Fiscal Agency | Asst. Cashier |
| George Rockwell | Department Head | Discount | Asst. Cashier |
| Marcus O. Sather | Manager | Check Collection | Asst. Cashier |
| Clement Van Nice | Asst. to Vice Pres. | Public Services | Asst. Cashier |

CHANGES IN THE BALANCE SHEET FIGURES
OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS

The Business Situation

In 1949 the United States economy came face-to-face with a hard-boiled test: was it possible to settle down from the booming postwar inflation without suffering a devastating collapse? For 1949, at least, the answer was favorable.

At the end of 1948 the U. S. economy rode over the crest of inflation and slid into a mild recession. By mid-year 1949 reduced production, employment, and prices reflected cutbacks in business expenditures. All along the line, businesses reduced inventories and shortened commitments. The pipelines were filled and the period of inventory accumulation which had held sway since the end of the war had reversed itself.

The consuming public, however, had not stopped buying. True, the postwar sellers' market had been supplanted by a more normal buyers' market. With the return of competitive conditions, businessmen had to "court the consumer". But they found him easily wooed, for consumers in 1949 had backlogs of savings, and, despite the drop in employment, national income was maintained close to the high level of the previous year.

By mid-year 1949 the adjustments in prices and inventories which had depressed the business scene in the first half of the year, had laid the groundwork for a modest recovery. Price declines had been orderly and had served to entice buyers into the market. As stocks were depleted, new business buying started production and employment back up the road of recovery. By the year's end when total expenditures for goods and services (gross

national product) were added up they were only 1 per cent below the record-breaking level of a year ago.

A few statistics will add some meat to this skeleton outline of the nation's economy in 1949.

| <u>United States</u> | <u>1948</u> | <u>1949</u> | <u>% Change</u> |
|-------------------------------------|------------------|-------------|-----------------|
| | (Billions of \$) | | |
| Gross National Product | 262 | 259 | - 1 |
| Personal Consumption Expenditures | 179 | 178 | - 1 |
| Personal Income | 212 | 212 | |
| Cash Farm Income | 31 | 28 | -10 |
| | (Index Numbers) | | |
| Industrial Production (1935-39=100) | 192 | 175 | - 9 |
| Wholesale Prices (1926=100) | 165 | 155 | - 6 |
| Consumers' Prices (1935-39=100) | 171 | 169 | - 1 |

A Flexible Monetary Policy

How did the central bank authorities meet the test of economic adjustment during 1949? They found their answer in a flexible monetary policy attuned to changing economic conditions.

At the start of the year the Federal Reserve System shifted from its anti-inflation program of 1948 to a more or less neutral position. Then as it became clear that downward pressures dominated the economy, the monetary managers launched a positive easy money program.

On March 2 the Federal Reserve Board announced a modest relaxation of consumer credit controls. Maximum maturities permitted were lengthened and down payment requirements reduced. This was followed on March 28 by an announcement cutting margin requirements for purchasing listed stocks, from 75 per cent to 50 per cent. And effective April 27 consumer credit regulations were further eased.

The Federal Reserve Board had so far relied on qualitative credit controls - controls geared to specific areas of credit. Late in April, however, the Board of Governors pulled one of its levers of quantitative control - control on the over-all supply of credit.

On April 28 the Board ordered a reduction in reserve requirements for all member banks to be effective in the first week in May. Requirements on demand deposits were cut from 26% to 24% for central reserve city banks, from 22% to 21% for reserve city banks, and from 16% to 15% for country banks. Requirements on time deposits were lowered from 7 1/2% to 7% for all member banks.

These reductions placed \$1.2 billion of additional lending or investing capacity at the disposal of the nation's member banks. Of this, about \$25 million was released in Ninth district member banks.

In ordering the reduction in reserve requirements, Chairman Thomas McCabe of the Federal Reserve Board announced, "The present action was taken in furtherance of the Board's policy of adjusting its credit regulations in accordance with changing economic conditions and the credit requirements of the current business situation".

What was the impact of these released reserves on the money market? For the most part, banks invested these newly available funds in the government securities market.

Since the first of the year demand for bank loans had been somewhat depressed. In particular, business loans at the larger city banks declined sharply. On the other hand, the turn of the year saw a shift from weakness to strength in the government securities market. Bank and nonbank investors turned to government securities as other sound outlets for their funds diminished.

The open market policy of the Reserve System continued in the first half of 1949 to be tied to maintaining a relatively fixed pattern of rates in the government securities market. In 1948 this policy had meant the pegging of the government bond list at or near par. It had called forth huge purchases of government bonds by the Reserve System to offset downward pressure on bond prices.

In 1949 the money market picture changed. Demand for bonds by investors threatened a disorderly rise in prices, and the Reserve System entered the market on the "sell" side holding the price increases within narrow limits.

From the first of January through April, Reserve System holdings of government bonds declined \$2.1 billion. And in May, under the impact of bank demand sparked by reduced reserve requirements, Reserve System holdings of bonds decreased a further \$.5 billion. In the Federal Reserve Bank of Minneapolis the government bond portfolio dropped \$65 million in the first five months of 1949.

The reduction in reserve requirements in May also created demand for short-term securities, which was partly met by sales from the Reserve System's portfolio. The System's combined holdings of bills, certificates of indebtedness, and notes were reduced \$.8 billion during May, of which \$27 million represented the participation of the Federal Reserve Bank of Minneapolis.

Treasury Operations

Treasury operations in the first half of 1949 also reflected the changed business environment. The Treasury program of slowly raising the cost of short-term money as an anti-inflationary measure came to a halt in September 1948. At that time the rate on one-year certificates was advanced

1/8% to 1 1/4%.

The rate of 1 1/4% on new issues of CI's was maintained throughout the first half of 1949, hand-in-hand with the Treasury's policy of refinancing with short-term issues. In the first six months of 1949, \$16.6 billion of matured or called CI's, notes, and bonds were rolled over into new 1 1/4% certificates.

From January through March the Treasury typically has a cash surplus due to heavy tax collections. The surplus amassed in the first quarter of 1949 totalled \$3.2 billion - a sharp reduction from the first quarter surplus of a year ago. Both lower receipts and higher expenditures had pared away the Treasury's surplus.

During the period of inflation, notably in the first quarter of 1948, the Treasury used its cash surplus as a major weapon against the increasing money supply. Debt held by the Federal Reserve banks was retired, thereby extinguishing bank reserves and deposits.

In the first quarter of 1949 the Treasury continued its debt retirement program, although on a greatly reduced scale. Some reserve-held bills and certificates were paid off in the first three months of this year, exerting a mild deflationary pressure on the economy.

In the second quarter of 1949 the Treasury position shifted to a cash deficit, and in June the Treasury announced that it had wound up the fiscal year 1949 with an annual deficit of \$1.8 billion. For the first time since 1946 the treasury had gone into the red.

New borrowing by the Treasury in fiscal 1949 was temporarily postponed by heavy calls on war loan accounts (now called Treasury tax and loan accounts) and subsequent withdrawals from the Treasury's deposits at the Reserve banks. However, as fiscal 1950 got underway it became clear that an

increase in the U. S. debt was imminent. New Treasury borrowing would be needed to finance the expected deficit of 1950.

Revised Open Market Policy

Money market developments in the first half of 1949 set the stage for the monetary authorities' next move in their easy money policy. For one thing, low-cost money was desirable for Treasury operations from the point of view of holding down the cost of servicing the government debt.

For another, the open market policy of the Reserve System was creating a dilemma for the monetary managers. It was, in fact, the same dilemma, only in reverse, as that which occurred in 1948.

In 1948 the Reserve Board took steps to tighten the money supply in an effort to brake mounting inflation. Reserve requirements were increased putting pressure on bank reserve positions. At the same time, however, banks were being fed reserves through the System's support purchases of government bonds.

In the first half of 1949 the shoe was on the other foot. The Reserve System eased credit controls to provide banks with reserves. But at the same time the policy of maintaining the relatively fixed pattern of interest rates dictated Federal Reserve sales of bonds which in effect mopped up bank reserves.

On June 28, 1949 the following statement was issued to the press:

"The Federal Open Market Committee, after consultation with the Treasury, announced today that with a view to increasing the supply of funds available in the market to meet the needs of commerce, business, and agriculture it will be the policy of the committee to direct purchases, sales, and exchanges of government securities by the Federal Reserve banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the government security market and the confidence of investors in government bonds will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable

effect of absorbing reserves from the market at a time when the availability of credit should be increased."

This reorientation of policy signaled that open market operations would be on a more flexible basis than formerly. It stressed the general business and credit situation as the primary consideration determining Federal Reserve open market operations, and it gave only secondary emphasis to the obligation of "maintaining orderly conditions in the government security market". In effect it meant a shift away from the relatively fixed pattern of rates which had been maintained on government securities.

Chairman McCabe, in a statement made several months later, said, ". . . June 28, 1949 . . . signified the removal of the 'strait jacket' in which monetary policy had been operating for nearly a decade, that is, since the beginning of the war".

To implement its new policy the Federal Open Market Committee abruptly suspended sales of government securities. As a result, a rapid advance in prices and corresponding decline in yields took place throughout the entire list.

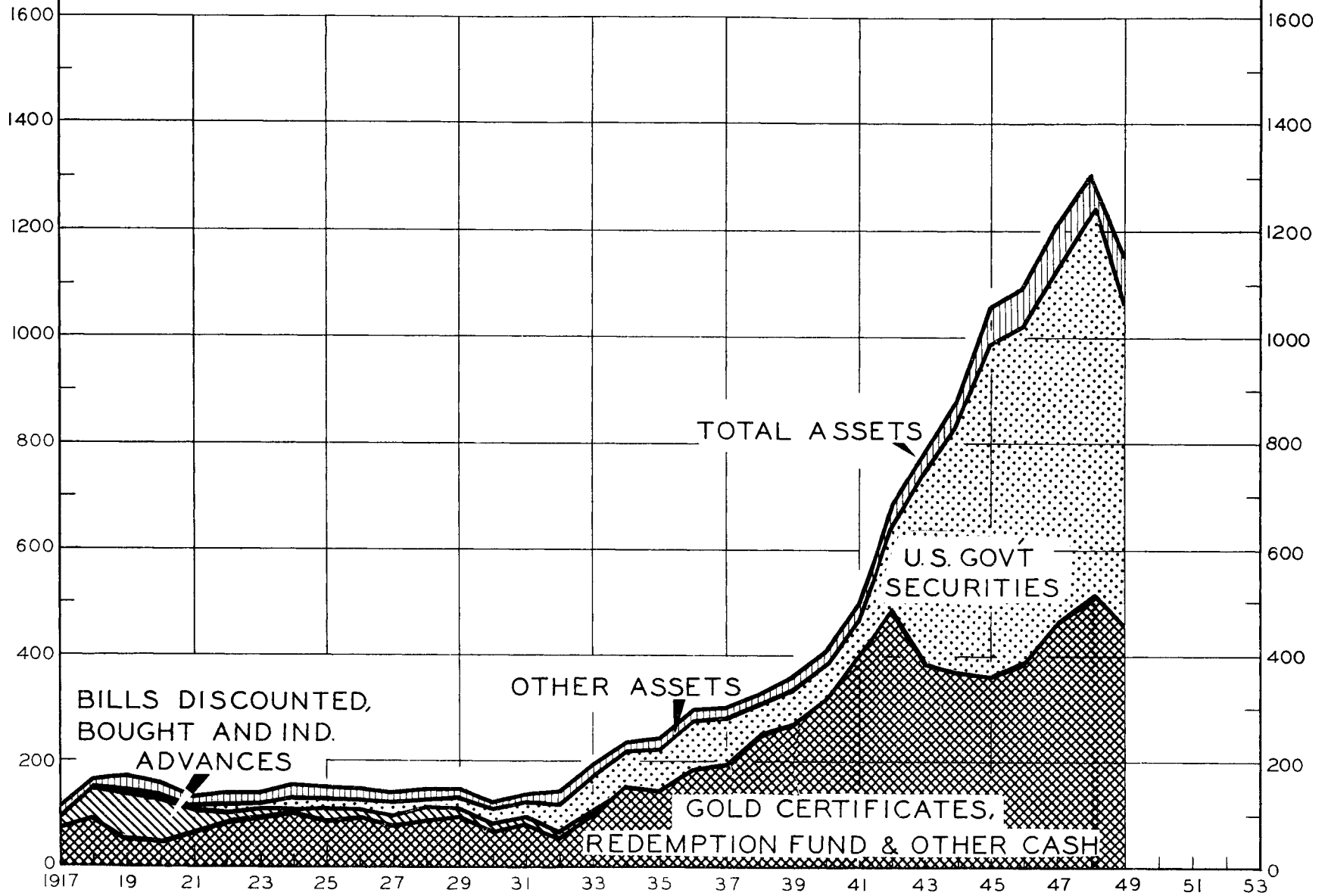
Demand for government securities was sharply heightened on June 30, when the Board's temporary authority to increase reserve requirements, granted by Congress in August 1948, expired. Percentages automatically dropped back one per cent in requirements against demand deposits for reserve city and country member banks, and one per cent against time deposits for all member banks. Approximately \$800 million that had been tied up in reserves in the nation's banks were freed for lending and investing. Of this, about \$30 million was in Ninth district member banks. (June 30 also marked the expiration of Federal Reserve control over consumer credit).

The Reserve System maintained its "hands off" policy in the bond end of the market throughout July. But on the short end of the market the

MILLION DOLLARS

MILLION DOLLARS

ASSETS



COMPARATIVE STATEMENT OF ASSETS

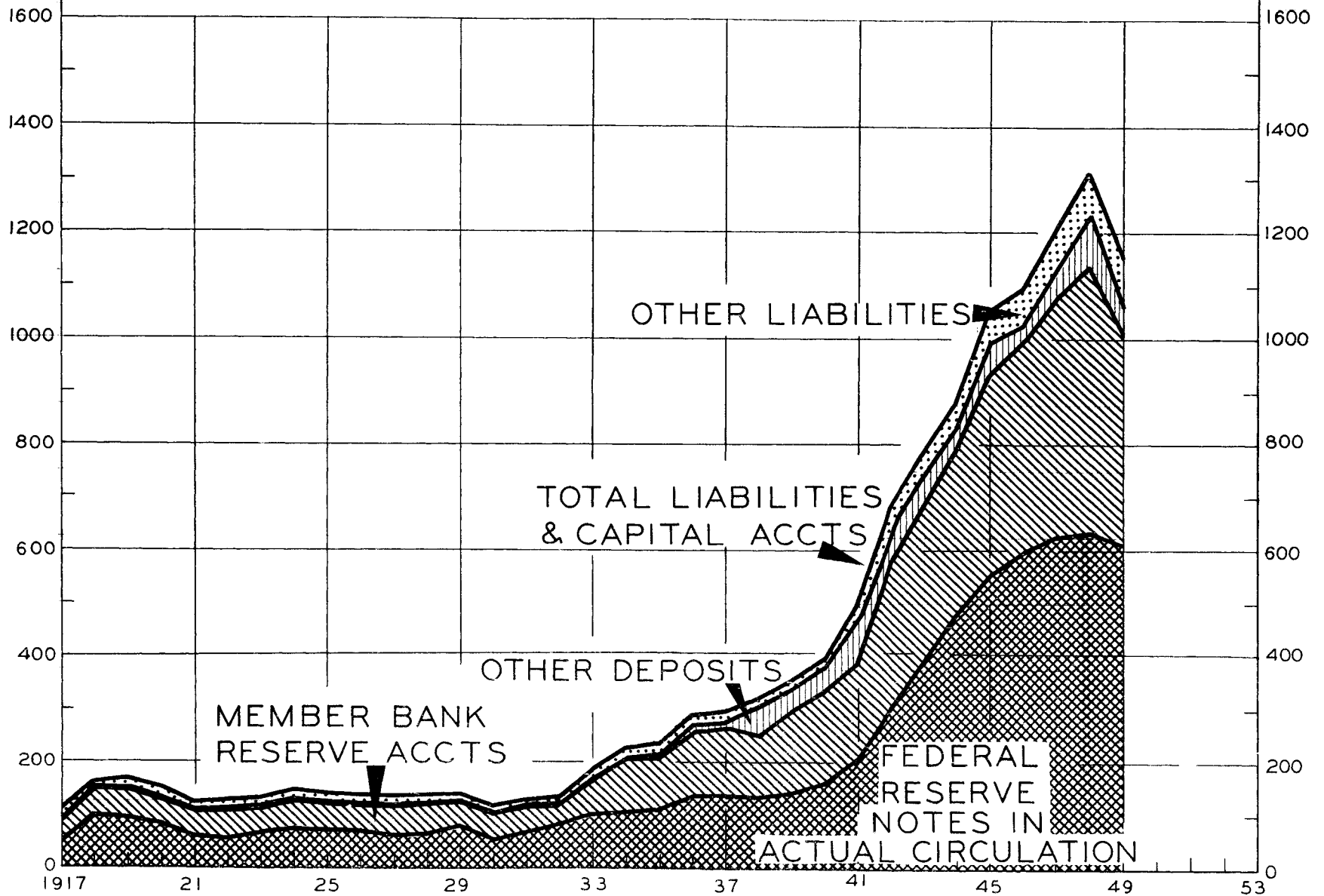
MINNEAPOLIS AND HELENA BRANCH COMBINED
(Thousands of Dollars)

| | 12/31/49 | 12/31/48 | Inc. or Dec. Since 12/31/48 |
|-------------------------------------|-----------------|-----------------|--------------------------------|
| <u>Assets:</u> | | | |
| Cash Reserves: | | | |
| Interdistrict Settlement Fund | \$ 214,249 | \$ 260,419 | \$ - 46,170 |
| Gold Certificates with F.R. Agent | 210,000 | 210,000 | - |
| Redemption Fund - F.R. Notes | 22,338 | 23,136 | - 798 |
| Total Gold Reserves | \$ 446,587 | \$ 493,555 | \$ - 46,968 |
| Vault Cash | 5,907 | 12,128 | 6,221 |
| Bills Discounted | 50 | 175 | - 125 |
| Foreign Loans on Gold | 1,737 | 4,753 | - 3,016 |
| Industrial Loans | 78 | - | + 78 |
| U. S. Government Securities: | | | |
| Bills | 156,337 | 167,963 | - 11,626 |
| Certificates of Indebtedness | 203,156 | 186,029 | + 17,127 |
| Notes | 18,200 | 24,198 | - 5,998 |
| Bonds | 233,658 | 336,001 | - 102,343 |
| Total U. S. Gov't Securities | \$ 611,351 | \$ 714,191 | \$ - 102,840 |
| Due from Foreign Banks | 1 | 1 | - |
| F. R. Notes of Other F. R. Banks | 5,154 | 9,274 | 4,120 |
| Uncollected Items: | | | |
| Transit Items | 73,458 | 69,310 | + 4,148 |
| Exchanges for Clearinghouse | 4,703 | 2,744 | + 1,959 |
| Other Cash Items | 886 | 1,430 | - |
| Due from Branches or Head Office | 198 | - | + 198 |
| Total Uncollected Items | \$ 79,245 | \$ 73,484 | \$ + 5,761 |
| Bank Premises | 2,493 | 2,493 | - |
| Less Reserve | 1,347 | 1,316 | + 31 |
| Bank Premises - Net | \$ 1,146 | \$ 1,177 | \$ - 31 |
| Miscellaneous Assets: | | | |
| Fiscal Agency expense, reimbursable | 82 | 120 | 38 |
| Interest Accrued | 2,017 | 2,076 | - |
| Premium on Securities | 985 | 2,229 | - 1,244 |
| Deferred Charges | 23 | 28 | - |
| All Other Assets | 83 | 12 | + 71 |
| Total Miscellaneous Assets | \$ 3,190 | \$ 4,465 | \$ - 1,275 |
| Total Assets | \$1,154,446 | \$1,313,203 | \$ - 158,757 |

