

1955
Annual Report

TO THE DIRECTORS



FEDERAL RESERVE BANK OF MINNEAPOLIS

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HEAD OFFICE DIRECTORS
AND MEMBER OF FEDERAL ADVISORY COUNCIL

DIRECTORS

Leslie N. Perrin, Chairman, and Federal Reserve Agent
O. B. Jesness, Deputy Chairman

Term Expires
December 31

Class A

Harold N. Thomson, Vice President, Farmers and Merchants Bank, Presho, South Dakota	1956
Harold C. Refling, Cashier, First National Bank in Bottineau, Bottineau, North Dakota	1957
Joseph F. Ringland, President, Northwestern National Bank of Minneapolis, Minneapolis, Minnesota	1958

Class B

J. E. Corette, President and General Manager, Montana Power Company, Butte, Montana	1956
Ray C. Lange, President, Chippewa Canning Company, Inc., Chippewa Falls, Wisconsin	1957
T. G. Harrison, President, Super Valu Stores, Inc., Hopkins, Minnesota	1958

Class C

Leslie N. Perrin, Director, General Mills, Inc., Minneapolis, Minnesota	1956
O. B. Jesness, Head, Department of Agricultural Economics, University of Minnesota Institute of Agriculture, St. Paul, Minnesota	1957
F. Albee Flodin, President and General Manger, Lake Shore, Inc., Iron Mountain, Michigan	1958

MEMBER OF FEDERAL ADVISORY COUNCIL

Julian B. Baird, Chairman, The First National Bank of Saint Paul, St. Paul, Minnesota	1956
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OFFICERS

O. S. Powell, President

A. W. Mills, First Vice President

C. W. Groth, Vice President

M. B. Holmgren, Assistant Vice President

W. C. Bronner, Assistant Cashier

Fiscal Agency

Securities:

Purchase and Sale

Withheld Federal Taxes

Commodity Credit Corporation

Destruction of Unfit U. S. Currency

Government Coupons

E. B. Larson, Vice President and Cashier

Building:

Construction

Maintenance

Protection

H. G. McConnell, Vice President

R. K. Grobel, Chief Examiner

Bank Examination

Securities Exchange Act

Otis R. Preston, Vice President

Christian Ries, Assistant Vice President

Carl Bergquist, Assistant Cashier

Public and Bank Relations

Announcements

Circulars

Correspondence

Press Relations

M. H. Strothman, Jr., Vice President

Loans and Discounts

Industrial Loans

Regulation V Loans

Sigurd Ueland, Vice President & Counsel, Secretary

Legal

OFFICERS (Contd.)

A. W. Johnson, Assistant Vice President
John Gillette, Assistant Cashier
Check Collection
Equipment Repairs
Ordinary Mail
Check Standardization and Routing Symbol

O. W. Ohnstad, Assistant Vice President
Accounting:
 Expenditures
 Operating Reports
Duplicating
Purchasing
Security Program
Telephone

Clement Van Nice, Assistant Vice President
Currency and Coin
Securities:
 Safekeeping

George M. Rockwell, Assistant Cashier
Noncash Collection
Registered Mail
Vault Assignments
Loans and Discounts
Industrial Loans
Regulation V Loans

M. O. Sather, Assistant Cashier
Accounting:
 General Books and Member Bank
 Reserve Accounts
 Transfer of Funds
Foreign Exchange Reports
Files and Old Records

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

OFFICERS (Contd.)

F. L. Parsons, Director of Research
Oscar Litterer, Business Economist
 Research
 Statistics
 Publications
 Library

F. J. Cramer, Personnel Officer
 Personnel:
 Personnel Maintenance
 Retirement System
 Social Security
 Medical
 Education and Welfare
 Cafeteria
 Office Boys and Pages

A. J. McNulty, General auditor

K. K. Fossum, Vice President
H. A. Berglund, Assistant Vice President
J. L. Heath, Assistant Cashier
 Assigned to Helena Branch

HELENA BRANCH DIRECTORS

George R. Milburn, Chairman
Carl McFarland, Vice Chairman

	<u>Term Expires</u> <u>December 31</u>
Carl McFarland, President, Montana State University, Missoula, Montana	1956
J. Willard Johnson, Financial Vice President and Treasurer, Western Life Insurance Company, Helena, Montana	1956
Geo. N. Lund, Chairman of the Board and President, The First National Bank of Reserve, Reserve, Montana	1956
George R. Milburn, Manager, N Bar Ranch, Grass Range, Montana	1957
A. W. Heidel, President, Powder River County Bank, Broadus, Montana	1957

CHANGES IN DIRECTORATE

On April 5, the Board of Governors appointed Dr. Oscar B. Jesness, Head of the Department of Agricultural Economics at the University of Minnesota as a Class C director of our bank for the term ending in 1957 and as Deputy Chairman of the Board for the calendar year 1955.

At the annual election in November Joseph F. Ringland, President, Northwestern National Bank of Minneapolis, was elected Class A director to succeed Edgar F. Zelle, Chairman, First National Bank of Minneapolis, who was not a candidate for re-election. Thomas G. Harrison, President, Super Valu Stores, Inc., Hopkins, Minnesota, was elected Class B director to succeed Homer P. Clark, Honorary Chairman of the Board, West Publishing Company, St. Paul, Minnesota, who retired after serving 30 years.

The Board of Governors redesignated Leslie N. Perrin, Director, General Mills, Inc., Minneapolis, Minnesota and Dr. Oscar B. Jesness, Head of the Department of Agricultural Economics at the University of Minnesota as Chairman and Deputy Chairman, respectively, of our Board of Directors for the year 1956 and reappointed F. Albee Flodin, President and General Manager, Lake Shore, Inc., Iron Mountain, Michigan as Class C director for a 3-year term beginning January 1, 1956.

Our Board of Directors elected Julian B. Baird, Chairman, The First National Bank of Saint Paul, as member of the Federal Advisory Council for 1956 to succeed Joseph F. Ringland, who became a Class A director.

The Board of Governors reappointed G. R. Milburn, Manager, N Bar Ranch, Grass Range, Montana as a director of our Helena Branch for a two-year term beginning January 1, 1956.

Our Board of Directors re-elected for a third term A. W. Heidel, President, Powder River County Bank, Broadus, Montana, effective January 1, 1956.

The Helena Branch directors elected George R. Milburn, Chairman, and Carl McFarland, Vice Chairman for the year 1956.