MILLION DOLLARS

MILLION DOLLARS

LIABILITIES



COMPARATIVE STATEMENT OF LIABILITIES

MINNEAPOLIS AND HELENA BRANCH COMBINED (Thousands of Dollars)

| | 12/31/49 | 12/31/48 | Inc. or Dec. Since 12/31/48 |
|---|-------------|-------------|--------------------------------|
| <u>Liabilities:</u> | | | |
| Federal Reserve Notes in Circulation | \$ 612,217 | \$ 631,349 | \$ - 19,132 |
| Deposits: | | | |
| Member Bank - Reserve Accounts | 394,920 | 506,653 | - 111,733 |
| U.S. Treasurer - General Account | 36,733 | 74,130 | - 37,397 |
| Foreign | 19,015 | 15,893 | + 3,122 |
| Nonmember Bank - Clearing Accounts | 1,274 | 789 | + 485 |
| Officers' Checks | 345 | 179 | + 166 |
| Due to Other F.R. Banks - Collected Funds | 1,639 | - | + 1,639 |
| Other Deposits | 1,740 | 1,874 | - 134 |
| Total Deposits | \$ 455,666 | \$ 599,518 | \$ - 143,852 |
| Deferred Availability Items: | | | |
| U.S. Treasurer - General Account | 2,662 | 2,575 | + 87 |
| All Other | 61,119 | 59,175 | + 1,944 |
| Total Deferred Availability Items | \$ 63,781 | \$ 61,750 | \$ + 2,031 |
| Miscellaneous Liabilities: | | | |
| Discount on Securities | 230 | 271 | - 41 |
| Sundry Items Payable | 124 | 110 | + 14 |
| Total Miscellaneous Liabilities | \$ 354 | \$ 381 | \$ - 27 |
| | | | |
| Total Liabilities | \$1,132,018 | \$1,292,998 | \$ - 160,980 |
| <u>Capital Accounts:</u> | | | |
| Capital Stock Paid In | 4,709 | \$ 4,472 | \$ + 237 |
| Surplus Fund - Section 7 | 12,494 | 11,797 | + 697 |
| Surplus Fund - Section 13b | 1,073 | 1,073 | - |
| Reserve for Contingencies | 4,152 | 2,863 | + 1,289 |
| Total Capital Accounts | \$ 22,428 | \$ 20,205 | \$ + 2,223 |
| | | | |
| Total Liabilities and Capital Accounts | \$1,154,446 | \$1,313,203 | \$ - 158,757 |

rate decline was so swift and sharp that the Reserve System sold a substantial amount of bills and certificates to maintain orderly market conditions.

A by-product of the revised open market policy was the burst of popularity for Treasury saving notes - a nonmarketable issue maturing in three years with a yield of 1.40% if held to maturity. With the decline in yields on bills and certificates, corporations with large idle balances found savings notes relatively more attractive.

For the Treasury, sales of savings notes meant a windfall source of income, not unlike receipts from the sale of E, F, and G bonds. And for a time, these sales eased the Treasury's deficit financing problem.

Continued Easy Money Program

Throughout the third quarter of 1949 Federal Reserve policy continued on the easy money line established in the preceding few months.

On August 5 a series of further reductions in reserve requirements for member banks was announced to become effective later in the month. These cuts lowered the requirements against demand deposits of central reserve city and reserve city banks by 2 percentage points, 1/2 point at a time, and the requirements for country banks by a like amount, but in 2 stages. Reserves against time deposits required for all member banks were dropped one point.

In the course of 1948 reserve requirements had been marched up almost to their legal maximum. (Requirements for reserve city and country member banks were at the legal maximum; for central reserve city banks they were pushed to within 2 points of their allowed high.)

In 1949 reserve requirements had been marched back down the hill to the level prevailing in 1941. From August to the end of 1949 reserve requirements for member banks stood at: against demand deposits - 22 per cent for central reserve city banks, 18 per cent for reserve city banks, and 12

per cent for country banks; against time deposits - 5 per cent for all member banks.

August's cut in reserve requirements released an additional \$1.8 billion to member banks (about \$51 million in Ninth district member banks). Again, to maintain an orderly money market, the Federal Reserve supplied short-term government securities to the market to absorb the surplus funds. The "hands off" policy in the bond market continued with a resulting continued rise in bond prices (decline in yields).

The easier money policy was further implemented by the U. S. Treasury in its refinancing of one-year certificates on September 15. The prevailing rate of $1\frac{1}{4}\%$ on one-year money was lowered to $1\frac{1}{8}\%$.

At about the same time the Treasury launched its deficit financing program. Expanded weekly bill offerings throughout August and in the first two weeks of September brought \$800 million of new money into Treasury coffers. To the extent that commercial banks or the Reserve banks absorbed these bills, the Treasury's new borrowing was based on newly created credit.

By the third week in September, however, continued sales of Treasury savings notes and calls on Treasury deposits in commercial banks made it possible for the Treasury to return to its traditional roll-over pattern on bill refundings.

In the last half of September a widespread devaluation of foreign currencies was touched off by the British slicing of the dollar value of pound sterling. It will take considerable time before the effects of the devaluations on the pattern of world trade will have worked themselves out. However, one immediate effect felt in the money market in the U. S. was the demand from foreign countries for gold.

In the first three quarters of 1949 the gold stock of the U. S. rose almost continuously, although at a slackened pace compared with the same period a year ago. U. S. aid to Europe and the fact that foreign gold reserves were already dangerously depleted explained the slowdown in gold inflow to the U. S. For two months just prior to the devaluations, the flow of gold to the U. S. increased sharply, reflecting presumably the rapid deterioration in the exchange position of the sterling area.

Devaluation brought a reversal of the inflow of gold to the U. S. Foreign countries purchased the metal in order to strengthen the gold backing of their currencies. And to an unknown extent the foreign demand for gold probably also sprang from fears that the U. S. might join the parade of devaluation.

From the middle of September to the end of 1949 (December 28) the gold stock of the U. S. declined \$264 million. Nonetheless, at the close of 1949 the U. S. gold stock had edged one per cent above that of a year ago.

Increases in the gold stock result in equal increases in bank reserves, and decreases in gold stock result in equal decreases in bank reserves. Hence during the first three quarters of the year, gold inflow to the U. S. augmented the country's money supply and thus fitted in nicely with the Reserve banks easy money policy. Since September the gold outflow has created a slight drain on bank reserves.

In October the business recovery that had been underway since around mid-year received a jolt when the coal and steel industries suffered strikes. Their output and that of related industries were sharply curtailed. The settlement of the strikes brought a rebounding of industrial activity, and it became clear that the economy was holding at a high level.

Among other things bank loans to business had been on the upswing

since late in July. Moreover the Treasury announced an estimate of the deficit for the current fiscal year (1950) at \$5.5 billion. As the year neared its finish it appeared that a revival of inflation loomed as a possibility for the first half of 1950.

A Slight Change of Course

Beginning the last week of October Federal Reserve policy took a slight change of course. The Treasury bond market continued strong and yields on longterm bonds held their downward trend. But the decline in yields (price rise) was somewhat dampened by the reappearance of Federal Reserve sales of bonds from its open market portfolio.

From October 26 to December 28, Federal Reserve holdings of bonds declined \$.3 billion, of which \$10 million represented the participation of the Minneapolis Reserve Bank. A part of this decline was due, however, to the roll-over of maturing bonds into notes on December 15.

The continued strong market for bonds reflects the drop in the volume of new corporate bonds coming into the market and the continued accumulation of funds available for investment.

On the short end of the market the open market committee early in December permitted bill yields to harden somewhat. Yields rose almost to the level of certificate rates. Both this move and the sale of bonds from the System's portfolio were steps in the direction of making credit more expensive and represented a slight change of pace in Reserve bank policy.

Refunding operations of the Treasury in December and January, however, held to the established yield curve. A 4 1/4 year, 1 3/8% Treasury note was offered in exchange for almost \$5 billion of certificates and bonds due or called for December 15. This marked the first time in four years that a marketable security with a maturity longer than one year was issued. The

rate, however, reaffirmed the Treasury's easy money policy.

The 1 1/8 per cent rate on one-year issues was carried through the first of the year on the refunding offering for CI's due January 1.

Reserve System open market and Treasury operations during 1949 resulted in substantial changes in the System's government securities portfolio, and in Treasury deposits at the Reserve banks. These changes in the 12 Federal Reserve banks combined and in the Federal Reserve Bank of Minneapolis are shown below.

It should be noted that securities in the System open market account are allocated to each of the 12 Federal Reserve banks on a given percentage basis. Hence changes in individual Reserve bank holdings follow the pattern set by changes in the System's portfolio - the latter reflecting open market operations. Periodically, however, securities are reallocated among the Reserve banks causing annual changes for individual Reserve banks to be out of line with changes for the 12 Reserve banks combined. In the reallocation made on January 1, 1949, securities totaling \$41 million were added to the holdings of the Federal Reserve Bank of Minneapolis.

12 Federal Reserve Banks Combined
(Millions of \$)

| | <u>Dec. 31, 1948</u> | <u>Dec. 28, 1949</u> | <u>\$ Change</u> |
|---|----------------------|----------------------|------------------|
| Bills | \$ 5,487 | \$ 4,738 | - 749 |
| Certificates | 6,078 | 6,257 | 179 |
| Notes | 791 | 562 | 229 |
| Bonds | <u>10,977</u> | <u>7,231</u> | <u>- 3,746</u> |
| Total U.S. Gov't Securities | \$23,333 | \$18,788 | - 4,545 |
| Deposits of U.S. Treasurer - General Account | \$ 1,123 | \$ 987 | 136 |

Federal Reserve Bank of Minneapolis
(Millions of \$)

| | <u>Dec. 31, 1948</u> | <u>Dec. 31, 1949</u> | <u>\$ Change</u> |
|---|----------------------|----------------------|------------------|
| Bills | \$ 168 | \$ 156 | - 12 |
| Certificates | 186 | 203 | + 17 |
| Notes | 24 | 18 | 6 |
| Bonds | <u>336</u> | <u>234</u> | <u>- 102</u> |
| Total U.S. Gov't Securities | \$ 714 | \$ 611 | - 103 |
| Deposits of U.S. Treasurer - General Account | \$ 74 | \$ 37 | - 37 |

Member bank reserve accounts during 1949 in the 12 Reserve banks combined decreased \$4.2 billion. In the Minneapolis Reserve bank, member bank accounts were down \$112 million. These declines were largely in required reserves. Excess reserves dropped only slightly.

Ninth district member bank reserves were adversely affected during 1949 by the net outflow of funds from this area to the rest of the United States. Settlements between districts are effected through the Interdistrict Settlement Fund. In 1949 the holdings of the Minneapolis Reserve bank in the fund declined \$46 million, compared with an increase of \$287 million for the 12 Reserve banks combined.

A factor in the Ninth district's unfavorable balance of payments was presumably the decline in farm income which occurred in 1949. In addition when securities were added to the portfolio of the Reserve bank of Minneapolis in the reallocation of the System open market account, a like charge was made against the Interdistrict Settlement Fund account of this bank.

Federal Reserve notes in circulation decreased both nationally and in the Ninth district in 1949 - minus \$.6 billion in the 12 Reserve banks

combined and minus \$19 million in the Minneapolis Reserve bank. This inflow of currency to the Reserve banks channeled funds into reserve accounts and cushioned somewhat other factors which created a drain on reserves.

A Healthy Readjustment

The economic adjustment that took place in 1949 was clearly a salutary development. For the most part, it reflected the working out of new relationships in the economy as some of the maladjustments created by inflationary pressures were righted.

Prices settled down to more stable levels. Stocks of goods were worked off. And business failures were generally limited to companies which had sprung up during the boom and which succumbed to the return of more normal competitive conditions.

The reorientation of monetary policy restored to the Reserve System a degree of the flexibility which it had given up during the war in the interest of supporting government bonds. It marked a step on the road back to more orthodox central bank policy and afforded the money managers wider latitude for influencing the country's money supply. To be sure, the new program of a more flexible policy has not as yet been tested in a period of sharply rising market rates on government securities.

CHECK COLLECTION DEPARTMENT

Again in 1949 as in all other years since 1942 the volume of checks handled by the Check Collection Department increased substantially over the previous year. The grand total of 56 million checks handled during 1949 is an increase of 12% over the 1948 total of 50 million and a 75% increase over the 1941 total.

The Twin City clearing check division handled a total of 9,249 thousand checks, which is an increase of 9% over 1948 and a 76% increase over 1941. A new all time high single day's volume peak was reached in this section on October 17 when 78,485 checks were handled.

The volume of checks handled in the Country Checks division during 1949 increased 5% over 1948, while the dollar volume shows a 5 1/2% decrease for the same period. A new all time high volume peak for a single month was reached in December when 3,221,464 country checks were handled.

The total number of return items handled in 1949 was 532 thousand. This figure represents a 9% increase over the 1948 total. It is estimated that of the total number of return items handled about 50% were returned for the reason they were "nonpar" items, with the remaining 50% being returned for various reasons.

The total number of U. S. Treasury checks handled in 1949 was 9,859 thousand which is an increase of 56% over the 6,300 thousand of these checks handled in 1948. Below is a breakdown of the three categories of U. S. Treasury checks:

| | |
|---|-----------|
| U. S. Treas. paper checks | 1,111,000 |
| U. S. Treas. punch cards payable through our bank | 6,477,000 |
| U. S. Treas. punch cards payable through other F.R. Banks | 2,271,000 |

This substantial increase is due mainly to the fact that beginning January 1, 1949, this bank was designated to act as paying agent for Treasury

Department checks drawn by disbursing offices in Minneapolis and Helena, which, in the past, were payable through the Federal Reserve Bank of Chicago.

Another contributing factor in this volume increase was the handling by our bank of 1,800 thousand Treasury Department checks issued in payment of income tax refunds.

As the result of improvements in the collection schedules of items payable in other Federal Reserve bank and branch cities, a revised time schedule was prepared to include 12 Federal Reserve bank and branch cities in a one-day deferred classification, 21 in the two-day classification, and only 2 in the three-day deferment classification. Previously there were 6 cities in the one day group, 23 in the two day group, and 6 in the three day group.

Because of the closing of Minneapolis and St. Paul banks on Saturdays beginning April 30, 1949, and with the subsequent closing of our Head Office on Saturdays effective July 16, 1949, it was necessary to revise our check collection time schedule twice during 1949.

On April 27 the schedule was revised indicating that the Check Collection Department of this bank would be operating on Saturdays, but because of the closing on Saturdays of Minneapolis and St. Paul banks as well as certain Federal Reserve banks and branches, it would be impossible for us to receive settlement in payment of items at the points affected. Consequently, the availability date was shifted from Saturday to Monday for nearly all types of items except U. S. Treasury checks and items drawn on this bank.

With the closing of the Head Office on Saturdays effective July 16, 1949, it was necessary to revise our check collection schedule to show all Saturdays eliminated as an availability date for the crediting of funds.

CONSUMER INSTALMENT CREDIT DEPARTMENT

Reborn on September 20, 1948, Regulation W again expired on June 30, 1949, when the Congress failed to extend the temporary legislation which had permitted the renascence.

As of June 30, 11,307 lenders and vendors in the Ninth District had filed registration statements with our bank. Since September 20, 1948, field investigators, working out of both Head Office and Helena Branch, had made 8,887 calls on registrants. Investigations of regulated transactions were conducted in 6,101 such cases; 2,786 were found not to be doing a consumer instalment credit business subject to the Regulation's terms. A total of 128 concerns were found to have violated the Regulation in one or more respects. The nature and type of the violations found, however, were such that no action other than discussion in the field was found necessary for correction except for two violators with respect to whom satisfactory adjustments were effected by means of letters from our bank.

As was said in our bank's circular announcing the discontinuance of Regulation W: "We are pleased to report at this time that those men (our field investigators) found a high level of compliance with the Regulation and an attitude of cooperation reflecting credit on the people of this district."

CURRENCY & COIN DEPARTMENT

For the first time since 1944 there was a decrease in the total dollar amount of outgoing currency shipments to banks in this district. This amount was \$315,326 thousand in 1949 as compared with \$336,630 thousand in 1948. The number of shipments comprising these totals also

decreased somewhat to 21,460 in 1949 as compared with 23,899 in 1948.

Outgoing coin shipments in 1949 numbered 14,268 for a total of \$8,229 thousand, which are slightly less than the 1948 totals of 15,015 and \$8,615 thousand respectively.

On September 6, the day after Labor Day, this bank handled the largest volume of outgoing currency since the banking holidays. There were 235 outgoing shipments to country member banks totaling \$2,277 thousand and sixteen shipments to the Twin City banks totaling \$2,243 thousand.

Incoming currency shipments during 1949 declined somewhat in volume while increasing slightly in total dollar amount. Shipments numbering 22,496 with a total of \$374,580 thousand were received compared with 23,759 shipments totaling \$371,935 thousand received in 1948. Incoming coin shipments in 1949 numbered 4,421 totaling \$8,590 thousand, as compared with 3,749 shipments totaling \$7,539 thousand received in 1948.

The demand for wrapped coin service decreased slightly in 1949 when 39,313 thousand coins totaling \$2,678 thousand were wrapped as compared with 40,971 thousand coins totaling \$2,864 thousand wrapped in 1948.

During 1949 a total of 69,810 thousand bills were counted and sorted. This exceeds by 13,942 thousand the 1948 total of 55,858 thousand. Coins received and counted totaled 86,736 thousand in 1949 exceeding the 1948 total of 76,625 thousand by 10,111 thousand.

During 1949 we forwarded 41,353 thousand unfit bills to the Treasury Department for redemption.

Currency Paid Out

| | <u>1949</u> | <u>1948</u> |
|-------------|----------------------|----------------------|
| 1's and 2's | \$ 32,257,840 | \$ 30,322,763 |
| 5's | 52,557,000 | 55,694,000 |
| 10's | 113,532,000 | 116,440,000 |
| 20's | 86,630,000 | 92,618,000 |
| 50's | 5,476,000 | 7,570,000 |
| 100's | 21,774,000 | 29,899,000 |
| 500's | 1,395,000 | 1,677,000 |
| 1000's | 1,704,000 | 2,409,000 |
| | <u>\$315,325,840</u> | <u>\$336,629,763</u> |

Outgoing Shipments
for account of member banks

| | <u>1949</u> | | <u>1948</u> | |
|--|---------------|----------------------|---------------|----------------------|
| | <u>Number</u> | <u>Amount</u> | <u>Number</u> | <u>Amount</u> |
| Currency paid out | 21,460 | \$315,325,840 | 23,899 | \$336,629,763 |
| Currency shipped to Helena Branch and for other F. R. banks | 525 | 36,691,500 | 611 | 49,528,000 |
| Coin | 14,268 | 8,229,309 | 15,015 | 8,614,839 |
| | <u>36,253</u> | <u>\$360,246,649</u> | <u>39,525</u> | <u>\$394,772,602</u> |

Incoming Shipments
for account of member banks

| | <u>1949</u> | | <u>1948</u> | |
|----------|---------------|----------------------|---------------|----------------------|
| | <u>Number</u> | <u>Amount</u> | <u>Number</u> | <u>Amount</u> |
| Currency | 22,496 | \$374,580,350 | 23,759 | \$371,934,531 |
| Coin | 4,421 | 8,590,480 | 3,749 | 7,539,489 |
| | <u>26,917</u> | <u>\$383,170,830</u> | <u>27,508</u> | <u>\$379,474,020</u> |

Number & Amount of Pieces Handled

| | <u>1949</u> | | <u>1948</u> | |
|----------------------------|-------------------|----------------------|-------------------|----------------------|
| | <u>Number</u> | <u>Amount</u> | <u>Number</u> | <u>Amount</u> |
| Bills received & counted | 69,809,969 | \$402,412,830 | 55,857,515 | \$391,530,500 |
| Bills rehandled | 5,660,013 | 75,141,520 | 5,205,071 | 71,002,668 |
| Hand verification of bills | 21,225,326 | 268,039,560 | 19,908,519 | 256,889,115 |
| | <u>96,695,308</u> | <u>\$745,593,910</u> | <u>80,971,105</u> | <u>\$719,422,283</u> |

Number & Amount of Pieces Handled
Coin

| | <u>1949</u> | | <u>1948</u> | |
|--------------------------|--------------------|---------------------|--------------------|--------------------|
| | <u>Number</u> | <u>Amount</u> | <u>Number</u> | <u>Amount</u> |
| Coins received & counted | 86,736,378 | \$ 7,518,249 | 76,624,869 | \$6,395,771 |
| Coins rehandled | 2,870,269 | 517,089 | 4,108,786 | 649,945 |
| Coins wrapped | 39,313,000 | 2,677,850 | 40,970,500 | 2,864,000 |
| | <u>128,919,647</u> | <u>\$10,713,188</u> | <u>121,704,155</u> | <u>\$9,909,716</u> |

Amount of Coin Received from
U. S. Mints

| <u>1949</u> | <u>1948</u> |
|-------------|-------------|
| \$810,000 | \$2,200,000 |

Number of Unfit Bills Forwarded to Treasurer
of the United States for Redemption

| <u>1949</u> | <u>1948</u> |
|-------------|-------------|
| 41,352,590 | 25,354,699 |

Return of Federal Reserve Notes
to Bank of Issue

| | <u>1949</u> | <u>1948</u> |
|---|--------------|--------------|
| Fit-for-use Federal Reserve Notes returned to other F. R. Banks | \$31,454,800 | \$37,111,900 |
| Our fit-for-use Federal Reserve Notes received from other F. R. Banks | \$38,770,150 | \$43,645,155 |

DISCOUNT AND CREDIT DEPARTMENT

During 1949 no changes were made in the discount rate or in the rates applicable to various kinds of loans and advances which our bank is authorized to make. The "discount rate" -- the rate applicable to discounts of eligible paper and to advances secured by eligible paper -- and the rate on advances to member banks secured by direct obligations of the United States under Section 13 of the Federal Reserve Act remained at 1 1/2 per cent.

A total of 23 banks in Head Office territory borrowed an aggregate of \$238,199 thousand during 1949, all of which was secured by United States Government obligations. All but \$6,984 thousand of this amount was borrowed by Twin City banks. Aggregate borrowings on governments in 1948 amounted to \$278,772 thousand, and involved 25 banks. Montana banks borrowed \$26,395 thousand through the Helena Branch in 1949, an increase of \$18,880 thousand over such borrowings in 1948.

Our bank's participations in foreign loans on gold during the year totaled \$12,148,125 and at the year's end stood at \$1,737,500.

As of December 31, 1949, one Regulation V guarantee was outstanding. It covered \$47,492.50 of the remaining balance of \$64,179.14 of a loan made by the Reconstruction Finance Corporation and guaranteed by the Department of the Army.

A total of 46 applications for industrial loans under Section 13b of the Federal Reserve Act was received during the year. All but one of these came in during the latter half of 1949 following circularization of

the banks and business firms of the district reminding them of the industrial loan functions of the Federal Reserve banks.

The applications received aggregated \$1,145 thousand. Of these, 14 totaling \$414 thousand, were approved, and 23, totaling \$647 thousand, were declined. One application for \$5 thousand was withdrawn before submission for approval, and 8 applications, aggregating \$99 thousand, were pending at the year's end.

Five of the approved applications, aggregating \$219 thousand, were withdrawn, the applicants being unwilling to meet the conditions of approval or having found other sources of financing. Five loans were disbursed for a total of \$91 thousand, \$12,083.33 of which was provided by participating banks. The other 4 approved applications were in the process of being closed at the end of the year. The total amount of industrial advances outstanding on our bank's books on December 31, 1949, was \$77,891.67. These funds were being utilized by (1) a farm implement dealer and (2) a paint manufacturer in Michigan, (3) a dairy in South Dakota, (4) a builder's hardware and appliance dealer in the Twin Cities, and (5) a soft water service company in rural Minnesota.

DUPLICATING DEPARTMENT

During 1949 the Duplicating Department reproduced 4,205 thousand copies of 4,747 different forms. This represents an increase of 947 thousand copies over the 1948 total and is due largely to the additional facilities of a recently installed Multilith machine. In addition, 3,462 documents were photostated and approximately 2,000 envelopes and 3,800 forms were addressographed daily.

The following table reflects an approximate decrease of 25% in the number of photostats compared with 1948:

| | <u>1949</u> | <u>1948</u> | <u>Inc. or Dec.</u> |
|---|--------------|--------------|---------------------|
| Reimbursable (Fiscal Agency Department) | 871 | 1,111 | - 240 |
| (Commodity Credit Corporation) | 1,182 | 231 | + 951 |
| (Department of Internal Revenue) | 7 | 116 | - 109 |
| (Commercial Banks) | 66 | 145 | - 79 |
| (RFC Loan Agency) | 141 | 185 | - 44 |
| (War Assets Administration) | - | <u>801</u> | <u>- 801</u> |
| | <u>2,267</u> | <u>2,589</u> | <u>- 322</u> |
| Bank Work | <u>1,195</u> | <u>1,864</u> | <u>- 669</u> |
| | <u>3,462</u> | <u>4,453</u> | <u>- 991</u> |

EXAMINATION DEPARTMENT

As of December 31, 1949, there were 347 national and 131 state member banks in this district. A year ago there were 346 national and 130 state members. Distribution of these banks by states is as follows:

| | <u>State Banks</u> | <u>National Banks</u> | <u>Total</u> |
|--------------|------------------------|---------------------------|--------------|
| Michigan | 15 | 26 | 41 |
| Minnesota | 28 | 179 | 207 |
| Montana | 45 | 39 | 84 |
| North Dakota | 2 | 41 | 43 |
| South Dakota | 27 | 35 | 62 |
| Wisconsin | <u>14</u> | <u>27</u> | <u>41</u> |
| | 131 | 347 | 478 |

Total membership in this bank was increased by two banks during the year. There were no withdrawals from membership. The table below shows the newly added member banks.

| <u>Date Admitted to Membership</u> | <u>Name of Bank</u> | <u>Location</u> |
|--|--|----------------------|
| 2/ 1/49 | St. Cloud National Bank (Formerly St. Cloud State Bank, a nonmember par bank) | St. Cloud, Minnesota |
| 9/30/49 | The First State Bank of Gilby | Gilby, North Dakota |

One application for membership received in 1949 has the approval of the Board of Governors of the Federal Reserve System, but the membership has not yet become effective. The applicant bank has been granted until February 15, 1950, to complete its membership.

During the year the Examination Department examined all 131 state member banks. As of December 31, twenty-two state member banks held trust powers; however, only eleven were examined inasmuch as the remainder are not exercising their powers.

There are three holding companies within this district of which two, namely, the First Bank Stock Corporation and Bank Shares, Inc., were examined in 1949.

During the year, 221 applications for adjustment of holdings of Federal Reserve stock were received.

One application for a national bank charter was referred to us by the Comptroller's office for recommendation. The application was disapproved. One application which was pending at the end of the previous year was approved during 1949 and the charter issued.

During the year, 4 calls for reports of condition were issued to each member bank. All member banks were also required to submit semiannual reports of earnings and dividends. The condition and related reports, together with reports of earnings and dividends, were received, checked, and recorded.

FISCAL AGENCY DEPARTMENT
(HEAD OFFICE ONLY)

The Treasury Department made no cash offerings for new securities during the year 1949; however, there were nine exchange offerings throughout the year consisting of eight issues of Treasury certificates of indebtedness and one issue of Treasury notes. The total number of subscriptions received by this bank for all such issues was 9,162, of which 7,311 were from banks. Exchange subscriptions received and allotted during 1949 amounted to \$860 million, an increase of \$71 million compared with the 1948 figure of \$789 million.

The total public debt as of December 31, 1949, was \$257 billion as compared with \$252.5 billion on December 31, 1948.

Effective Thursday, August 11, 1949, the Secretary of the Treasury changed the terms of Department Circular No. 833 to provide that thereafter Treasury Savings notes of Series D would be sold at par and accrued interest from the first day of the month in which purchased to the day, inclusive, on which full payment would be made in cash or other immediately available funds.

During the year we received 1,714 tenders for Treasury bills aggregating \$351 million, of which \$330 million were accepted. The total tenders received represented 1,881 subscribers as compared with 1,538 tenders in 1948 covering 1,625 subscribers, totaling \$256 million, of which \$238 million were accepted.

The average equivalent rate of discount on Treasury bills dropped to 1.087% for Treasury bills dated December 29, 1949 from 1.157% for Treasury bills dated December 30, 1948.

During 1949 we issued United States Savings bonds of Series E, F, and G in the amount of \$82 million (issue price), involving 255 thousand pieces, as compared with \$160 million (issue price) involving 275 thousand pieces in 1948. This difference is due mostly to a special offering in July 1948 of Series F and G bonds to banks and other entities.

During the period May 16 through June 30 the Treasury Department promoted a spring Savings bond drive known as the "Opportunity Drive" which was for the purpose of stimulating sales of Series E bonds. Total sales (issue price) for this district were \$51,405 thousand. Although there were no quotas for the individual districts the national goal of \$1,040 million was over-subscribed by approximately 20%.

The number of qualified issuing agents of Series E Savings bonds in our district, exclusive of branches acting under the qualification of the

parent organization, is 1,418 as of December 31, 1949, as compared with 1,423 issuing agents as of December 31, 1948.

There were 1,222 thousand pieces of Series E Savings bonds shipped to issuing agents in 1949 as compared with 1,166 thousand in 1948.

Issuing agents in the district issued 1,162 thousand Series E Savings bonds amounting to \$172 million (issue price) as compared with 1,105 thousand pieces amounting to \$180 million (issue price) issued in 1948.

Beginning January 1, 1949, the proceeds of redemption of Series D 1939 Savings bonds maturing throughout the year could be applied to the purchase of Savings bonds, Series E-1949, without having such purchases apply against the annual legal limitation. This applied only to individuals and cases involving guardianships.

As of December 31, 1949, there were 1,249 incorporated banks with 106 branches and 28 miscellaneous paying agents qualified to redeem certain classes of United States Savings bonds, Series A through E, and/or Armed Forces Leave bonds as compared with 1,248 banks with 107 branches and 28 miscellaneous paying agents on December 31, 1948.

Reimbursement to paying agents in our district for paying Savings bonds and Armed Forces Leave bonds during the first three quarters of 1949 amounted to \$233 thousand for 1,729 thousand pieces, as compared with \$272 thousand for 2,058 thousand pieces of Savings bonds and Armed Forces Leave bonds paid during the first three quarters of 1948.

During the year 1949 the daily average of all United States Savings bonds redeemed by this bank was 9,326 pieces as compared with a daily average of 10,655 pieces in 1948. The figures include redemptions by paying agents and direct redemptions by this bank.

During 1949 the number of Savings bonds received for safekeeping

averaged 1,802 pieces per month as compared with 2,272 pieces per month for 1948. The monthly average number of these released from safekeeping during 1949 was 2,474 pieces as compared with a monthly average of 2,967 in 1948. As of December 31, 1949, this bank held in safekeeping 263 thousand Savings bonds as compared with 271 thousand pieces as of December 31, 1948.

During the past year we handled 132 thousand pieces of Savings bonds for reissue for one purpose or another, the amount being \$26 million (maturity value) as compared with 111 thousand pieces in 1948 amounting to \$18 million.

There are 1,151 banks in the district now qualified as War Loan Depositories, of which 882 have active accounts. The amounts deposited in these accounts aggregated \$438 million for the year. The total balances in the War Loan account as of December 31, 1949, were \$68 million as compared with \$49 million on December 31, 1948.

We redeemed 403 thousand Government coupons amounting to \$31 million as compared with 439 thousand coupons totaling \$33 million during 1948. We also redeemed 12 thousand Governmental Agency coupons amounting to \$385 thousand during 1949 as compared with 13 thousand coupons totaling \$426 thousand during 1948.

A new procedure has been prescribed by the Treasury Department in handling for redemption United States Government and Governmental Agencies coupons, which became effective November 1, 1949. Under the new procedure, depositing banks list coupons in groups by amount, regardless of issue, separated into two classifications: (1) United States Government, and (2) Governmental Agencies, Puerto Rico and Philippine Islands. This eliminates the previous requirement of listing coupons by issues and amounts.

In October the Treasury Department issued Circular No. 853 relating

to restrictive endorsements of United States bearer securities presented for payment, or redemption, or pursuant to an optional exchange offering. Briefly, the regulations provide that any incorporated bank may place restrictive endorsements on the face of United States bearer securities owned by it or by its customers at the time of forwarding such securities to us for payment, redemption, or optional exchange for a new issue. The regulations do not authorize such endorsements for any other purpose or at any other time. For example, they do not apply to securities submitted for wire transfer, for registered exchange, for denominational exchange or for exchange for registered securities of the same issue. The Department Circular provides that securities bearing restrictive endorsements placed thereon strictly in accordance with its provisions will thereafter be nonnegotiable and payment, redemption, or exchange for new issues will be made only as provided in such endorsements. This procedure will be advantageous to banks and their customers owning such securities since relief in case of loss, theft, or destruction may be given as in the case of registered securities. In many cases a distinct saving will be possible in transportation and insurance charges. Up to the first of the year only one bank has availed itself of the privileges of using the restrictive endorsement.