CHANGES IN OFFICIAL STAFF

A. R. Larson, Assistant Vice President, retired on June 30 after 35 years of service at the bank.

Effective August 1, Arthur J. McNulty was promoted from Assistant to the General Auditor to General Auditor.

On September 1, our Board of Directors effected the following changes:

Clarence W. Groth, Vice President in Charge of the Helena Branch was transferred to the Head Office.

Kyle K. Fossum was promoted to Vice President and transferred to the Helena Branch where he will be managing officer.

E. B. Larson was promoted to Vice President and Cashier.

M. B. Holmgren was promoted to an Assistant Vice President.

W. C. Bronner was made an Assistant Cashier.

Effective January 1, 1956 Harold A. Berglund was promoted to Assistant Vice President and John L. Heath was elected an Assistant Cashier; both are assigned to our Helena Branch.

MONETARY AND CREDIT DEVELOPMENT

The year 1955 was one of recovery for the national economy, recovery from the less than full employment level of economic activity in 1954. The magnitude of the recovery movement was as large as the physical characteristics of our productive resources permitted. Thus, at year end, many industries--operating at capacity--were unable to satisfy the market demand for their products. Such an environment breeds either rising prices or shortages. Both of these conditions were present when the year 1955 drew to a close.

Accordingly, monetary policy for much of the year had as an objective the restriction of credit creation in order to keep monetary demands for output from rising faster than output itself. This policy was accompanied by a rising level of interest rates, especially short-term rates. In contrast, during most of 1954, interest rates fell, reflecting a monetary policy intended to allow credit creation sufficient to keep monetary demands for output from falling at a time when some productive resources were idle.

The level of unemployment is one of the most important indicators of the degree to which productive capacity is being utilized to satisfy market demand. A high level of unemployment signals that demand (business sales) must be enlarged to achieve full utilization of our productive resources. A low level of unemployment indicates that additional money demands for output must be avoided if price stability is to be achieved.

Thus, a shift in monetary policy from ease to restraint--as reflected by rising interest rates during the past eighteen months--was accompanied by a declining level of unemployment, from 5.1 per cent of the labor force in mid-1954 to 3.6 per cent at the end of 1955.

The experience of 1954 and 1955 demonstrates clearly the way in which the monetary environment can be changed to cope with changing economic conditions. At times when market demands were inadequate to absorb all of the products the nation was capable of producing, monetary policy was employed to permit enlarged demand, as in 1954. At times when the market demanded more products than the economy was able to produce, monetary policy was employed to shrink demand, as in 1955.

The restrictive monetary policy which brought rising interest rates in 1955 was implemented by an increase in Federal Reserve Bank discount rates (in four steps) from 1 1/2 per cent to 2 1/2 per cent, the highest level in twenty years. Also, the open market operations of the Federal Reserve System were employed in 1955 to lower the amount of member banks' reserves. Reserve requirements, a third major instrument of monetary policy, were not changed in 1955.

During 1954, the instruments of monetary policy were employed to expand the availability of credit from commercial banks, with the result that interest rates tended downwards in the first half of the year. The discount rate was reduced twice and reserve requirements were reduced in the summer.

Perhaps the impact of these changes in monetary policy can be observed better by inspecting the changes in the rate of commercial bank credit expansion between 1954 and 1955. In the first ten months of the earlier year, commercial banks added loans and investments worth \$8.3 billion to their assets; in the comparable period of 1955, the loans and investments of commercial banks increased by less than \$3 billion. Hence, the rate of commercial bank credit expansion in 1954, a year of monetary ease, was almost three times as great as the rate of expansion in 1955, a year of monetary restraint.

Since commercial bank credit expansion creates new money which permits enlarged spending, it is important to restrain such expansion in a period of full employment when, as mentioned above, additional spending is likely to produce rising prices rather than more intense utilization of productive resources. The reduction in the rate of credit growth at the banks in 1955 demonstrates the effectiveness of monetary policy in limiting money and credit creation.

New money creation now has a greater influence on the level of total spending than was true in previous years; this is because the rate of money turnover has been rising since 1949. Particularly worthy of mention, perhaps, is the fact that the growth in total spending during the past six years has been accomplished more by higher money turnover than by the creation of new money (currency and demand deposits). The money supply has increased by 21 per cent while the turnover of demand deposits at banks in 337 non-financial cities has jumped by more than 25 per cent.

Since the period to which the turnover figures relate was one of generally rising interest rates, the cost of holding idle bank balances--in terms of interest income sacrificed by not investing the funds--was higher than prior to 1949 when interest rates in general were stable at relatively low levels. Bank customers, therefore, have been confronted with an incentive to employ bank balances more efficiently (lower the ratio of bank balances to expenditures) and the turnover figures simply indicate that they have done this.

Spending, of course, reflects transactions in old assets as well as newly produced assets. It is the spending for newly produced assets or services which is most important in connection with the objective of fully utilizing the nation's productive facilities. The total of such spending for newly produced assets and services, the gross national product, is esti-

mated quarterly by the Department of Commerce. The major sources of such spending are three in number--consumers, business and government. By analyzing changes in the amount of spending from each of these three sources, a good deal can be learned about the character of changes in total output or gross national product.

In 1955, it is estimated that all levels of government spent approximately 1.5 per cent less than was true in 1954, a decline of 1.1 billion dollars. Within the total of spending by all levels of government, however, expenditures by state and local governments were up 2.3 billion dollars from the 27.8 billion dollar level of 1954. All of the decline in spending by government originated with the federal government and resulted mostly from a reduction (down \$3.4 billion) of expenditures for national security purposes. Other types of federal government spending decreased by \$1 billion. The productive resources released by the lowering of national security and other government needs were employed to produce more for consumers and for capital formation, both public and private.

The increase in non-federal, government spending from 1954 to 1955 largely represented expenditures for new public capital, such as schools and highways. Approximately \$12 billion was spent for public construction in 1955; this amount was higher than ever before. But federal spending fell by more than state and local spending rose so that government, collectively, spent less than in 1954.

Business spent more for all components of investment--construction of facilities, durable equipment and inventories. The largest shift came in inventories; these were liquidated (down \$2.9 billion) in 1954 and acquired (up \$3.3 billion) in 1955. Plant and equipment spending increased by less than inventory spending. Consumers spent more for durable and non-durable

goods and for services. The largest relative increase--20 per cent--occurred in spending for durables, mostly automobiles.