As outlined in our Circular No. FA-2160 dated December 7, 1949, a new plan for handling federal taxes becomes effective January 1, 1950. Beginning on that date, banking institutions, which qualify to do so, may accept direct from employers deposits covering income taxes withheld from wages at the source, and employment taxes (social security) under the provisions of the Federal Insurance Contributions Act. These have been designated as "Federal Taxes". Banks participating in this plan will receive benefits through the holding of Government deposits of Federal taxes in their "Treasury

Tax and Loan Account", which title becomes effective January 1, 1950. The account was formerly known as the "War Loan Deposit Account".

The Treasury Department requires that each banking institution which desires to act as a depository for Federal taxes must properly qualify before accepting any such taxes from its customers.

Under the new procedure, employers can send their Federal Depository Receipt, Form No. 450, (first copy furnished by Internal Revenue Collector) direct to a commercial bank which is a qualified depository for Federal taxes, or direct to the nearest Federal Reserve bank, at least once each month, provided the total amount withheld from wages paid during that month for Federal taxes, and the firm's contribution for Social Security taxes exceeds \$100. This receipt, when received by the Federal Reserve bank through a depository or direct from the employer will be validated and returned to the employer together with a blank Federal Depository Receipt which the employer may use when remitting for his next payment of Federal taxes. All depositaries for Federal taxes will be required to forward daily, at the close of business, to their Federal Reserve bank all payments received with Federal Depository Receipts. Payment for such receipts may be made by credit through the Treasury Tax and Loan Account, if the bank is qualified also as a special depository, or in funds immediately available at the Federal Reserve bank.

Provisions have been made by the Treasury Department to permit Treasury Tax and Loan Depositaries (formerly called "War Loan Depositaries") to receive credit in their Treasury Tax and Loan Account an amount equal to the amount of checks drawn on them by employers and which are forwarded by the employers direct to the Federal Reserve bank in payment of Federal taxes. Checks received by Federal Reserve banks direct from employers in payment of Federal taxes will be collected in the regular manner and special drafts

for credit in the Treasury Tax and Loan Account will be prepared for such checks. These special drafts will be mailed directly to the special depositaries by the Federal Reserve banks. Depositaries receiving special drafts will forward them for collection in the same manner as any other check or cash item, if they desire to credit the proceeds of such special draft in their Treasury Tax and Loan Account.

As of December 31 there were 264 banks qualified as depositaries for Federal taxes under the new procedure effective January 1, 1950. Banks which had previously qualified as depositaries for Withheld taxes numbered 784 as of December 31, 1948. All depositaries for Withheld taxes under the old procedure will have their qualifications terminated as of the close of business February 28, 1950, provided, however, that no such qualified depository is authorized to receive from employers after January 31, 1950, funds withheld during the month of December 1949 or prior to that date.

During the year depositaries for Withheld taxes accepted and forwarded to us 114 thousand duplicate depository receipts amounting to \$150 million as compared with 112 thousand depository receipts received during 1948 which amounted to \$162 million.

On December 31, 1949, there were 127 employees in the Fiscal Agency Department as compared with 128 on December 31, 1948.

NONCASH COLLECTION DEPARTMENT

During 1949 the Noncash Collection Department handled 815 thousand grain drafts totaling \$688 million. This is a decrease of 11% in volume and 35% in dollar amount as compared with 1948. According to recent 1949 figures released by the United States Department of Agriculture the decrease appears to be due to smaller crops and lower prices. In four states (Montana,

Minnesota, North and South Dakota) total 1949 production of six commodities (wheat, corn, oats, barley, rye and flaxseed) averaged about 25% less than in 1948. The same source discloses that over the entire Ninth District, 1949 cash income from crops averaged about 28% less than 1948.

On September 6, the day after Labor Day, 10,026 grain drafts were handled. This is the highest volume reached in any single day since September 13, 1945.

The general trend of both volume figures and total dollar amounts in the Noncash Collection Department was downward with the exceptions of country collections where dollar volume increased \$1 million and security collections where there was a slight volume increase of 66 items.

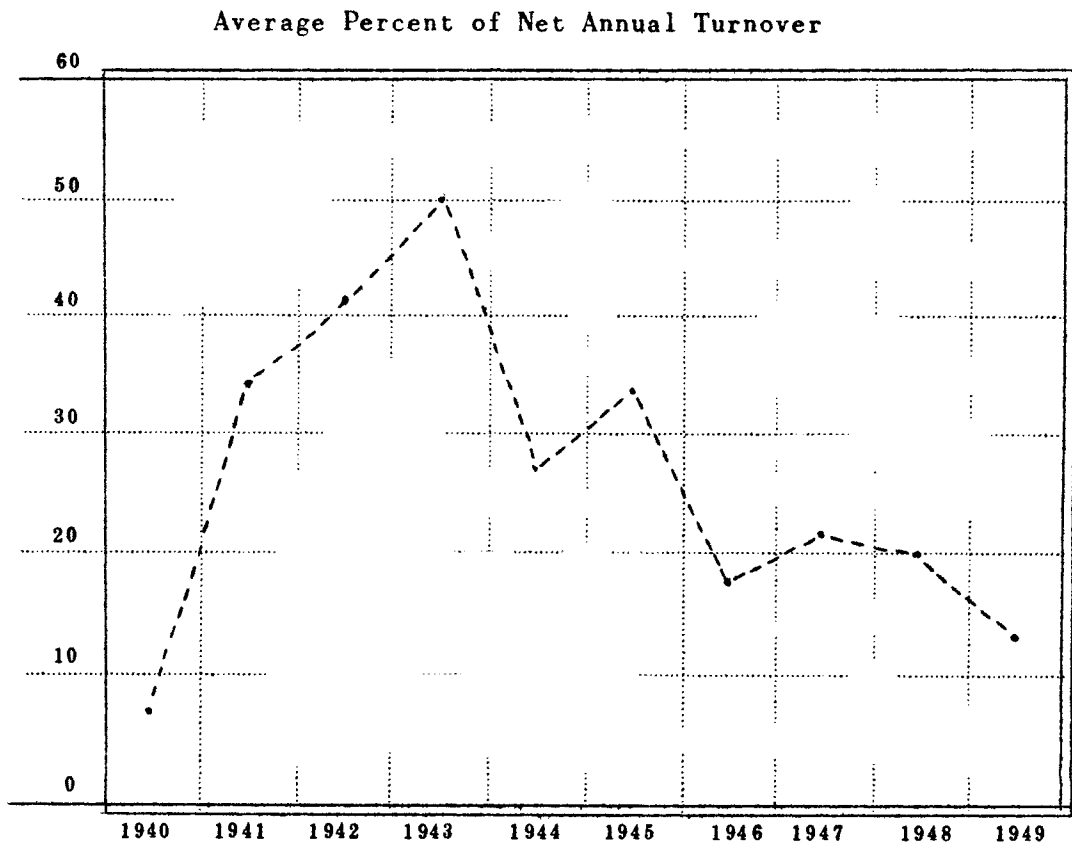
The Country Collection Section handled 42 thousand items totaling \$37 million in 1949 as compared with 44 thousand items totaling \$36 million in 1948. The volume decrease is due to a considerable extent to a change in procedure on June 1, 1948, of handling railroad drafts payable at offices located in St. Paul. Whereas these items were previously handled as "nonbank items" in the Country Collection Section, they are now processed through the Clearing Section of the Check Collection Department. This caused a sharp decrease in volume during the first five months of 1949 as compared with the same period in 1948. However, country items have shown a steady increase during the last seven months of 1949 over the same period in 1948.

The City Collection Section shows both a volume and dollar value decrease for 1949 when compared with 1948. During 1949 a total of 19 thousand transactions totaling \$93 million were handled as compared with 22 thousand items and \$114 million,

Member banks of this district forwarded 3,026 collections direct to other Federal Reserve banks during 1949 as compared with 3,204 during 1948. The dollar value totals were \$26 million and \$20 million respectively.

PERSONNEL DEPARTMENT

Head office personnel as of December 31, 1949, totaled 588, a decrease of 12 from the same date a year ago. At the end of this year our records show there were 234 men and 354 women on the staff. Of the women, 284 were single and 70 were married. Throughout the year 153 persons were employed, while separations totaled 165. Net annual turnover (the number of replacements per 100 workers on the average working staff) averaged 14%, the lowest rate since 1940. This favorable rate may be attributed to a near normal labor market which enabled the bank to employ persons with greater desire for long-term employment, and permitted selection of employees of better caliber. In addition, the absence of peak work loads prevalent during the war years and the comparatively small number of replacements during the year aided in cutting down turnover. The chart below shows the percent of net annual turnover for the years 1940 through 1949:



In February, 16 local high school counselors and coordinators, and the Board of Education Employment Consultant, were invited to a luncheon at the bank. The purpose of this meeting was to renew acquaintances, and to discuss employment of high school graduates and other mutual problems.

As a result of the Saturday closing of Twin City commercial banks in April, our bank began observing Saturday closing on July 16. This enabled all departments to go on a straight five-day week except the Check Collection Department where the employees are still on a rotating five-day week; and the Protection and Building Departments where skeleton crews are scheduled to work on Saturday with a compensating day off being given on another day of the week.

In order to give the benefit of group life and accidental death and dismemberment insurance to those on the staff who were not members of the group, the bank, in cooperation with the Equitable Life Assurance Society, offered these employees the opportunity of becoming members of the plan during a limited period from July 13 to August 3. Under this agreement the company agreed to accept applications from employees under 60 waiving the medical examinations if a sufficient number signed up to assure the company a well diversified risk. Fifty-four employees eligible for this insurance, but not members, enrolled and were accepted for coverage.

In response to a request from the Board of Governors of the Federal Reserve System, in September this department evaluated 27 bank jobs from job descriptions furnished by the Board. The job descriptions were evaluated as though they were jobs within this bank. The purpose of the study was to determine whether all of the Federal Reserve banks are consistent in their sense of values regarding jobs.

Seven "Mother-and-Daughter" luncheons were held for recent female additions to the staff. In all, 114 mothers and daughters were present.

In 1949, 82 suggestions were submitted by the employees, of which 19 were approved. The awards totaled \$128.

Representatives from the Personnel Department attended numerous meetings throughout the year regarding personnel activities. Attendance included a conference on Wage Survey and Industrial Relations and a conference on Job Evaluation held at the Center for Continuation Study at the University of Minnesota; meetings of the local chapter of the National Office Management Association; monthly meetings of the personnel men of the Twin City banks; and a meeting of the personnel men of the Federal Reserve banks held this year at Atlanta, Georgia.

The Hennepin County Tuberculosis Association mobile unit took chest X-rays of 464 members of the staff on November 30. In addition, 112 relatives of staff members were X-rayed, toured the bank, and were served refreshments in the cafeteria.

November was designated as "Better Health" month. Eight health movies were shown to the staff, and 3,000 pamphlets relating to health were distributed at appropriate times during the month.

As of December 1, 1949, 503 employees (92.8% of the eligible staff) were members of the combined Hospitalization-Surgical program with the Connecticut General Life Insurance Company. Information regarding the number and percentage of surgical and hospital claims for the period from January through November 1949, is given below:

Surgical

Male:

| | |
|------------|----|
| Employees | 22 |
| Dependents | 38 |

Female:

| | |
|------------|----|
| Employees | 28 |
| Dependents | 1 |

| | |
|---|-----|
| Total number of surgical claims paid | 89 |
| Percentage reimbursement on surgical claims | 58% |

Hospital

Male:

Female:

| | | | |
|------------|----|------------|----|
| Employees | 19 | Employees | 26 |
| Dependents | 46 | Dependents | 2 |

| | |
|---|-----|
| Total number of hospital claims paid | 93 |
| Percentage reimbursement on hospital claims | 81% |

The attendance record of the employees showed an average percentage of daily absence due to illness of 2.2%. The average percentage of absence due to all causes, such as illness, weddings, funerals, jury, etc., was 2.6% as compared with 2.9% in 1948 and 1947.

During the first eleven months of this year the cafeteria handled a total of 104 thousand sales for an average of about 394 per day. The deficit during this period was \$10,817.08, an average of approximately \$983 per month.

The Personnel Development Program increased in intensity and scope during the year. The activities of the program are listed below:

Thirty-three men were "farmed out" to commercial banks for a week's active training. These men were first briefed in commercial banking methods by members of the Examination staff and were put through a Short Course of 12 hours training in various departmental operations of this bank before going out to the commercial bank.

About 60 A.I.B. members from the bank have been appointed to committees in preparation for the National Convention next year.

Four men have been enrolled in University of Minnesota classes relating to their particular work.

Approximately 60 men and women have been placed on committee assignments for the Forum, Conferences and the Short Courses held during the year.

A series of eight educational films pertaining to such things as business etiquette, public relations, discipline, etc., were shown to the officers and employees of the bank. Conferences were held involving discussions of supervisory problems with supervisors and department heads.

A number of training positions have been established in certain departments and several of the staff have been started in rotation training through these positions.

About 60 key jobs have been written in detail, preparatory to rotating certain of the younger men through planned sequences of positions for general broadening or leading to certain positions needing a backlog of experience.

Two officers of the bank attended the Graduate School of Banking at Rutgers University and four men attended the Central States School of Banking at Madison, Wisconsin.

Sixteen employees were sent out on special assignments, including group meetings, clinics, and conferences.

A group of 19 men and women have been selected to serve as guides and hostesses for tours of the bank to increase their speaking ability and add to their knowledge of the bank's operations.

Three "Get Acquainted" luncheon meetings have been held with Twin City banks at which 24 of our men have acted as hosts to visiting bankers to become better acquainted.

Several different plans of supervisory training have been studied and as a result, the "Supervisor's News Service" is being made available to about 20 of our supervisors and department heads.

The Personnel Development Planner spent a week in eastern banks studying the development programs of three other Federal Reserve banks and six commercial banks to gain further ideas and mediums of training to supplement our program.

PROTECTION DEPARTMENT

In the middle of January 1949 the issuance of all outside workmen's cards and passes was taken over by the information clerk. This eliminates the necessity of persons from the outside entering the heart of our protection system, which is the guard office, in order to obtain admittance to the bank. Duplicate copies of all passes and work cards are furnished the Protection Department by the information clerk immediately after they are issued.

Also during January the sergeant's desk and the alarm annunciator were moved from the guard room to the guard office.

In March an intercommunication system was installed in the guard office with connecting units being placed in all pill boxes, the rear guardroom, #1 garage, and in the main guardroom.

On March 12 the superintendent of protection, desk sergeant and the range instructor attended a tear gas demonstration sponsored by the Edina and Richfield police departments.

At the request of the Collection and Bond Departments, 179 guard escorts (110 single and 69 doubles) were furnished during the year.

The information clerk issued 2,032 passes to outsiders who wished to visit the upper floors during the year; 2,302 work cards were issued to outside workmen, canteen employees, etc. In addition, 291 employees were admitted during nonbusiness hours.

PUBLIC SERVICES DEPARTMENT

To broaden the scope of the public relations phase of the Public Services activities of our bank and to vitalize the educational approach, college instructors were given special attention during 1949. In collaboration with the Research Department, a "Money and Banking Workshop" was offered to instructors from Ninth District colleges. The "Workshop", a one-day session designed to provide teachers of economics with information which would assist them in presenting their subject, was held at our bank on May 7. The 78 registrants, representing 27 schools in the district, first toured the bank and then held morning and afternoon discussion sessions in our recreation room. The morning discussions, devoted primarily to banking statistics, were led by members of our research staff; the afternoon discussions dealing with the Federal budget were led by Everett Hagen of the University of Illinois. Roy Reierson, Vice President of the Bankers Trust Company of New York, was the luncheon speaker and Henry B. Arthur, Economist, Swift and Company, the dinner speaker.

At the conclusion of the afternoon session, it was announced that the Federal Reserve Bank would offer scholarships, for study of the practical application of central banking theory, to economists teaching in the Ninth District. It was explained that applications were to be sent to our bank, but that the scholarship awards would be made by an impartial board of educators. The 11 men chosen were given a course consisting of two days study of the operations of the Federal Reserve Bank of Minneapolis, two days study of the operations of the Federal Reserve Bank of New York, and two days study of the operations of the Board of Governors of the Federal Reserve System, Washington, D. C. To avoid duplication, emphasis at

Minneapolis was placed on the services of the Federal Reserve banks to their member banks; at New York, the professors were given the opportunity to go behind the scenes of Open Market operations and the handling of foreign accounts. While at Washington, in addition to meeting members of the Board of Governors, the men studied the operations of the Interdistrict Settlement Fund and had an opportunity to discuss with the Board and its staff current monetary problems and the development of a policy recommendation.

In the field of visual education, reported showings of our old bank movie swelled the audience total by 23 thousand, making the cumulative total 533 thousand. During the year preliminary and final scripts were prepared for the making of a new film. Actual filming of the new production began in September. It is expected that final editing will permit our release of the film the latter part of January 1950. A brochure announcing the availability of the new film and pointing out its features is being prepared, and present plans call for mailing it to banks of the district as soon as a definite release date is assured.

Other public relations activities included tours of our bank, speeches by members of our staff, luncheons for special groups, and press releases on special events. Of the 65 organized tours of our bank during 1949, a large number was probably requested at the suggestion of country bankers. In addition to the 1,629 individuals included in the organized groups, impromptu tours were conducted for bankers, their friends and relatives.

Besides participating in all the programs sponsored by the bank, members of our staff addressed 69 outside audiences totaling 7,228 persons.