Thus, it is seen that the only major type of spending which did not rise in 1955 was spending for national security. Total output destined for consumption and capital formation was enlarged by reason of the transfer of resources from production for defense and by reason of the fact that total employment was higher by 3.3 per cent in 1955 than in 1954--an increase from average employment of 61 million to an average for 1955 of 63 million. Also productivity per man hour has no doubt continued the historical upward trend, thereby contributing to the enlargement of production last year.

Debt acquisition by all major institutional lenders except commercial banks was larger in 1955 than in 1954. Owing to the reduced rate of expansion at commercial banks, however, the total of new credit supplied by major lenders was less last year than in the year before. Yet, there is evidence that total debt grew faster than in the year before. But since most of the borrowing which took place was financed by non-bank lenders--directly or indirectly--only a small part of the credit supplied resulted in new money creation; most of the credit supplied merely transferred the ownership of money from lenders to borrowers.

New Credit Supplied by Various Lenders (in billions of dollars)			
<u>Lender</u>	<u>1954</u>	<u>1955</u>	<u>Period</u>
Mutual Savings Banks	\$ 1.8	\$ 1.8	1st 10 months
Insurance Companies	4.2	4.5	1st 9 months
Savings and Loan	3.5	4.5	1st 9 months
Commercial Banks	<u>8.3</u>	<u>2.9</u>	1st 10 months
	\$17.8	\$13.7	

Estimates of the amount of particular types of debt outstanding suggest that debt growth did not slow down in keeping with the slower growth of debt held by major lenders. The comparison indicates that others than financial institutions supplied part of last year's demand for credit. This

is accomplished when corporations, individuals, etc., substitute securities for bank balances among their assets. Thus, when a commercial bank, for example, sells securities to individuals in order to finance loan expansion, total debt in the economy goes up while total debt lodged with financial institutions remains unchanged in amount. In this fashion, non-institutional lenders help to satisfy credit demands. Commercial banks did in fact liquidate a large amount of investment securities during 1955 to finance loan expansion. Thus, through October, loans had increased \$8.6 billion while investments fell \$6 billion.

MORTGAGE, CONSUMER AND BUSINESS DEBT GROWTH ACCELERATED

That the amount of new debt assumed by private borrowers was larger in 1955 than in 1954 is indicated by statistics which measure the size of the most important components of private debt. Credit sought by individuals for the purchase of autos and homes grew much more rapidly in 1955 than in the year previous. Growth of this type of debt was sufficiently rapid to prompt expressions of concern for stability in the auto and home building industries; also, advocates of mortgage and consumer credit control became more vocal.

An estimated increase of \$6 billion in consumer credit during 1955 compares with a gain of less than \$1 billion in 1954. Most of the difference represents larger borrowings for the purchase of autos in 1955, a year when almost 8 million vehicles were produced for a new output record.

In the first 9 months of 1955, mortgage debt grew by more than it did in all of 1954. The 9-month figures for each year were \$10 billion and \$6.7 billion respectively. Approximately 1.3 million housing units were started last year, more than in any year except 1950. During the year, somewhat higher credit standards were imposed for loans insured or guaranteed by the government.

The statistics described above indicate that individuals afforded much more competition to business and government last year than earlier for the scarce supply of lendable funds. But, the demand for credit from business was also intense as evidenced by corporate security issues for new capital and business loans at the banks.

Such loans at member banks grew \$4 billion in the first 9 months of last year; they declined by more than \$1 billion in the comparable period of the previous year. Much of this credit is extended for the purchase of business inventories which--as mentioned above--increased an estimated \$3.3 billion in 1955 after falling \$2.9 billion in 1954. Larger outlays by businesses for plant and equipment were accompanied by larger corporate security issues for new capital. Issues of \$6.25 billion in the first 9 months of 1955 compare with \$5.60 billion a year earlier.

Only government afforded less competition for lendable funds in 1955 than in 1954. U. S. Treasury debt was up \$2 billion last year; this compares with an increase of \$3.5 billion in 1954. State and local governments added less to their indebtedness in the first 9 months of 1955 than in the same months of 1954. Net borrowing for new capital amounted to \$1.5 billion and \$3 billion in the respective periods. While state and local figures for the entire year are not available, it appears that both federal and lower levels of government decreased their net borrowings last year.

SUPPLY AND DEMAND--INTEREST RATES

Each holder of debt is a supplier of credit. The total amount of credit is supplied (debt held) in the United States far exceeds the total resources of our major financial institutions. The excess is held by individuals, non-financial corporations, government trust funds, pension funds, credit unions, etc. The amount of debt lodged with each of the various holders is not known.

While the supply of credit originating with major financial institutions was diminished in rate of growth during 1955 owing to a lesser rate of expansion at commercial banks, the growth rate of total debt in the economy has increased. The President's Council of Economic Advisers estimates that net public and private debt grew \$45 billion during 1955 in contrast to \$21 billion in 1954. Substantially higher interest rates were effective in calling forth lendable funds to supplement those provided by financial institutions. The Treasury, for example, estimates that in the first 9 months of 1955, non-financial corporations, individuals, and miscellaneous investors added \$4.3 billion to their holdings of government debt. In the same period of 1954, when interest rates were falling, these holders liquidated government debt valued at \$3.4 billion.

From a 1954 low of little more than half a per cent at mid-year, Treasury bill yields climbed almost steadily to more than two and a half per cent in late 1955. Other short-term rates climbed similarly, illustrating the impact of a quickened rate of debt formation. Long-term yields rose much less rapidly than did short-term yields thereby causing the spread between short and long-term yields to be less than in many years.

DISTRICT BANKING IN 1955

Loans at ninth district member banks increased by \$226 million or 15 per cent in 1955. A comparison of the Call Report loan schedules for the ends of the past two years indicates that business loans, mortgage loans and auto loans increased respectively by \$117 million, \$74 million and \$29 million during that period. The rate of loan increase was little different at city and country banks.

Per Cent Increase of Loans and Deposits in 1955
at District Member Banks

	<u>Loans</u>	<u>Deposits</u>
Michigan	13.5%	3.3%
Minnesota	14.5%	-1.4%
Montana	27.0%	1.7%
North Dakota	16.8%	-1.1%
South Dakota	8.6%	.8%
Wisconsin	7.4%	- .5%
District	15.0%	- .4%

For the first time since 1948, member bank deposits were lower at the end of the year than at the beginning. All of the deposit loss was recorded at city banks where withdrawals from correspondent balances accounted for most of the decline. The more intense utilization of correspondent balances reflected one effect of the extremely high level of short-term interest rates and also the efforts of country banks to satisfy the strong demand for loans which characterized 1955.