Luncheon guests at our bank included bankers, both American and foreign, educators, bank supervisors, relatives of our staff, legislators, and

business and agricultural experts. Excluding luncheons held in connection with our Short Course, an average of two a month were given during the year.

As evidence that the public has an interest in a central bank, a request was received by a local television station to produce a program showing the operations of our bank. Cameramen from the station spent a full day here, and after editing and script writing, the first telecast of the operations of a bank went on the air Friday evening, November 7.

Copies of correspondence of all departments of the bank were reviewed by the Public Services Department for a period of one month and suggestions for improvement were made in some cases.

Of the meetings sponsored by our bank, the conference for Ninth District bankers (inaugurated in 1938) was our largest single gathering. Held on April 23, 1949, it attracted representatives from 77% of the member banks and 69% of the nonmember banks. Attendance, including our own personnel, speakers, and special guests, totaled 1,154 persons, an increase of 66 over the previous year. In response to requests by bankers, a booklet entitled "The Road Ahead", containing the complete text of addresses at the conference by Secretary of Treasury Snyder, Dr. Emerson Schmidt, J. Marvin Peterson, and Franklin L. Parsons, was published and mailed to all banks in the district.

The fourth Federal Reserve Forum, held September 15 and 16, was attended by 322 supporting executives of member banks.

Five sessions of our Short Course in Central Banking were conducted in 1949. At the close of the last spring session in May, our field representatives were requested to determine from their contacts with member bankers whether the course should be offered again. Response was such that four sessions will be offered during the spring of 1950.

Our examiners' conference, held November 26, was attended by members of all supervisory agencies in the district except the State Departments of

South Dakota and Montana.

Representatives of our bank attended conventions of all the State Bankers' Associations within the district, Bankers' Association meetings outside the district, and many of the district group meetings. During the year, continuing a policy inaugurated in 1933, two visits were scheduled to each bank in the district, with the exception of Montana, by officers and senior staff men. Of the scheduled visits, all but a few scattered banks in Wisconsin were called on twice. Montana bankers were called on by representatives from the branch at Helena. In addition, bankers were visited by men from our bank attached to the Regulation W field force and staff members who participated in the "Commercial Bank Training" program of the Personnel Department.

In an effort to further enlarge the acquaintance among bankers with members of our staff, a realignment of territories was made in December. Beginning in January 1950, twenty-four instead of eighteen representatives of our bank will be designated as field representatives.

PURCHASING DEPARTMENT

In 1949 purchase orders were placed with various firms for 2,756 items. During the year the departments of the bank requisitioned from the stock room a total of 9,398 items, listed on 4,156 requisitions.

Prices paid for most supplies moved downward slightly during the year, due chiefly to increased competition rather than lower costs. However, there were a few exceptions to this trend, notably printing, the cost of which rose somewhat because of higher wage scales in the industry.

FISCAL AGENCY OPERATIONS OTHER THAN U. S. TREASURY

RECONSTRUCTION FINANCE CORPORATION

In general, volume of work in the RFC Department has continued on a rather stable level. Except for purchase of veterans' guaranteed home loans, there has been no appreciable change in its activities. Early in the year, veterans' loans showed an increase and in the latter months continued to increase steadily. During the calendar year we disbursed \$11 million for the purchase of 1,276 veterans' home loans and a few FHA loans. According to a recent press release the Corporation holds, countrywide, veterans' home loans aggregating \$767 million and has commitments for the purchase of \$792 million more, which would indicate we can expect this activity to continue for some time.

On September 1, 1949, the Corporation offered veterans' guaranteed home mortgages for sale to eligible persons at 100 1/2 to 102 1/4. No sales under this offer have been completed by the local loan agency as yet.

During the year we issued 3,492 checks aggregating \$14 million in connection with loans, payrolls and general expenses of the local loan agency.

We handled for safekeeping during 1949 for RFC 2,017 transactions. Of this number, 1,642 were deposits of instruments and 375 were withdrawals.

Filing space for RFC records in our bank and in the warehouse is now kept at a minimum under a continuing destruction schedule furnished us by the Corporation.

COMMODITY CREDIT CORPORATION

Our functions as fiscal agent for CCC have for the past several

years included disbursements and collections of cash and noncash items.

Collections have again increased over the previous year. The number of cash items collected during 1949 was 79 thousand aggregating \$68 million as compared with 45 thousand aggregating \$17 million for 1948. This increase in dollar volume resulted principally from disposal of inventories which had been accumulated under the Price Support Program.

The Corporation uses several methods in administering price support that affect our volume of work. During the calendar year the various sight draft programs were very active. At present we are paying three different types of sight drafts: (1) Those issued by the State Committees of the Production and Marketing Administration (PMA) for loans and purchases from producers under a purchase agreement, storage, and storage facilities; (2) Those issued by various Production Credit Associations (PCA) for loans made direct to producers for account of the Corporation; and (3) Those issued by such lending agencies (mostly banks) as have entered into a supplemental servicing agreement with the Corporation whereby instead of selling their loans to another lending agency they will sell only to the Corporation and will then continue to service such loans for the Corporation on a fee basis.

During 1949 we paid 103 thousand drafts totaling \$105 million issued by the PMA Committees and 1,916 drafts aggregating \$19 million issued by the PCA Committees and the lending agencies under the supplementary agreement. Also, we issued 16 thousand checks aggregating \$488 million as against 6,646 checks aggregating \$251 million in 1948. These figures included approximately 600 checks aggregating \$123 million issued to ourselves as reimbursement for drafts paid as mentioned above.

After the PMA sight drafts had reached a volume of one thousand per day, we arranged for rental of a separate Recordak camera to microfilm these drafts, which saves a considerable amount of clerical time. The camera is used in the Check Collection Department Recordak machines, but it permits us to handle filming, processing and storage of films independently, avoiding the complications incidental to sandwiching CCC recordings in with other recordings.

Because of the increase in volume it became necessary during the year to add two full-time employees.

OTHER GOVERNMENTAL AGENCIES

Our operations for the Federal Works Agency and the Public Housing Administration continue, with very low volume during 1949.

RESEARCH DEPARTMENT

During 1949 the Research Department has continued to carry on intensive efforts to meet the demand for speakers and for statistical information. Committee work for the System and for other organizations, together with bank visitation work, has been extended. The results of the statistical program and of particular research projects have been circulated through the media of regular and special research publications.

As reported under public services department economists filled 65 speaking engagements before a combined audience of approximately 7,028 persons. As a result of mail, telephone, and personal requests from inside and outside the bank, 450 requests for statistical information were satisfied. The average time required to handle each request was one hour.

Department personnel devoted considerable time to committee work

during 1949 in serving on 13 committees.

Department publications were sent, on request, to all who indicated an interest in the research program. About 900 individuals asked to have their names added to the Monthly Review mailing list during 1949. A tracer card was sent out during November to all who were on the mailing list. Approximately 1,000 cards were not returned and these names were dropped from the list.

The executive officers of all district banks were asked to submit the names of directors who would be interested in receiving the Review. As a result, 1,386 bank directors were also added to the mailing list. Current circulation of this publication is 8,136.

Special research investigations during the year were discussed in a series of special articles in the 1949 Monthly Reviews as follows:

| | |
|-----------|---|
| January | "1949 Opens on a Note of Uncertainty" |
| April | "New Plan Promises Higher Farm Support" |
| June | "Loan Demand Up in Country, Down in Cities" |
| August | "District Manufacturing Expanding Since 1939" |
| September | "Drop in Residential Prices Only Moderate" |
| October | "Devaluation: Dangers Accompany Its Benefits" |
| November | "Lower Farm Purchasing Power Seen for 1950" |

A special study in the field of foreign commerce made possible the preparation of a pamphlet, "The Ninth District's Stake in World Trade". Announcements of the release of this booklet were circulated to the Monthly Review mailing list. As a result of these announcements 1,363 requests for the booklet were received. It was also sent to the executive officers of all Ninth District banks.

The mailing list for the Farm News was revised in April of this year, resulting in a drop of 2,200 names. Bankers have been encouraged to send in the names of customers who would like to receive the Farm News.

Requests from these bankers, together with other requests, have increased this mailing list to 7,000 as of the end of 1949. This represents a net increase of 1,000 over the 1948 figure.

Early in the year the Annual Report to the Stockholders was prepared and distributed. Approximately 7,000 reports were mailed to the executive officers of Ninth District banks, to the Monthly Review mailing list, to all employees of the head office and branch, and to others.

Approximately 3,500 persons made use of library facilities during the year. In addition to reference work done in the library, patrons checked out 9,300 books, pamphlets, periodicals, etc. Research personnel again made heavy demands on the library facilities for assistance in reference work and in compiling bibliographies.

The circulation of the Library Letter has continued its steady growth. Last year 58 persons were added to the mailing list to bring it to a total of 1,650 persons.

The weekly News Review has continued as a regular library project. The mailing list is restricted to the executive officers of all member banks and to all other bankers who request it.

Late in the year a program was instituted for making more intensive use of the theses prepared in connection with the Graduate School of Banking at Rutgers. As soon as a new thesis is received, the Public Services Department chooses 4 or 5 district bankers to whom it would be most interesting. These bankers are contacted and informed that the thesis will be available to them for a period of two weeks. After these selected bankers have had an opportunity to read the thesis, it is placed on the shelves for regular circulation. This plan has been very well received. To date all contacted bankers have requested the theses selected for them. This service will be expanded to include other new literature.

MEMBER BANK RESERVES

The advent of 1949 saw reserve requirements at an all-time record high. Under temporary authority granted the Board of Governors of the Federal Reserve System by Congress in a temporary Anti-Inflationary Bill enacted in August 1948 and which expired on June 30, 1949, certain increases in reserve requirements above the maximum prescribed under the Banking Act of 1935 were authorized. At the turn of the year this authority had already been exercised by the Board of Governors to the extent of increases in reserve requirements of 1 1/2% on time deposits of banks in all cities and 2% on demand deposits of country and reserve city banks. As will be noted in the table below, requirements on demand deposits were at no time increased to the maximum percentage allowed in the legislation.

Reserve Requirements under Regulation "D" of the Banking Act of 1935

| <u>Bank Classification</u> | <u>Net Demand Deposits</u> | | <u>Time Deposits</u> | |
|----------------------------|----------------------------|----------------|----------------------|----------------|
| | <u>Minimum</u> | <u>Maximum</u> | <u>Minimum</u> | <u>Maximum</u> |
| Country Banks | 7% | 14% | 3% | 6% |
| Reserve City Banks | 10 | 20 | 3 | 6 |
| Central Reserve City Banks | 13 | 26 | 3 | 6 |

Temporary Authorization for Increased Reserve Requirements Under the Anti-Inflationary Bill Effective September 16, 1948 through June 30, 1949

| <u>Bank Classification</u> | <u>Net Demand Deposits</u> | | <u>Time Deposits</u> | |
|----------------------------|----------------------------|-------------------|----------------------|-------------------|
| | <u>Maximum</u> | <u>Maximum</u> | <u>Maximum</u> | <u>Maximum</u> |
| | <u>Percentage</u> | <u>Percentage</u> | <u>Percentage</u> | <u>Percentage</u> |
| | <u>Allowed</u> | <u>Reached</u> | <u>Allowed</u> | <u>Reached</u> |
| Country Banks | 18% | 16% | 7 1/2% | 7 1/2% |
| Reserve City Banks | 24 | 22 | 7 1/2 | 7 1/2 |
| Central Reserve City Banks | 30 | 26 | 7 1/2 | 7 1/2 |

Beginning in May 1949 reserve requirements were progressively decreased by the Board of Governors until in September when the present require-

ments were fixed. These decreases were due in part to the expiration on June 30 of the Anti-Inflationary Bill, and also by decision of the Board after full discussion with the Federal Open Market Committee of the coordination of policies with respect to reserve requirements, Open Market operations and other System credit instruments with primary regard to the general credit and business situation and the maintenance of orderly conditions in the government security market. Reserve requirement changes during 1949 are shown in the following table:

Reserve Requirement Changes During 1949

| <u>Bank Classification</u> | <u>Net Demand Deposits</u> | | | <u>Time Deposits</u> | | |
|-------------------------------|----------------------------|-----------|-----------------------|----------------------|-----------|-----------------------|
| | <u>From</u> | <u>To</u> | <u>Effective Date</u> | <u>From</u> | <u>To</u> | <u>Effective Date</u> |
| Country Banks | 16% | 15% | 5-1-49 | 7 1/2% | 7% | 5-1-49 |
| | | 14 | 7-1-49 | | 6 | 7-1-49 |
| | | 13 | 8-1-49 | | 5 | 8-16-49 |
| | | 12 | 8-16-49 | | | |
| Reserve City Banks | 22% | 21% | 5-5-49 | 7 1/2% | 7% | 5-5-49 |
| | | 20 | 6-30-49 | | 6 | 6-30-49 |
| | | 19 1/2 | 8-11-49 | | 5 | 8-11-49 |
| | | 19 | 8-18-49 | | | |
| | | 18 1/2 | 8-25-49 | | | |
| | 18 | 9-1-49 | | | | |
| Central Reserve City Banks | 26% | 24% | 5-5-49 | 7 1/2% | 7% | 5-5-49 |
| | No | change | 6-30-49 | | 6 | 6-30-49 |
| | | 23 1/2 | 8-11-49 | | 5 | 8-11-49 |
| | | 23 | 8-18-49 | | | |
| | | 22 1/2 | 8-25-49 | | | |
| | 22 | 9-1-49 | | | | |

In October 1949 the Board of Governors revised the rules governing the waiving of penalties for deficiencies in reserves of member banks. The former rules were liberalized to provide for easier adjustments by banks of their reserve position at the close of each period, and extending to country banks a provision previously affecting only central reserve and reserve city

banks regarding reserve computation periods ending on holidays or nonbusiness days.

The weekly reserve computation period for reserve city banks was changed by the Board of Governors to end on Wednesday of each week instead of Thursday, effective as of the period ended March 2, 1949.

During 1949, 95 banks were penalized a total of 176 times compared with 136 banks being penalized a total of 286 times in 1948. The following table contains a comparative report by states of deficient reserve penalties during 1949 and 1948.

Comparative Report of
Deficient Reserve Penalties

| | <u>Penalties Assessed</u> | | <u>Penalties Waived</u> | | <u>Banks Affected</u> | | | | | | | |
|-----------------------|---------------------------|---------------|-------------------------|---------------|-----------------------|---------------|---------------|-------------|------------|------------|----|----|
| | | | | | <u>Assessed</u> | | <u>Waived</u> | | | | | |
| | <u>1949</u> | <u>1948</u> | <u>1949</u> | <u>1948</u> | <u>1949</u> | <u>1948</u> | <u>1949</u> | <u>1948</u> | | | | |
| | <u>No.</u> | <u>Amount</u> | <u>No.</u> | <u>Amount</u> | <u>No.</u> | <u>Amount</u> | <u>No.</u> | <u>No.</u> | <u>No.</u> | <u>No.</u> | | |
| Michigan | 24 | \$ 655.11 | 44 | \$ 860.19 | 9 | \$ 38.24 | 5 | \$ 4.74 | 11 | 13 | 6 | 5 |
| Minnesota | 55 | 1,484.20 | 80 | 1,801.43 | 45 | 885.22 | 53 | 115.87 | 34 | 46 | 31 | 40 |
| No. Dakota | 15 | 711.83 | 24 | 1,135.97 | 9 | 69.58 | 5 | 3.37 | 11 | 11 | 7 | 4 |
| So. Dakota | 10 | 129.86 | 33 | 938.28 | 13 | 161.06 | 11 | 25.89 | 6 | 21 | 8 | 12 |
| Wisconsin | 17 | 503.51 | 20 | 340.22 | 11 | 92.98 | 6 | 8.16 | 11 | 12 | 10 | 5 |
| Head Office Totals | 121 | \$3,484.51 | 201 | \$5,076.09 | 87 | \$1,247.08 | 80 | \$158.03 | 73 | 103 | 62 | 66 |
| Montana | 55 | 1,322.40 | 85 | 3,163.63 | 10 | 86.57 | 19 | 43.41 | 22 | 33 | 10 | 18 |
| Combined Totals | 176 | \$4,806.91 | 286 | \$8,239.72 | 97 | \$1,333.65 | 99 | \$201.44 | 95 | 136 | 72 | 84 |

SAFEKEEPING DEPARTMENT

Securities held for safekeeping and collateral purposes as of December 31, 1949, were \$1,428 million, an increase of \$132 million compared with the \$1,296 million held a year ago, as reflected by the comparative figures for 1949 and 1948 shown below:

| | <u>12/31/49</u> | <u>12/31/48</u> | <u>Inc. or Dec.</u> |
|--|---------------------------|-----------------|---------------------|
| | (In thousands of dollars) | | |
| <u>Accounts:</u> | | | |
| Government and miscellaneous securities held in safekeeping for members and nonmembers | \$ 913,885 | \$ 805,472 | \$ + 108,413 |
| Securities pledged to secure public deposits | 337,737 | 314,161 | + 23,576 |
| Securities held for U.S. Treas. and others | 5,787 | 4,283 | + 1,504 |
| Securities held for RFC | 9,337 | 9,520 | - 183 |
| *Collateral to War Loan Deposits | 139,174 | 149,516 | - 10,342 |
| U. S. Depository Bonds - Time Deposits | 130 | 134 | - 4 |
| Federal Works Administration | 75 | 78 | - 3 |
| **Collateral for Discounts and Advances | 20,850 | 11,178 | 9,672 |
| Securities held for U.S. Housing Authority | 1,712 | 1,730 | 18 |
| Collateral to Consignment Account-U.S. Savings Bonds Series E | <u>58</u> | <u>62</u> | <u>4</u> |
| | \$1,428,745 | \$1,296,134 | \$ + 132,611 |

*Includes \$17,337,000 held by commercial and other Federal Reserve banks.