The strong demand for credit in the district was reflected in other ways. Borrowing by banks from the Federal Reserve, for example, was higher than at any time in many years--despite the fact that the cost of such accommodation was increased from 1 1/2 per cent to 2 1/2 per cent (in four steps) during the year. The same forces which produced dearer short-term money were reflected on the most recently tabulated (first half '55) profit and loss statements of district member banks.

Profits on the sale of securities were reduced greatly from the year-ago level owing to the depressed condition of the bond market. Interest revenue from loans climbed more rapidly than the average amount of loans outstanding, indicating higher interest rates charged. Higher interest rates were paid, too, by district member banks as time deposits grew less rapidly than interest payments to their owners. Despite the more attractive yield,

time deposits grew much less rapidly than in 1954. Time deposit growth in 1954 and 1955 amounted to \$61 million and \$32 million respectively.

The rate of mutual savings bank (Farmers and Mechanics) deposit growth in the district was also reduced. A \$10 million increase in 1955 compares with a \$14 million gain in 1954. Insured savings and loan associations, on the other hand, reported a savings inflow of \$108 million for the first eleven months of 1955 in contrast to a gain of \$99 million in the comparable period of 1954. It is apparent, however, that the total inflow at these selected district reservoirs of savings was substantially less in 1955 than in 1954.

Since total deposits at district member banks fell last year, the accelerated pace of loan expansion gave rise to a substantial liquidation of investments as well as to larger borrowings from this bank. Holdings of U. S. government securities dropped \$202 million; other securities were acquired in the amount of \$34 million. By way of contrast, in 1954, total investments rose \$115 million while loans were up \$65 million.

Except for the deposit loss, the experience of district member banks in 1955 parallels that of commercial banks throughout the nation. Fast loan growth, a reduced rate of time deposit accumulation, investment liquidation and larger borrowings from the Federal Reserve were not conditions peculiar to the ninth district. The slight deposit loss at district banks is doubtless associated in part with the depressed condition of agricultural prices--so important here.

OTHER ASPECTS OF THE DISTRICT ECONOMY

Through October in 1955, cash farm income for the district was estimated to be 2 per cent lower than a year earlier. In Minnesota, no change was recorded and in North Dakota, an increase of 9 per cent occurred;

but in Montana and South Dakota respective declines of 7 per cent and 11 per cent were sufficient to lower the average district cash farm income from the 1954 level.

Other measures of district prosperity than farm income compare favorably with 1954; while district gains were generally less than national gains for comparable indicators, this partly reflects the fact that the decline from 1953 to 1954 in the district was less than in the nation.

The percentage increase of employment in the district, for example, was less than for the nation; nevertheless, the district increase which did occur was sufficient to bring district employment to a postwar high. In Minnesota, where the bulk of non-agricultural employment is located, the average number of people at work in 1955 was 1.2 per cent higher than in 1954.

Sales of new automobiles in the district, as reflected by new car registrations, were up 16 per cent in the first 10 months of 1955 over the same months of 1954. Nationally, the gain was 36 per cent. At a sample of city department stores, district sales in 1955 were 3 per cent over 1954; the national average gain was 7 per cent. In 1954, district sales were slightly higher than in 1953 while national sales were slightly lower.

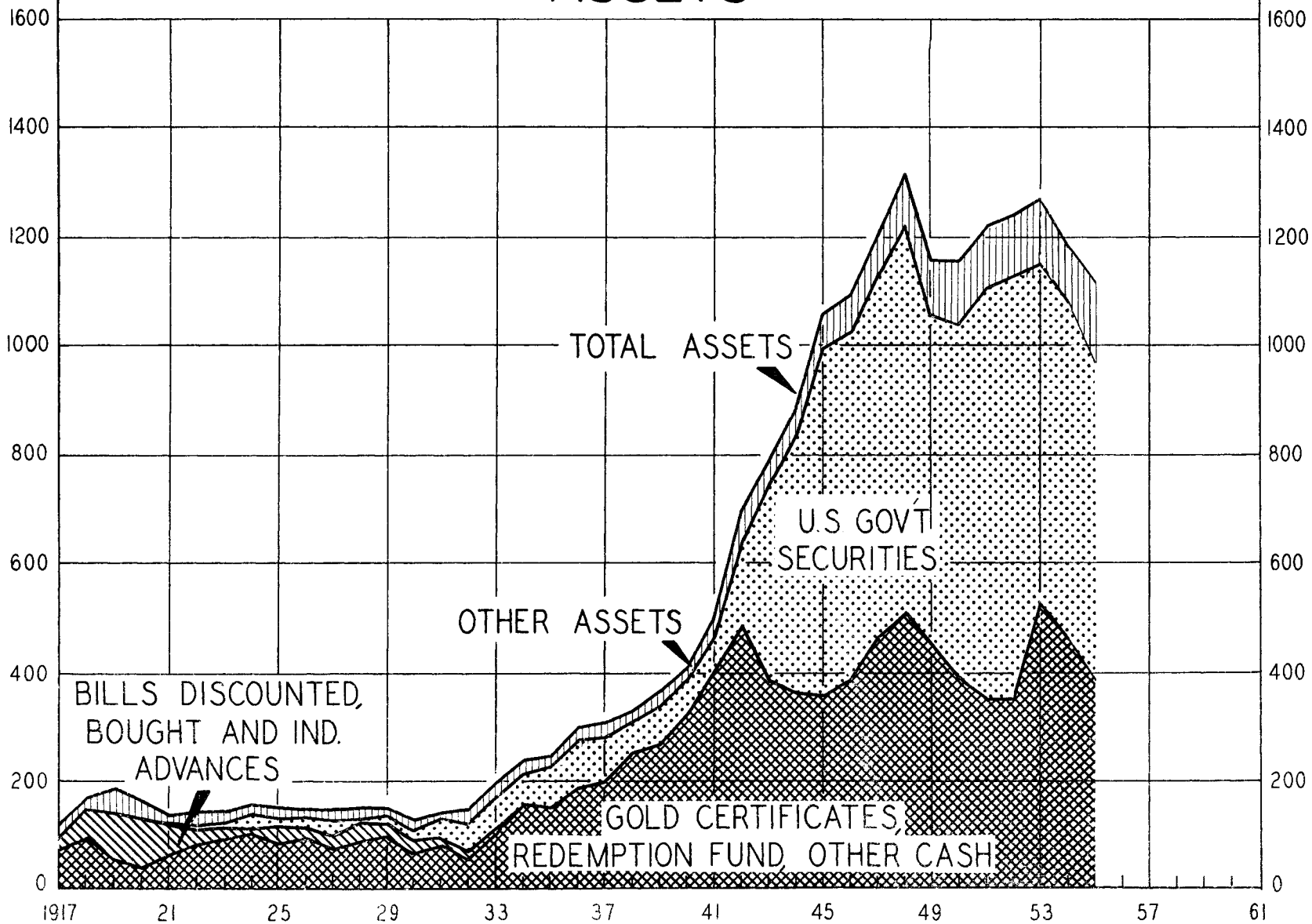
Debits to demand deposit accounts at a sample of district banks were up 8 per cent in amount during 1955. This figure indicates the direction of spending by bank customers. Deposit balances were more active since total deposits did not rise with total debits. At year end, debits were up somewhat less in the country than in the city.