**Includes \$19,800,000 held by commercial banks.

The Safekeeping Department received 48,502 pieces of securities, issued 6,559 receipts, and delivered 53,333 pieces in 8,249 transactions, resulting in a net decrease of 4,831 pieces of securities held during the year.

This department also made 6,335 transfers of securities from one account to another, and clipped 264 thousand coupons from securities held

during 1949.

The table below shows comparative volume figures for 1949 and 1948:

| | <u>1949</u> | <u>1948</u> | <u>Inc. or Dec.</u> |
|---------------------------------------|-------------|-------------|---------------------|
| Receipts issued | 6,559 | 6,995 | - 436 |
| Pieces received | 48,502 | 50,305 | - 1,803 |
| Withdrawals handled | 8,249 | 9,973 | - 1,724 |
| Pieces delivered | 53,333 | 71,592 | - 18,259 |
| Transfers from one account to another | 6,335 | 6,588 | - 253 |
| Coupons clipped | 264,409 | 268,983 | - 4,574 |
| Custodian receipts issued | 1,135 | 1,097 | + 38 |

MISCELLANEOUS

During 1949 a full dial control telephone system was installed in the head office. This eliminated the previously used 100 line inside telephone system which required separate telephones for inside and outside calls. All calls are now handled over the same telephones. Under the new system calls handled by the operators are limited to incoming calls or outgoing assistance calls, long distance or St. Paul calls.

WIRE TRANSFERS

During 1949 the Wire Transfer Division handled a total of \$10.3 billion in wire transfers. Again this year a new all-time high in dollar amount was established which exceeds last year's previous record of \$9.7 billion by \$.6 billion. Of this \$10.3 billion, approximately \$3.1 billion, or 30%, were transfers to other Federal Reserve districts; \$5.3 billion, or 52%, were transfers received from other Federal Reserve districts; and the remaining \$1.9 billion, or 18%, were transfers within our own district.

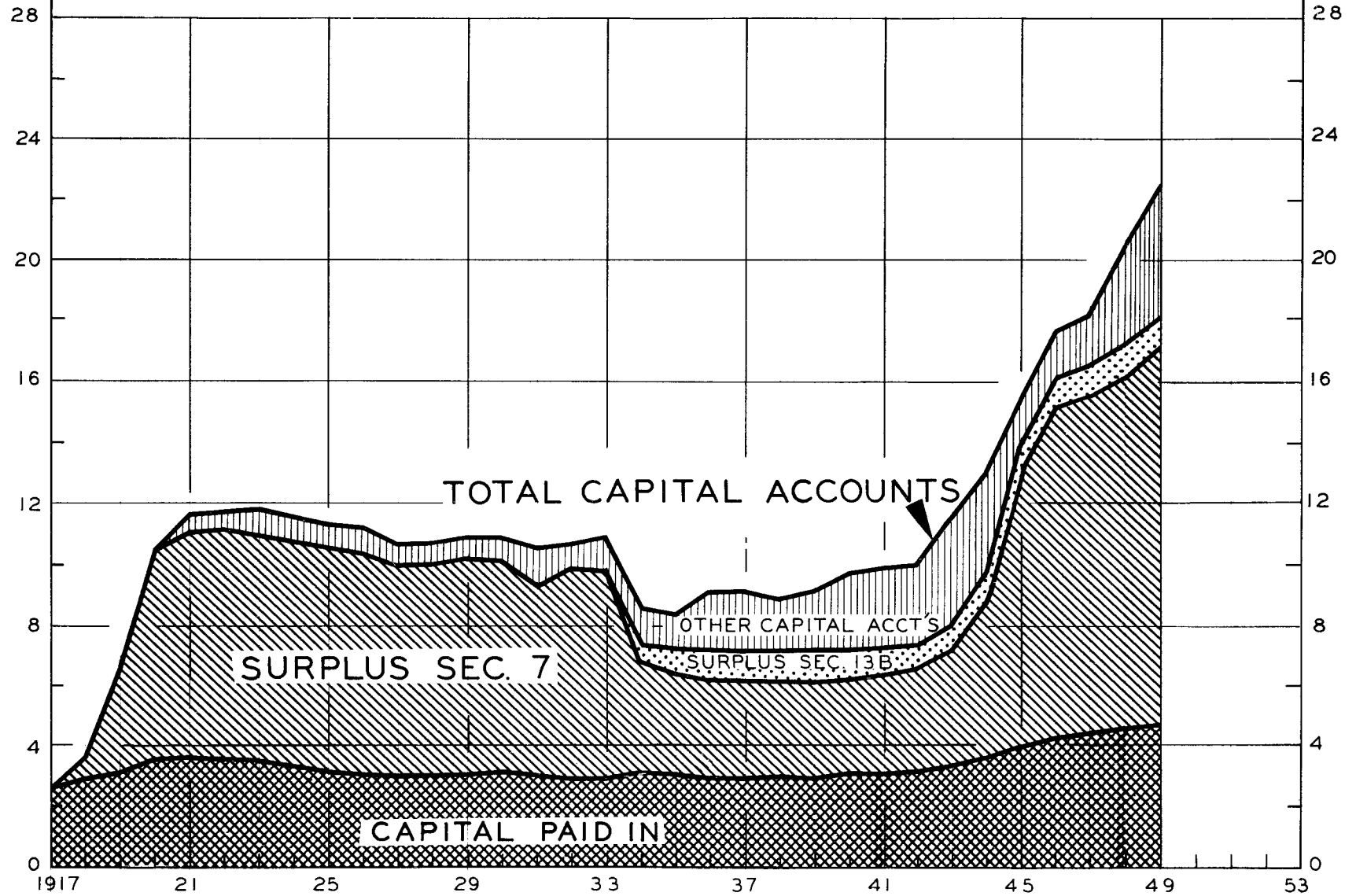
The total number of individual transfers handled in 1949 remained at 39 thousand, which is approximately the same number as was handled in 1948.

The average dollar amount for each transfer increased to \$262 thousand in 1949 from \$250 thousand in 1948. During the year a total of 59,246 telegrams was handled by the Wire Transfer Division. Of this number, 46,860 were transmitted over our leased private wire system and the remaining 12,386 were transmitted over commercial wire. The total volume figure is a decrease of 2,447 as compared with the 1948 total of 61,693.

MILLION DOLLARS

MILLION DOLLARS

CAPITAL ACCOUNTS



CAPITAL ACCOUNTS

CAPITAL STOCK paid in totaled \$4,709 thousand on December 31, 1949, an increase of \$237 thousand during the year.

SURPLUS ACCOUNTS. Surplus (Section 7) was increased \$697 thousand on December 31, 1949, which brings the total to \$12,494 thousand. Surplus (Section 13b) remained unchanged at \$1,073 thousand.

CONTINGENCIES. No change was made in the reserve of \$1 million set aside for losses in excess of the blanket bond coverage or the reserve of \$500 thousand earmarked for losses not covered by the Loss Sharing Agreement. The special reserve for contingencies was increased \$1,277 thousand on December 31, 1949, which brings the total to \$2,476 thousand. This amount represents our share of the System's \$80 million special reserve.

The reserve for registered mail losses totaled \$176 thousand as of December 31, 1949. This is an increase of \$12 thousand during the year.

The table below reflects the changes made in this account during 1949:

| | |
|--|--------------|
| Reserve for registered mail losses beginning of year 1949 | \$164,249.44 |
|--|--------------|

Debits:

| | |
|--|----------|
| Our proportional share of the \$1,000 retainer fee for advisory services from Marsh & McLennan, Inc., for 1949 | \$ 27.56 |
|--|----------|

| | |
|---|-------|
| Loss on currency shipment to First National Bank, Herman, Minn., Octo- ber 16, 1949 | 25.00 |
|---|-------|

| | |
|--|--------------|
| Loss on shipment of silver dollars to Citizens Bank & Trust Co., Big Timber, Mont., May 17, 1949 | <u>55.00</u> |
|--|--------------|

| | |
|--------------|-----------|
| Total Debits | \$ 107.56 |
|--------------|-----------|

Credits:

Reserve for Fiscal Year, December 1,
1948 to November 30, 1949, based on
total shipments for year of
\$578,240,170 (see table below) at
2¢ per \$1,000 \$11,564.80

Total Credits \$11,564.80

Total Additions during year \$ 11,457.24

Reserve for Registered Mail Losses,
December 31, 1949 \$175,706.68

The following table shows currency and coin shipments made during
the fiscal year December 1, 1948 to November 30, 1949, which were the basis
for the addition to the registered mail loss reserve:

| | 1949 (000 Omitted) | 1948 (000 Omitted) |
|---|-----------------------|-----------------------|
| New F.R. currency from Washington | \$ 92,100 | \$ 99,640 |
| Fit F.R. notes to bank of issue | 39,655 | 44,368 |
| Currency & coin between Minneapolis & Helena | 2,068 | 3,600 |
| Other currency & coin outgoing -- Minneapolis & Helena | 185,303 | 202,975 |
| Other currency & coin incoming -- Minneapolis & Helena | 250,594 | 229,172 |
| All Other: (Delivered or picked up by truck) | | |
| Other currency & coin outgoing - Helena | 3,712 | 3,282 |
| Other currency & coin incoming - Helena | <u>4,808</u> | <u>4,635</u> |
| | \$578,240 | \$587,672 |

- - - -

The following table shows the disposition of 1949 net earnings
and the changes made in the surplus accounts:

| | | |
|--|---------------------|---------------------|
| Net Earnings - 1949 | \$ | \$ 8,514,627.15 |
| Dividends Paid | 272,831.22 | |
| Paid U. S. Treasury (Interest on F.R. Notes) | 6,268,252.60 | |
| Transferred to Reserve for Contingencies | <u>1,277,000.00</u> | <u>7,818,083.82</u> |
| Transferred to Surplus (Section 7) | | \$ 696,543.33 |

- - - -

| | |
|---------------------------------------|-------------------|
| Surplus (Section 7) December 31, 1948 | \$11,797,315.39 |
| Transferred from Earnings 1949 | <u>696,543.33</u> |
| Surplus (Section 7) December 31, 1949 | \$12,493,858.72 |

- - - -

| | |
|---|-----------------|
| Surplus (Section 13b) December 31, 1948 | \$ 1,072,621.34 |
| Transferred from Earnings 1949 | <u>Ø</u> |
| Surplus (Section 13b) December 31, 1949 | \$ 1,072,621.34 |

- - - -

Reserve for Contingencies, December 31, 1949:

| | |
|---|---------------------|
| 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 | 175,706.68* |
| Special Reserve for Contingencies | <u>2,476,000.00</u> |
| | \$ 4,151,706.68 |

*See analysis on Pages 68 and 69.

D I V I D E N D S

As of December 31, 1949, capital stock held by member banks totaled \$4,709,650, on which dividends totaling \$272,831 were paid. This year's dividend payment is the largest for any single year in the history of the bank and when combined with previous years' payments brings the aggregate total to \$6,701,197.

| <u>Distribution of 1949 and 1948 Dividends</u> | | | | | |
|--|---------------------|----------------------|---------------------|----------------------|----------------------|
| <u>State</u> | <u>1949</u> | | <u>1948</u> | | <u>Inc. or Dec.</u> |
| | <u>No. of Banks</u> | <u>Dividend Paid</u> | <u>No. of Banks</u> | <u>Dividend Paid</u> | |
| Michigan | 41 | \$ 15,635.30 | 41 | \$ 14,994.83 | \$ + 640.47 |
| Minnesota | 207 | 174,936.94 | 206 | 169,651.85 | + 5,285.09 |
| Montana | 84 | 29,096.97 | 84 | 28,382.47 | + 714.50 |
| North Dakota | 43 | 16,257.30 | 42 | 14,871.28 | + 1,386.02 |
| South Dakota | 62 | 21,604.40 | 62 | 20,519.02 | + 1,085.38 |
| Wisconsin | 41 | 15,300.31 | 41 | 14,356.77 | + 943.54 |
| | <u>478</u> | <u>\$272,831.22</u> | <u>476</u> | <u>\$262,776.22</u> | <u>\$ +10,055.00</u> |

TABLE OF DIVIDENDS PAID SINCE ORGANIZATION

| | | | |
|------|------------------------|------|-----------------------|
| 1914 | | 1932 | \$ 175,494.80 |
| 1915 | | 1933 | 171,568.89 |
| 1916 | \$ 57,719.87 <u>a/</u> | 1934 | 181,117.51 |
| 1917 | 363,894.19 <u>b/</u> | 1935 | 185,448.45 |
| 1918 | 168,102.97 | 1936 | 179,052.04 |
| 1919 | 180,186.21 | 1937 | 174,057.31 |
| 1920 | 195,870.65 | 1938 | 174,231.27 |
| 1921 | 211,657.03 | 1939 | 174,905.39 |
| 1922 | 213,774.01 | 1940 | 177,400.58 |
| 1923 | 212,732.68 | 1941 | 179,789.68 |
| 1924 | 202,827.98 | 1942 | 183,336.33 |
| 1925 | 193,559.46 | 1943 | 190,924.19 |
| 1926 | 187,609.25 | 1944 | 206,158.74 |
| 1927 | 180,726.51 | 1945 | 221,686.96 |
| 1928 | 181,202.86 | 1946 | 238,372.30 |
| 1929 | 184,029.92 | 1947 | 253,251.30 |
| 1930 | 184,445.39 | 1948 | 262,776.22 |
| 1931 | 180,454.53 <u>c/</u> | 1949 | <u>272,831.22</u> |
| | | | <u>\$6,701,196.69</u> |

a/ For period November 1, 1914 through June 30, 1915.

b/ For period July 1, 1915 through December 31, 1917.

c/ \$134,649.67 withdrawn from Surplus to pay dividend.

BANK PREMISES

Improvements made during 1949 to the Head Office building were charged to Repairs and Alterations. A depreciation of 2% was taken on both the Helena and Minneapolis buildings while no additions to the book value of either building were made during the year. Inasmuch as a full reserve had already been established, the reserve for depreciation on fixed machinery and equipment of the Head Office was not increased. The Helena Branch took a normal depreciation of 10% on fixed machinery and equipment.

Below are listed the major repairs or alterations to the Head Office building during 1949:

Work which began the latter part of 1948 converting approximately 4,000 square feet of storage space in the subbasement into office space, was completed early in February 1949. This included the installation of a metal pan ceiling suspended below the beams and fluorescent light fixtures recessed in the ceiling and hung in continuous rows. In addition, due to the use of IBM equipment in these quarters about one third of the wall space has been soundproofed and a rubber tile floor installed. About the middle of February this space was occupied by the Savings Bond Redemption Division of the Fiscal Agency Department.

A remodeling program similar to that mentioned above was completed on the second floor during the latter part of the year. It consisted of installing a metal pan ceiling, recessed fluorescent lighting, and adjustment of air ducts. This has improved the lighting and the functioning of the air conditioning unit and has brought about a reduction in noise. Lighting efficiency on this floor has been improved by more than 100% and soundproof coefficient has been improved by 50%. This same type of remodeling was begun on the third floor during the latter part of December.