Judging from the average number of people employed in construction, and from the value of building permits issued in the district, district construction activity last year was higher than in 1954. Building permit valuations were higher for the year in every district state.

MILLION DOLLARS

MILLION DOLLARS

ASSETS



COMPARATIVE STATEMENT OF ASSETS

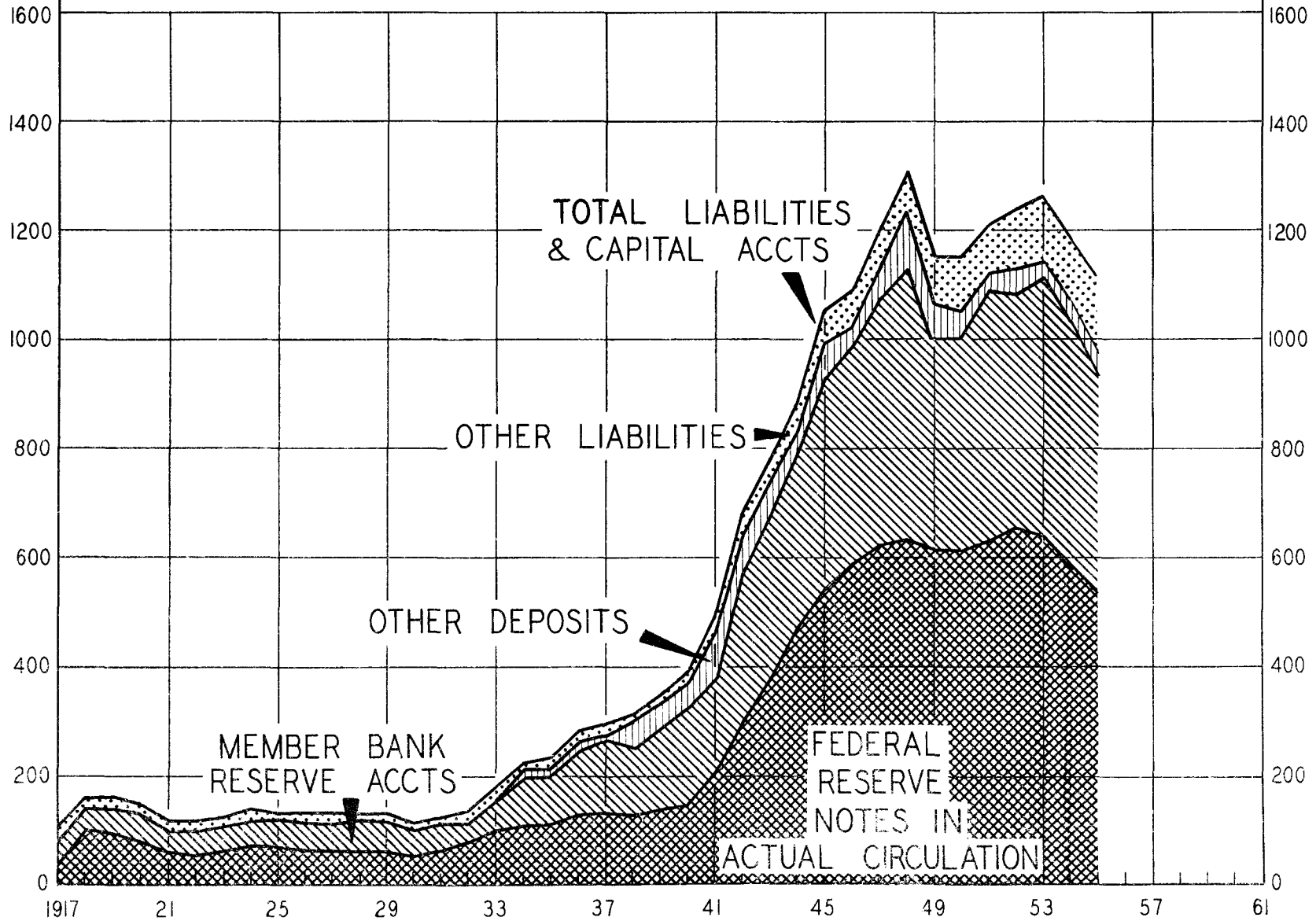
MINNEAPOLIS AND HELENA BRANCH COMBINED
(thousands of dollars)

	<u>12-31-55</u>	<u>12-31-54</u>	<u>Change from</u> <u>12-31-54</u>
Assets:			
Cash Reserves:			
Interdistrict Settlement Fund	189,279	246,328	- 57,049
Gold Certificates with F.R. Agent	150,000	175,000	- 25,000
Redemption Fund - F.R. Notes	<u>23,729</u>	<u>24,644</u>	- 915
Total Gold Certificate Reserves	363,008	445,972	- 82,964
F.R. Notes of Other F.R. Banks	9,587	8,567	+ 1,020
Other Cash	7,908	8,848	- 940
Bills Discounted	1,355	450	+ 905
Foreign Loans on Gold	25	3,333	- 3,308
Industrial Loans	60	96	- 36
U. S. Government Securities:			
Bills	36,414	53,215	- 16,801
Certificates of Indebtedness	143,476	340,909	-197,433
Notes	343,283	148,257	+195,026
Bonds	<u>67,895</u>	<u>68,802</u>	- 907
Total U. S. Government Securities	591,068	611,183	- 20,115
Due from Foreign Banks	1	1	
Uncollected Items:			
Transit Items	132,375	97,867	+ 34,508
Exchanges for Clearinghouse	4,010	2,908	+ 1,102
Other Cash Items	<u>1,278</u>	<u>627</u>	+ 651
Total Uncollected Items	137,663	101,402	+ 36,261
Bank Premises	3,688	2,462	+ 1,226
Less Reserve	<u>1,494</u>	<u>1,455</u>	+ 39
Bank Premises - Net	2,194	1,007	+ 1,187
Miscellaneous Assets:			
Fiscal Agency expense, reimbursable	188	190	- 2
Interest Accrued	3,492	2,845	+ 647
Premium on Securities	89	151	- 62
Deferred Charges	34	36	- 2
All Other Assets	<u>2</u>	<u>16</u>	- 14
Total Miscellaneous Assets	3,805	3,238	+ 567
Total Assets	<u>1,116,674</u>	<u>1,184,097</u>	- 67,423