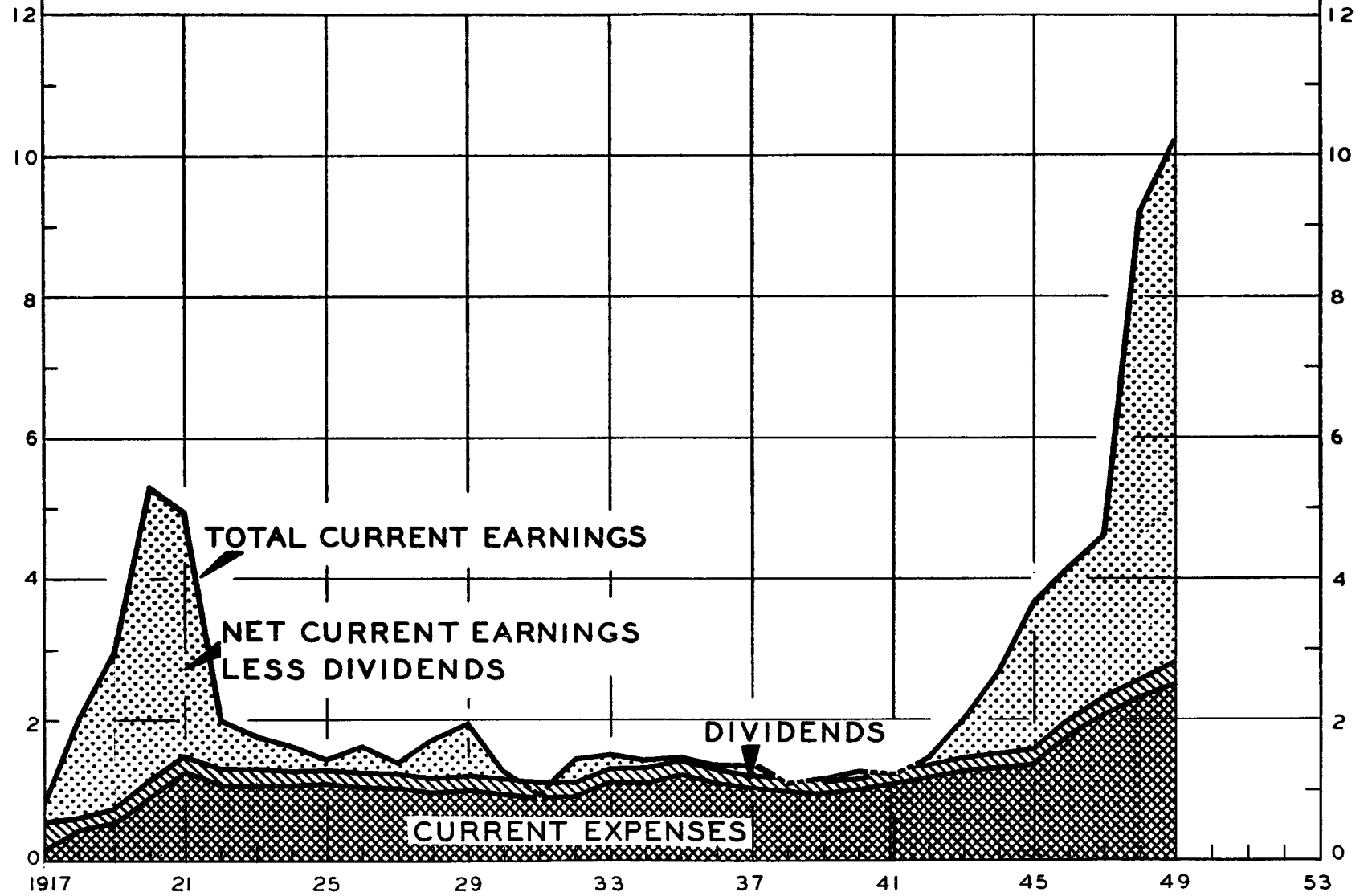
BANK PREMISES

| | <u>Total</u> | <u>Head Office</u> | <u>Helena Branch</u> |
|---|----------------|------------------------|--------------------------|
| <u>BANK BUILDING:</u> | | | |
| Gross Book Value: | | | |
| Beginning of 1949 | \$1,384,281.50 | \$1,283,281.50 | \$101,000.00 |
| Additions during year | - | - | - |
| Deductions during year | - | - | - |
| End of Year | \$1,384,281.50 | \$1,283,281.50 | \$101,000.00 |
| Allowance for Depreciation: | | | |
| Beginning of 1949 | \$ 632,764.68 | \$ 615,974.76 | \$ 16,789.92 |
| Credits | | | |
| a. Normal depreciation | 27,685.56 | 25,665.60 | 2,019.96 |
| b. Other | - | - | - |
| Debits | - | - | - |
| End of Year | \$ 660,450.24 | \$ 641,640.36 | \$ 18,809.88 |
| Net book value December 31, 1949 | \$ 723,831.26 | \$ 641,641.14 | \$ 82,190.12 |
| <u>FIXED MACHINERY & EQUIPMENT:</u> | | | |
| Gross Book Value: | | | |
| Beginning of 1949 | \$ 698,171.34 | \$ 660,969.35 | \$ 37,201.99 |
| Additions during year | - | - | - |
| Deductions during year | - | - | - |
| End of Year | \$ 698,171.34 | \$ 660,969.35 | \$ 37,201.99 |
| Allowance for Depreciation: | | | |
| Beginning of 1949 | \$ 683,175.74 | \$ 660,969.35 | \$ 22,206.39 |
| Credits | | | |
| a. Normal depreciation | 3,720.24 | - | 3,720.24 |
| b. Other | - | - | - |
| Debits | - | - | - |
| End of Year | \$ 686,895.98 | \$ 660,969.35 | \$ 25,926.63 |
| Net book value December 31, 1949 | \$ 11,275.36 | | \$ 11,275.36 |
| <u>LAND:</u> | | | |
| Net book value December 31, 1949 | \$ 410,520.66 | \$ 400,520.66 | \$ 10,000.00 |
| <u>TOTAL BANK PREMISES:</u> | | | |
| Net book value December 31, 1949 | \$1,145,627.28 | \$1,042,161.80 | \$103,465.48 |

MILLION DOLLARS

MILLION DOLLARS

NET CURRENT EARNINGS



NET EARNINGS & PROFITS

Net earnings and profits for the year 1949 totaled \$7,238 thousand. This net earning figure establishes a new all time high and exceeds the 1948 total by \$1,329 thousand.

During the year total current earnings increased \$933 thousand over the previous year. Interest from securities held in the Open Market Account increased \$956 thousand, whereas interest on foreign loans on gold decreased \$19 thousand. Earnings from discounts and advances showed a decrease of \$1 thousand, and all other earnings decreased \$3 thousand.

Current net expenses increased \$175 thousand, dividends paid \$10 thousand, and interest on Federal Reserve notes \$1,186 thousand.

Additions to current net earnings increased \$733 thousand which was due entirely to increased profit on sale of U. S. Government securities.

Total deductions from current net earnings increased \$162 thousand. Included in this amount are special payments to the Retirement System aggregating \$84 thousand. In addition our 1949 proportionate share of the special reserve for contingencies in the amount of \$1,277 thousand represents an increase of \$78 thousand as compared with the 1948 figure of \$1,199 thousand.

The difference between these additions and deductions is \$571 thousand, which represents the total net deductions from current net earnings during 1949.

A statement of net earnings and profits is shown on the following page.

Net Earnings & Profits

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|--|-------------------|-----------------------------------|
| Current Earnings | \$10,179,030 | \$ + 932,602 |
| Current Expenses | <u>2,481,109</u> | + 175,009 |
| Current Net Earnings | \$ 7,697,921 | \$ + 757,593 |
| Additions to Current Net Earnings: | | |
| Profit on U.S. Govt. Securities sold, net | \$ 912,889 | + 733,508 |
| All Other | <u>32</u> | = 796 |
| Total Additions | \$ 912,921 | \$ + 732,712 |
| Deductions from Current Net Earnings: | | |
| Charge-offs on Bank Premises | - | |
| Reserve for Registered Mail Losses | \$ 11,565 | \$ - 188 |
| Reserve for Contingencies | 1,277,000 | + 78,000 |
| Special Payment to Retirement System | 84,292 | + 84,292 |
| All Other | <u>358</u> | + 15 |
| Total Deductions | \$1,373,215 | \$ + 162,119 |
| Net Deductions from Current Net Earnings | \$ <u>460,294</u> | \$ - 570,593 |
| Net Earnings and Profits | \$ 7,237,627 | \$ +1,328,186 |

For disposition of profits see page 77.

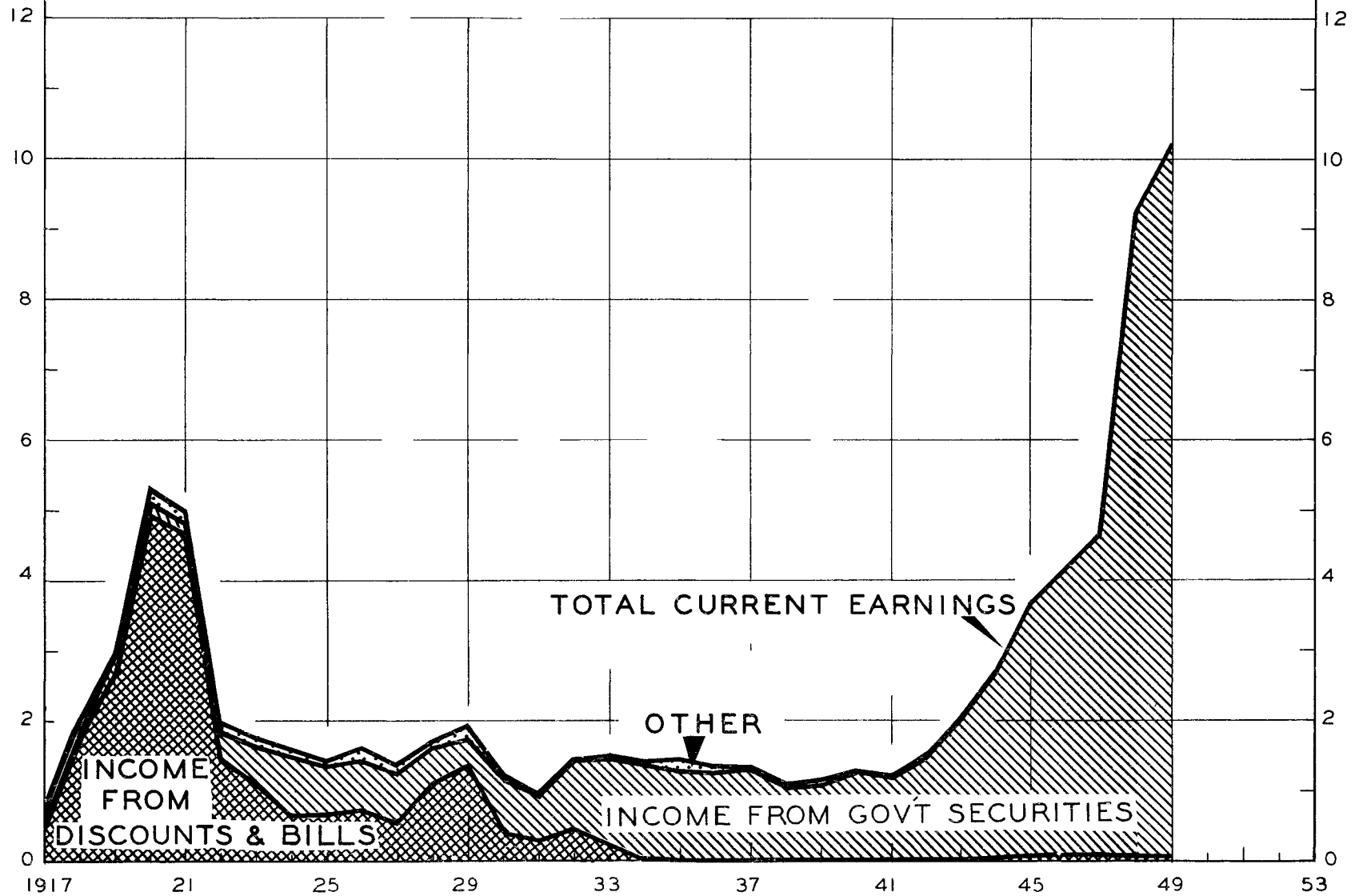
The table below gives a breakdown of the Profit and Loss transactions during 1949:

| | <u>Total</u> | <u>Head Office</u> | <u>Helena Branch</u> |
|--|----------------|--------------------|----------------------|
| Additions to current net earnings: | | | |
| Profit on United States Government Securities sold, net | \$ 912,889.28 | \$ 912,889.28 | |
| Profit on mutilated currency and coin | 32.21 | 13.33 | \$ 18.88 |
| | <hr/> | <hr/> | <hr/> |
| Total Additions | \$ 912,921.49 | \$ 912,902.61 | \$ 18.88 |
| | <hr/> | <hr/> | <hr/> |
| Deductions from current net earnings: | | | |
| Reserve for registered mail losses | \$ 11,564.80 | \$ 11,564.80 | |
| Reserve for contingencies | 1,277,000.00 | 1,277,000.00 | |
| Special payments to Retirement System | 84,292.14 | 84,292.14 | |
| Discount on foreign currency and coin | 25.81 | 25.81 | |
| Loss on counterfeits | 211.33 | 201.33 | \$ 10.00 |
| Difference account | 49.67 | 106.02 | -56.35 |
| Loss on draft on us issued by State Savings Bank of Manistique, Mich., which was paid by us although there was a stop payment order against it | 15.00 | 15.00 | |
| To cancel credit to difference account Feb. 18, 1947, a/c adjustment of U.S. Treasurer's checks 17-382 issued by us on Jan. 22, 1943 | 18.75 | 18.75 | |
| Our pro rata share of loss incurred on revaluation of foreign currency in foreign deposits maintained by System | 37.41 | 37.41 | |
| | <hr/> | <hr/> | <hr/> |
| Total Deductions | \$1,373,214.91 | \$1,373,261.26 | \$-46.35 |
| | <hr/> | <hr/> | <hr/> |
| Net Deductions from Current Net Earnings | \$ 460,293.42 | \$ 460,358.65 | \$-65.23 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

MILLION DOLLARS

MILLION DOLLARS

CURRENT EARNINGS



E A R N I N G S

As reflected in the following table, the increase in earnings for 1949 over 1948 came mainly from U. S. Government securities - System account.

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|--|---------------------|-----------------------------------|
| Discounts and Advances | \$ 24,655 | \$ - 1,416 |
| Foreign Loans on Gold | 43,543 | - 19,245 |
| Industrial Loans | 496 | + 496 |
| U. S. Government Securities - System Acct. | 10,104,928 | + 956,248 |
| Deficient Reserve Penalties | 4,807 | - 3,433 |
| Sale of Wastepaper, Money Bags, etc. | 298 | 89 |
| Service Charges - Safekeeping | - | 5 |
| Commission Earned on Bankers' Acceptances | | |
| Purchased for Foreign Correspondents | 165 | 75 |
| Interest on Personal Loans to Employees | 12 | + 1 |
| Clearinghouse Fines | 126 | - 31 |
| | <u>\$10,179,030</u> | <u>\$ + 932,601</u> |

The average daily holdings of bills discounted for the year 1949 were \$1,643 thousand and resulted in earnings of \$24,655 as compared with last year's average of \$2,004 thousand and earnings of \$26,071. The average return for the year was 1.5 per cent. Discount rate for the entire year was 1 1/2%. Our daily average participation in foreign loans on gold during 1949 was \$2,898 thousand as compared with \$4,739 thousand for 1948, and earnings decreased to \$43,543 during 1949 from \$62,788 in 1948. The yield for 1949 was 1.5 per cent. Industrial loan transactions began during 1949 and our daily average holdings were \$9 thousand, with a total earnings of \$496. The average yield was 5 per cent. For the year 1949, the average yield from loans to Ninth District banks, foreign loans on gold, U. S. Government securities, and industrial loans was 1.5994 per cent. During 1948 the average yield was 1.389 per cent. Our average daily

participation in Open Market securities was \$632 million, whereas one year ago the average was \$658 million (included bills held under repurchase option). The average yield was 1.6 per cent for 1949 against 1.390 per cent for 1948. Earnings from these securities were \$10,105 thousand compared with \$9,148 thousand one year ago.

A review of the bank's U. S. Government securities account as of December 31, 1949, reflects a substantial change in holdings when compared with one year ago. The total participation decreased \$102 million with our principal holding of U. S. bonds showing the largest decrease. The following table compares the bank's holdings as of December 31, 1949 with December 31, 1948, and shows the dollar increase or decrease:

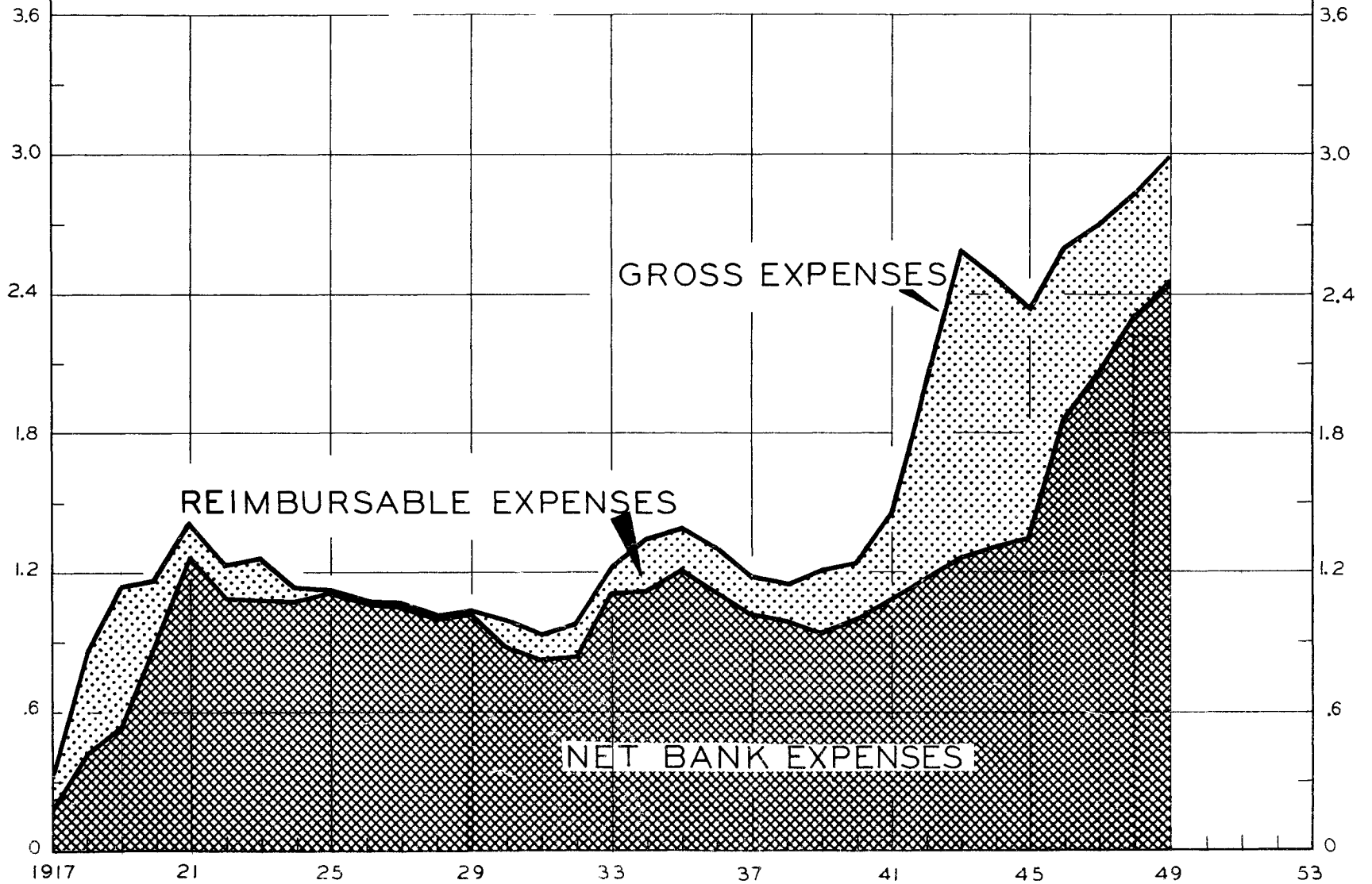
| | <u>12/31/49</u> | <u>12/31/48</u> | <u>Inc. or Dec. from 1948</u> |
|------------------------------|---------------------------|------------------|-----------------------------------|
| | (In Thousands of Dollars) | | |
| Bonds | \$233,658 | \$336,001 | \$ - 102,343 |
| Notes | 18,200 | 24,198 | - 5,998 |
| Bills | 156,337 | 167,963 | - 11,626 |
| Certificates of Indebtedness | <u>203,156</u> | <u>186,029</u> | <u>+ 17,127</u> |
| | <u>\$611,351</u> | <u>\$714,191</u> | <u>\$ - 102,840</u> |

Earnings at the Head Office and Helena Branch from deficient reserve penalties during 1949 totaled \$4,807, a decrease of \$3,433 from the previous year's earnings of \$8,240. This rather large decrease, accompanied by corresponding decreases in the number of penalties assessed and banks involved, resulted from decreases in reserve requirements at various times during the year and the application of new rules liberalizing the conditions under which certain deficient reserve penalties could be waived.