MILLION DOLLARS

MILLION DOLLARS

LIABILITIES



COMPARATIVE STATEMENT OF LIABILITIES

MINNEAPOLIS AND HELENA BRANCH COMBINED
(thousands of dollars)

	<u>12-31-55</u>	<u>12-31-54</u>	<u>Change from</u> <u>12-31-54</u>
<u>Liabilities:</u>			
Federal Reserve Notes in Circulation	531,709	583,511	-51,802
<u>Deposits:</u>			
Member Bank - Reserve Accounts	405,586	443,527	-37,941
U. S. Treasurer - General Account	25,108	27,339	- 2,231
Foreign	9,650	12,050	- 2,400
Nonmember Bank - Clearing Accounts	457	458	-
Officers' Checks	56	142	- 86
Other Deposits	<u>5,180</u>	<u>1,716</u>	<u>+ 3,464</u>
Total Deposits	446,037	485,232	-39,195
<u>Deferred Availability Items:</u>			
U. S. Treasurer - General Account	7,094	4,694	+ 2,400
All Other	<u>101,674</u>	<u>81,744</u>	<u>+19,930</u>
Total Deferred Availability Items	108,768	86,438	+22,330
<u>Miscellaneous Liabilities:</u>			
Unearned Discount	2	2	-
Discount on Securities	233	211	+ 22
Sundry Items Payable	166	129	+ 37
Suspended Credits	<u>10</u>	<u>5</u>	<u>+ 5</u>
Total Miscellaneous Liabilities	411	347	+ 64
 Total Liabilities	 1,086,925	 1,155,528	 -68,603
<u>Capital Accounts:</u>			
Capital Stock Paid In	6,861	6,360	+ 501
Surplus Fund - Section 7	17,586	16,918	+ 668
Surplus Fund - Section 13b	1,073	1,073	-
Reserve for Contingencies	<u>4,229</u>	<u>4,218</u>	<u>+ 11</u>
Total Capital Accounts	29,749	28,569	+ 1,180
 Total Liabilities & Capital Accounts	 <u>1,116,674</u>	 <u>1,184,097</u>	 <u>-67,423</u>

While the indicators described above suggest less of an improvement of economic conditions for the district than for the nation, they do not indicate the presence of notable distress. In view of the unfavorable price trends for agricultural products, the improvement of district business last year is especially encouraging.

FEDERAL RESERVE BANK OF MINNEAPOLIS

Perhaps the most remarkable development in 1955 at this bank was one which reflected the general scarcity of credit. The average amount of loans outstanding was six times larger than in the previous year and higher than at any time in more than two decades. One effect of an increase in average loans from \$7 million in 1954 to \$42 million in 1955, can be seen on the comparative statement of earnings and expenses which shows loan revenue (from member banks) of \$144.8 thousand in 1954 and \$840.9 thousand in 1955. Owing to changes in the discount rate during the two years, revenues did not increase in proportion to loans outstanding.

Larger loan revenues helped to offset a decline in the bank's most important source of earnings--interest on government securities. The total return on governments was reduced in 1955 because the average yield rate fell and because average holdings were reduced. The reduction of holdings was produced by a System open market policy of restraint, implemented by sales from the System portfolio in which each Reserve bank participates.

Larger operating expenses of the bank were associated with the employment of more people. Additional staff was required for the most part by an expansion of physical activity in the operating departments and by the building program.

The loss of gold certificate reserves, indicated by the bank's condition statement, was the result of several forces. These include an unfavor-

able balance of payments with other districts, a participation formula for the System open market account which raises the ratio of investments to total assets higher than the System average at banks losing funds, and the fact that Federal Reserve notes from other districts have been used to satisfy currency requests from our member banks whereas, formerly, these notes were exchanged for gold certificates, and requests were filled by the issue of our own notes.

The use of other than our own notes to satisfy currency requests has also affected the liability section of our statement where the note issue is seen to have declined by almost 9 per cent in 1955. The average change in note liability for all Reserve banks was plus 2 1/2 per cent. These figures indicate that our "imports" of currency from the rest of the country exceeded our "exports" of Minneapolis Reserve Bank notes.

A 50 per cent increase in the value of bank premises, as shown on the condition statement, is a bookkeeping reflection of the fact that considerable progress was made during the year in expanding the bank quarters.

DEPARTMENTAL AND OTHER COMMENTS

ACCOUNTING

Reserves

Reserve requirements remained unchanged in the year 1955 as shown by the table below.

<u>Bank Classification</u>	<u>Net Demand Deposits</u>	<u>Time Deposits</u>
Country	12%	5%
Reserve City	18%	5%
Central Reserve City	20%	5%

The Board of Governors approved the action of the Federal Reserve Bank of Minneapolis in increasing the discount rate four times during the year. As penalties for deficiencies in reserves are computed at 2% above the current discount rate, the increases raised the penalty rates as shown below.

<u>Date of Increase</u>	<u>Rate on 90-Day Commercial Paper</u>		<u>Plus 2% acc't Regulation D</u>	<u>Penalty Rate</u>
	<u>From</u>	<u>To</u>		
4/15/55	1.50%	1.75%	+2%	3.75%
8/ 6/55	1.75%	2.00%	+2%	4.00%
9/12/55	2.00%	2.25%	+2%	4.25%
11/21/55	2.25%	2.50%	+2%	4.50%

Penalties for deficiencies in reserves assessed at the Head Office during the year 1955 showed an increase of 14.3% in amount and 17.9% in number. Penalties assessed at Helena Branch showed an increase of 289.8% in amount and 118.4% in number. This large increase was due to penalties assessed against seven Montana banks, which was responsible for the increase of 50.3% of the amount of Helena's assessed penalties and 33.7% of the number.