MILLION DOLLARS

MILLION DOLLARS

CURRENT EXPENSES



COMPARATIVE STATEMENT OF NET CURRENT EXPENSES

| | Head Office <u>1949</u> | Helena Branch <u>1949</u> | Combined <u>1949</u> | Combined <u>1948</u> |
|--|-------------------------------|---------------------------------|-------------------------|-------------------------|
| Salaries: Officers | \$ 170,026 | \$ 17,800 | \$ 187,826 | \$ 168,144 |
| Employees | 1,051,396 | 107,217 | 1,158,613 | 1,091,645 |
| Retirement System Contributions | 109,450 | 11,290 | 120,740 | 112,312 |
| Legal Fees | - | - | - | - |
| Directors' Fees and Expenses | 11,626 | 6,237 | 17,863 | 19,350 |
| Federal Advisory Council | 1,950 | - | 1,950 | 1,888 |
| Traveling Expense | 56,447 | 5,670 | 62,117 | 46,544 |
| Postage and Expressage | 236,032 | 42,430 | 278,462 | 257,060 |
| Telephone and Telegraph | 12,285 | 7,810 | 20,095 | 16,205 |
| Printing, Stationery and Supplies | 68,417 | 4,802 | 73,219 | 75,885 |
| Insurance on Cy. & Security Shpts. | 119 | 55 | 174 | 4 |
| Other Insurance | 16,825 | 2,392 | 19,217 | 26,308 |
| Taxes on Bank Premises | 94,080 | 4,608 | 98,688 | 90,825 |
| Depreciation on Bank Building | 25,666 | 5,740 | 31,406 | 31,406 |
| Light, Heat, Power and Water | 24,236 | 2,234 | 26,470 | 26,270 |
| Repairs & Alt. to Bank Building | 56,220 | 1,006 | 57,226 | 45,658 |
| Rent | - | - | - | 41 |
| Furniture and Equipment | 12,369 | 191 | 12,560 | 13,352 |
| All Other | 143,098 | 13,466 | 156,564 | 135,961 |
| Difference between Actual & Estim. Fiscal Agency Expense, December 1947 | | | | 815 |
| Difference between Actual & Estim. Fiscal Agency Expense, December 1948 | 154 | | 154 | 154 |
| Difference between Actual & Estim. Fiscal Agency Expense, December 1949 | <u>1,379</u> | <u>-</u> | <u>1,379</u> | <u>-</u> |
| Total Operating Expenses | \$2,091,467 | \$ 232,948 | \$2,324,415 | \$2,159,827 |
| Received from Government Agencies for: | | | | |
| Rental of Space | 36,278 | 691 | 36,969 | 36,808 |
| Rental of Furniture & Equipment | <u>3,117</u> | <u>281</u> | <u>3,398</u> | <u>4,016</u> |
| Net Operating Expenses | \$2,052,072 | \$ 231,976 | \$2,284,048 | \$2,119,003 |
| Assessment for Expenses of: | | | | |
| Board of Governors | 80,800 | | 80,800 | 80,229 |
| Federal Reserve Currency: | | | | |
| Original Cost, including | | | | |
| Shipping Charges | 98,048 | - | 98,048 | 88,202 |
| Cost of Redemption | <u>16,362</u> | <u>1,851</u> | <u>18,213</u> | <u>18,666</u> |
| Total Net Current Expenses | \$2,247,282 | \$ 233,827 | \$2,481,109 | \$2,306,100 |

NONREIMBURSABLE EXPENSE

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|----------------|-----------------------------------|
| Head Office | \$2,247,282 | \$ + 168,440 |
| Helena Branch | <u>233,827</u> | <u>+ 6,569</u> |
| | \$2,481,109 | \$ + 175,009 |

Head office expense, after deduction of reimbursable expense, increased \$168 thousand compared with the year 1948. Principal increases over last year were in salaries, retirement system contributions, travel expense, postage and expressage, telephone and telegraph, taxes on bank premises, repairs and alterations to bank building, furniture and equipment, miscellaneous net expense, and cost of Federal Reserve currency. Principal decreases were in directors' fees and expenses and insurance other than on currency and security shipments.

Helena Branch expense increased \$7 thousand over last year. The larger increases were in salaries, postage and expressage, and miscellaneous expense.

SALARIES

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|----------------|-----------------------------------|
| Head Office | \$1,221,422 | \$ + 80,406 |
| Helena Branch | <u>125,017</u> | <u>+ 6,244</u> |
| | \$1,346,439 | \$ + 86,650 |

Head office salaries for 1949 totaled \$1,221 thousand, an increase of \$80 thousand over last year. This increase is due primarily to merit adjustments.

Helena branch salaries for the same period increased \$6 thousand.

RETIREMENT SYSTEM CONTRIBUTIONS

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|---------------|-----------------------------------|
| Head Office | \$109,450 | \$ + 7,761 |
| Helena Branch | <u>11,290</u> | <u>+ 667</u> |
| | \$120,740 | \$ + 8,428 |

Head office retirement system contributions totaled \$109,450, an increase of \$8 thousand compared with 1948, due not only to increased salaries but also to an increase in the rate of contribution from 9.62% to 9.74% effective July 1, 1949.

Helena branch expense increased \$667 for the same period.

DIRECTORS' FEES AND EXPENSES

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$11,625 | \$ - 2,440 |
| Helena Branch | <u>6,237</u> | <u>+ 952</u> |
| | \$17,862 | \$ - 1,488 |

Directors' fees and expenses at the head office totaled \$12 thousand, a decrease of \$2,440 over the year 1948. Our chairman attended but one meeting in Washington during the year, whereas in 1948 there was a total of five. The holding of a joint meeting of the head office and Helena branch directors on June 17, 1949, at Minot, North Dakota, resulted in a reduced cost compared with the expense of the meeting held in 1948 at Glacier, Montana.

Helena Branch expense increased \$952 for the same period.

FEDERAL ADVISORY COUNCIL FEES & EXPENSES

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|-------------|-------------|-----------------------------------|
| Head Office | \$1,950 | \$ + 62 |

Federal Advisory Council fees and expenses totaled \$1,950, an increase of \$62 over last year.

TRAVEL

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$56,447 | \$ + 15,072 |
| Helena Branch | <u>5,670</u> | <u>+ 501</u> |
| | \$62,117 | \$ + 15,573 |

Travel expense at the head office totaled \$56 thousand, an increase of \$15,072 over the year 1948. Increases are reflected in Consumer Installment Credit investigations \$8,000, Industrial Loan investigations \$1,400, commercial bank training program for employees in various banks in the district \$1,200, and attendance at more miscellaneous meetings.

Helena branch expense was \$501 more for the same period.

POSTAGE & EXPRESSAGE

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|---------------|-----------------------------------|
| Head Office | \$236,032 | \$ + 16,780 |
| Helena Branch | <u>42,430</u> | <u>+ 4,621</u> |
| | \$278,462 | \$ + 21,401 |

Postage and expressage for the head office totaled \$236,032, an increase of \$17 thousand compared with 1948. The largest increases occurred

in expressage on: incoming coin \$5,700, incoming currency \$1,200, and \$1,800 on checks to member banks; ordinary mail postage \$4,723 (which includes \$1,100 increased reimbursement to member banks over last year for postage and expressage on cash items routed direct to other Federal Reserve banks and branches); postage on outgoing coin \$4,200, incoming currency \$2,800, and incoming coin \$1,000. Express rates increased during 1949 on February 14 and again on September 9. Decreases are shown in postage on outgoing currency \$1,900 and expressage on incoming currency \$1,200.

Helena branch expense was \$4,621 more for the same period.

TELEPHONE & TELEGRAPH

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$12,285 | \$ + 3,984 |
| Helena Branch | <u>7,810</u> | <u>- 96</u> |
| | \$20,095 | \$ + 3,888 |

Telephone and telegraph expense at the head office totaled \$12,285, an increase of \$3,984 compared with the year 1948. The bulk of the increase is due to conversion to an automatic telephone system in April. Equipment rental costs increased an aggregate of \$2 thousand for the last eight months and the installation costs amounted to \$240. An intercommunication system for the Protection Department was installed at a cost of \$618.

Helena branch expense decreased \$96 for this period.

PRINTING, STATIONERY & SUPPLIES

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$68,416 | \$ - 390 |
| Helena Branch | <u>4,802</u> | <u>- 2,275</u> |
| | \$73,218 | \$ - 2,665 |

Printing, stationery and supplies expense at the head office totaled about the same as in 1948 while Helena branch showed a decrease of almost half.

OTHER INSURANCE

Does not include insurance on
currency, coin and securities

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$16,825 | \$ - 6,513 |
| Helena Branch | <u>2,392</u> | <u>- 578</u> |
| | \$19,217 | \$ - 7,091 |

Other insurance expense for the head office totaled \$16,825, a decrease of \$6,513 compared with a year ago. The decrease is due to a dividend refund in 1949 for \$9,254 on our Group Life Insurance policy whereas in 1948 we received no dividend.

Helena branch expense decreased \$578 for this period.

TAXES ON BANK PREMISES

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$94,080 | \$ + 7,680 |
| Helena Branch | <u>4,608</u> | <u>+ 183</u> |
| | \$98,688 | \$ + 7,863 |

Taxes on head office bank premises totaled \$94,080, an increase of \$7,680 over the year 1948 due to an increase in tax rate to 147 mills for 1949 compared with 135 mills in 1948.

Helena branch expense was \$183 more for the same period also due to an increase in tax rates.

DEPRECIATION ON BANK BUILDING
& FIXED MACHINERY & EQUIPMENT

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$25,666 | \$ - |
| Helena Branch | <u>5,740</u> | <u>-</u> |
| | \$31,406 | \$ - |

Depreciation on buildings, including vaults, is at the rate of 2 per cent per annum, and on fixed machinery and equipment at 10 per cent per annum of the gross book value.

LIGHT, HEAT, POWER & WATER

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$24,236 | \$ + 85 |
| Helena Branch | <u>2,234</u> | <u>+ 115</u> |
| | \$26,470 | \$ + 200 |

Light, heat, power and water expense at the head office totaled \$24,236.

Helena branch expense increased \$115 for this period.

REPAIRS & ALTERATIONS

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|--------------|-----------------------------------|
| Head Office | \$56,220 | \$ + 11,270 |
| Helena Branch | <u>1,006</u> | <u>+ 298</u> |
| | \$57,226 | \$ + 11,568 |

Cost of repairs and alterations at the head office totaled \$56,220, an increase of \$11,270 compared with the previous year. The larger items of expense during 1949 are:

1. Remodeling program on second floor consisting of: new metal pan ceiling, new recessed fluorescent lighting, and adjustment of air ducts, \$29 thousand.
2. Final alterations in subbasement in which the Bond Department International Business Machines equipment and related operations are now located, \$10 thousand.
3. Painting, plastering, and washing walls and ceilings for general maintenance of building, \$7 thousand.
4. Installation of new timelock movements on vault door, \$1 thousand. This change from a 72 to 120 hour time lock was necessitated because of the extended closing of the vault in event a holiday should be on a Friday or Monday.

Helena branch costs increased \$298 during the period.

FURNITURE & EQUIPMENT

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|-------------|-----------------------------------|
| Head Office | \$12,369 | \$ + 3,701 |
| Helena Branch | <u>191</u> | <u>- 4,493</u> |
| | \$12,560 | \$ - 792 |

Furniture and equipment purchased at the head office totaled

\$12,369, an increase of \$3,700 compared with 1948. The larger purchases during 1949 were a multigraph duplicator \$2,428, chairs \$1,975, adding machines \$1,445, and desks \$1,295.

Helena branch costs decreased \$4,493 from the last year.

MISCELLANEOUS NET EXPENSE

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|---------------|-----------------------------------|
| Head Office | \$143,098 | \$ + 19,447 |
| Helena Branch | <u>13,465</u> | <u>+ 1,155</u> |
| | \$156,563 | \$ + 20,602 |

Miscellaneous net expense at the Head Office totaled \$143,098, an increase of \$19 thousand compared with the year 1948.

The increase resulted from producing a new bank movie of Federal Reserve bank operations. The cost was \$19,800, one half of which will be repaid to us by the Board of Governors.

BOARD ASSESSMENT

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|-------------|-------------|-----------------------------------|
| Head Office | \$80,800 | \$ + 571 |

The assessment for expenses of the Board of Governors of the Federal Reserve System totaled \$80,800.

The Board of Governors of the Federal Reserve System levies semi-annually upon the Federal Reserve banks, in proportion to capital stock and surplus, an assessment sufficient to pay estimated expenses and salaries of its members and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding

half-year.

The basis for our assessments for the years 1949 and 1948 is shown below:

| | | |
|-------------------------------------|------------------|------------------|
| <u>First Half</u> | <u>1949</u> | <u>1948</u> |
| Capital Stock | \$ 4,471,800 | \$ 4,293,650 |
| Surplus (Section 7) | 11,797,315 | 11,232,567 |
| Surplus (Section 13b) | <u>1,072,621</u> | <u>1,072,621</u> |
| | \$17,341,736 | \$16,598,838 |
| Assessment Rate | .00257 | .00209 |
| Total Assessment for First Half | \$ 44,600 | 34,691 |
| <u>Second Half</u> | | |
| Capital Stock | \$ 4,543,650 | \$ 4,375,300 |
| Surplus (Section 7) | 11,797,315 | 11,232,567 |
| Surplus (Section 13b) | <u>1,072,621</u> | <u>1,072,621</u> |
| | \$17,413,586 | \$16,680,488 |
| Assessment Rate | .00208 | .00273 |
| Total Assessment for Second Half | 36,200 | 45,538 |
| Total Assessment for Year | 80,800 | 80,229 |

COST OF FEDERAL RESERVE CURRENCY

| | | |
|---|---------------|-----------------------------------|
| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
| Original cost (including shipping charges) | \$ 98,048 | \$ + 9,847 |
| Redemptions (including shipping charges) | <u>18,213</u> | <u>- 453</u> |
| | \$116,261 | \$ + 9,394 |

The cost of new currency totaled \$98,048, an increase of \$9,800 compared with the year 1948. Printing cost increased \$8,400 while postage and surcharges increased \$1,400.

Redemption costs, including shipping charges, decreased \$453 com-

pared with the previous year.

RENTAL RECEIVED

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|---------------|-------------|-----------------------------------|
| Head Office | \$39,395 | \$ - 488 |
| Helena Branch | <u>972</u> | <u>+ 31</u> |
| | \$40,367 | \$ - 457 |

Rental received from government agencies for space and furniture and equipment, which is deducted from total expenses, totaled \$39,395 during 1949 for the head office, a decrease of \$488 compared with the previous year.

Helena branch rental increased \$31 over the year 1948.

R E I M B U R S A B L E E X P E N D I T U R E S

| | <u>1949</u> | <u>Inc. or Dec. from 1948</u> |
|------------------------------------|-------------------|-----------------------------------|
| Public Debt | \$ 466,587 | \$ - 20,861 |
| Withholding Taxes | 9,046 | + 2,347 |
| Currency Reports | 30 | - 78 |
| Reconstruction Finance Corporation | 12,011 | - 6,321 |
| Federal Farm Mortgage Corporation | 101 | + 72 |
| Federal Land Banks | 242 | + 195 |
| Federal Intermediate Credit Banks | 67 | + 20 |
| Federal Public Housing Authority | 54 | - 1 |
| Commodity Credit Corporation | 10,892 | + 4,971 |
| War Department | 187 | - 25 |
| General Service Administration | 52 | - 2 |
| Federal Home Loan Banks | 35 | - 11 |
| Home Owners Loan Corporation | 79 | + 24 |
| Central Bank for Cooperatives | 2 | + 2 |
| Leased Wire Service | 3,018 | + 268 |
| Photostat Service | 40 | - 321 |
| Coin Wrapping Service | 6,532 | + 464 |
| | <u>\$ 508,975</u> | <u>\$ - 19,257</u> |

Reimbursable expenditures at the head office and Helena branch totaled \$509 thousand, a decrease of \$19 thousand compared with the year 1948. The agencies showing the greatest decreases are Public Debt \$21 thousand and Reconstruction Finance Corporation \$6 thousand. Agencies showing sizeable increases during the year 1949 were Commodity Credit Corporation \$5 thousand and Withholding Taxes \$2 thousand.