Penalties for deficiencies in reserves at the Head Office which were waived increased 11.8% in amount and 23.3% in number and at the Helena Branch waived penalties increased 90.7% in amount and 26.9% in number.

64.9% of the amount and 35.2% of the number of all penalties waived for the year were waived under the Board's rule which allows a deficiency in one period to be offset by excess in the following period, provided that such deficiency does not exceed 2% of the bank's required reserve. The large reserve city banks in the Twin Cities and Helena account for 73.3% of the amount and 32.3% of the number of penalties waived under this rule.

30.7% of the amount and 19.6% of the number of penalties waived were waived under the rule which permits a penalty to be waived for a deficiency of not more than 5% of a member bank's required reserve provided that a penalty has not been waived under that rule within a two year-period.

Only 4.4% of the amount and 45.2% of the number of all penalties waived for the year were waived under the rule which applies to penalties not in excess of \$5.00.

During 1955, 91 banks were penalized for a total of 175 times compared with 79 banks for 116 times in 1954.

The following is a comparative report by states of penalties for deficiencies in reserves during 1955 and 1954.

	<u>Penalties Assessed</u>		<u>Penalties Waived</u>				<u>Banks Affected</u>					
	<u>1955</u>	<u>1954</u>	<u>1955</u>		<u>1954</u>		<u>Assessed</u>		<u>Waived</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	18	\$ 688.51	7	\$ 410.16	34	\$ 394.19	23	\$ 113.72	11	7	20	14
Minnesota	42	1,156.75	44	1,304.93	178	5,219.86	145	6,709.58	27	31	89	72
No. Dakota	12	526.47	8	170.26	26	442.36	23	269.25	6	7	16	16
So. Dakota	13	415.27	16	539.68	39	582.78	34	433.35	9	8	26	22
Wisconsin	7	247.14	3	230.02	25	72.87	20	88.60	4	3	13	12
Head Office												
Totals	92	\$3,034.14	78	\$2,655.05	302	\$6,712.06	245	\$7,614.50	57	56	164	136
Helena												
Branch	83	\$7,794.88	38	\$1,999.50	85	\$2,012.76	67	\$1,055.09	34	23	44	26
Combined	175	\$10,829.02	116	\$4,654.55	387	\$8,724.82	312	\$8,669.59	91	79	208	162

Wire Transfer Division

During 1955 a method of improving the sending and receiving of (a) transfers of funds, (b) transfers of securities, and (c) allotment transfers of securities over the leased wire system was considered by the System Subcommittee on Cash, Leased Wire and Sundry Operations.

The new procedure will provide for the transmission of transfer messages in clear language instead of code and for automatic preparation as a by-product of transmission at both the sending and receiving points of forms and tickets.

The procedure is expected to result in the following advantages to the System.

1. Substantial savings through the elimination of the cost of existing encoding and decoding activities, and the separate preparation of various accounting and record tickets.
2. Speeding up of telegraphic transfers of securities and funds, thus providing better service.
3. Smoothing out peak load conditions which now bottleneck at certain times because of the necessity for encoding and decoding messages.

On December 1, 1955 we adopted a new numbering procedure as a preliminary step to a complete cutover to the new transmission procedure scheduled to become effective by April 9, 1956.

The tables on the following page reflect a comparison of activities in the Wire Transfer Division for the year 1955 with 1954.

Transfer of Funds
Dollar Totals
(000 Omitted)

	<u>1955</u>	<u>Change from 1954</u>
Transfers to other Federal Reserve districts	7,662,115	+1,541,511
Transfers from other Federal Reserve districts	8,705,083	+1,284,133
Intra-district transfers	<u>2,877,542</u>	+ 316,716
	<u>19,244,740</u>	<u>+3,142,360</u>

Number of Transfers Made

Transfers to other Federal Reserve districts	18,129	+2,137
Transfers from other Federal Reserve districts	18,514	+ 384
Intra-district transfers	<u>13,003</u>	<u>+ 490</u>
	49,646	+3,011

Number of Telegrams Sent

Private Wire	30,147	+3,552
Western Union	3,028	+ 164
TWX	<u>4</u>	<u>- 3</u>
	33,179	+3,713

Number of Telegrams Received

Private Wire	36,525	+2,143
Western Union	5,140	+ 279
TWX	<u>1,014</u>	<u>+ 144</u>
	42,679	+2,566
Number of telegrams coded by us	23,866	+ 4,008
Number of telegrams decoded by us	26,400	- 374

CHECK COLLECTION

During 1955 this department handled more items than ever before and passed the 100 million mark for the first time. The 102.1 million checks functioned was 3.6 percent more than the 1954 volume and more than doubled the 49.7 million items handled in 1948. The amount of \$28.2 billion represents an increase of 5.9 percent over the dollar amount handled in 1954.

The table below shows the number and dollar amount of items processed during 1955 as compared with 1954:

	<u>Volume</u> (000 Omitted)		<u>No. of Items</u> <u>Inc. or Dec.</u>	<u>Percent of</u> <u>Inc. or Dec.</u>
	<u>1955</u>	<u>1954</u>		
Twin City Checks	15,340	14,112	+1,228	+ 8.7 %
Country Checks	60,886	58,840	+2,046	+ 3.5
Government Checks				
Paper	1,157	1,209	- 52	- 4.3
Card--Our District	10,562	10,114	+ 448	+ 4.4
Card--Other Feds	4,276	3,841	+ 435	+11.3
Return Items	757	732	+ 25	+ 3.4
Postal Money Orders	<u>9,151</u>	<u>9,771</u>	<u>- 620</u>	<u>- 6.3</u>
	102,129	98,619	+3,510	+ 3.6 %

	<u>Dollar Amount</u> (000 Omitted)		<u>Dollar Amount</u> <u>Inc. or Dec.</u>	<u>Percent of</u> <u>Inc. or Dec.</u>
	<u>1955</u>	<u>1954</u>		
Twin City Checks	15,375,574	14,310,063	+1,065,511	+ 7.4 %
Country Checks	10,154,620	9,425,263	+ 729,357	+ 7.7
Government Checks				
Paper	1,135,535	1,420,744	- 285,209	-20.1
Card--Our District	849,149	878,948	- 29,799	- 3.4
Card--Other Feds	450,625	351,152	+ 99,473	+28.3
Return Items	104,996	105,166	- 170	- .2
Postal Money Orders	<u>149,899</u>	<u>158,462</u>	<u>- 8,563</u>	<u>- 5.4</u>
	28,220,398	26,649,798	+1,570,600	+ 5.9 %

An all time record of checks handled on a single day for all classifications was set on December 7, 1955 when 514,269 items were functioned. The previous year's one day high on December 8, 1954 numbered 477,380 items, which

figure was exceeded four times in 1955.

On September 14, 1955 the department processed 296,636 country checks for a new high total. The previous year's record made on December 14, 1954 for checks in this classification numbered 293,025 items.

A new record of 83,550 Treasury punch card checks on other Federal Reserve banks was established on August 8, 1955, breaking the former year's record of 68,550 set on September 8, 1954. This old record was broken four times during 1955.

Other new records were 128,170 Twin City clearing items processed on December 19, 1955, breaking the former year's record of 112,179 set on March 16, 1953 and 3,638 return items handled on December 8, 1955, which broke the record of 3,425 established November 5, 1954.

The rapid growth of the banks serving the Minneapolis suburban area prompted a study of the collection of checks payable by par banks outside the corporate limits of Minneapolis but within what is considered the metropolitan area. As a result of this study, checks drawn on twelve suburban banks located in Bloomington, Columbia Heights, Crystal, Edina, Golden Valley, Hopkins (2), Richfield (2), Robbinsdale and St. Louis Park (2) have since October 1, been handled on the same immediately available basis as Twin City checks, instead of on a two-day deferred basis as in the past. Member banks within the corporate limits of Minneapolis and St. Paul were given three alternatives, (1) to continue depositing items on suburban banks in cash letters containing Minnesota items for two-day deferred credit if received before 12:30 p.m. on a banking day, (2) to deposit unsorted, items on suburban banks in separate cash letters for one-day deferred credit if received before 6:00 p.m. and (3) to deposit suburban items sorted, listed and packaged according to the paying banks for immediate credit when received by 10:30 a.m. on a banking day. Member banks located outside the corporate limits of Minneapolis and St. Paul can include items unsorted on these suburban banks in their immediate cash letters containing Minneapolis and St. Paul items.

These items are delivered to the suburban banks by messengers. Two trips are made daily; the first car leaving here at 7:40 a.m. with delivery to the last suburban bank at approximately 8:45 a.m., and the second leaving here at 10:40 a.m. with the last delivery by approximately 11:45 a.m. In the first three months of operation such checks averaged daily 36 thousand items, totaling \$2.3 million.

The department has continued to check on delayed remittances for cash letters to par and nonpar banks in an effort to encourage good banking practices and reduce float.

The Federal Reserve Bank of New York and several commercial banks in New York and New Jersey made photographic facsimiles of checks lost in a consolidated shipment addressed to this bank from New York on May 18, 1955, and in this particular case because of the volume such facsimiles were handled by us as cash items. There were 8,961 items totaling \$2.5 million involved and none of these original items have since been presented to the drawee banks for payment.

The department now operates on a 24 hour basis and functions checks continuously from 5:15 a.m. Monday through Saturday afternoon of each week.

Postmasters' Deposits

Since July 2, 1954, this bank has been designated by the Treasury Department as a depository for surplus funds of postmasters. Deposits for the last six months of 1954 were received from postmasters located in the territory of the Ninth Federal Reserve District. For the first nine months of 1955, deposits were not received from postmasters in the ninth district portions of Michigan and Wisconsin but were received from postmasters in the other states. On October 1, deposits from postmasters in the upper peninsula of Michigan and the entire state of Wisconsin were added so that at present, deposits are received from 3,606 postmasters.

The postmasters' deposits include checks, money orders, saving stamp albums and currency, all of which are processed by this department after the currency has been removed. The Treasurer of the United States is credited daily for the account of the Post Office Department.

The table below indicates the total of such deposits received since we started to handle them.

<u>Period</u>	<u>Total number of deposits</u>	<u>Total amount of deposits</u> (000 Omitted)	<u>Number deposits containing cash</u>	<u>Total amount cash</u> (000 Omitted)
Last 6 Mo. 1954	151,990	\$ 101,324	74,635	\$ 17,390
First 6 Mo. 1955	104,207	77,035	47,039	9,772
Last 6 Mo. 1955	141,809	132,013	63,661	14,917

Check Routing Symbol

The use of the routing symbol on checks drawn on Ninth District par banks continued to improve in 1955. The annual survey made as part of a system wide study indicated that 96½ percent of the checks drawn on par banks in this district carried the symbol.

The percentage of use of the symbol by Ninth District banks is indicated by states in the following table:

Michigan	95	North Dakota	97
Minnesota	97	South Dakota	98
Montana	96	Wisconsin	96

Excellent progress was made in North Dakota and in the Twin City area where three percent increases were achieved.

Check Standardization Program

The campaign to improve check design and eliminate nonbank items continued during 1955. Several businessmen's groups were addressed and 550 business firms and banks were visited by two of our representatives. Legislation, similar to that passed in Wisconsin in 1951 and in Minnesota and South Dakota in 1953, was passed by the 1955 Legislature in North Dakota. The Bill provided that State and Municipal treasurers disburse funds by means of a warrant order-check. The legislation was proposed in cooperation with the State Examiner, and went into effect July 1, 1955. In connection with the passage of the law, a representative of our department attended six group meetings of the League of North Dakota Municipalities in May, and explained the requirements of the statute.

Since South Dakota passed legislation in 1953, there has been some misunderstanding as to the intent and purpose of the statute. To help municipal officials better understand the law, representatives of the Check Collection Department attended the State Convention of the League of South Dakota Municipalities held in Deadwood in an advisory capacity. As a result of recommendations by the convention, all municipal subdivisions of the state were circularized.

This department mailed out 7500 letters in October explaining the law and enclosing a sample warrant order-check.

It is hoped that similar legislation to convert warrants to warrant-checks will be passed when the Montana State Legislature meets in 1957.

CURRENCY AND COIN

In general, the year in the Currency and Coin Department was characterized by stability. Shipments of currency and coin to member banks, as measured in dollar value, were somewhat higher than those for 1954 as was the dollar value of coin received from member banks. Receipts of currency from member banks, on the other hand, were down slightly from a year ago although the decline was in part offset by the increase in the volume of currency received in post office deposits.

Both currency and coin showed a small decline in the number of pieces counted and sorted during the year although the dollar value of coin counted actually showed a small increase. The number of coins wrapped in 1955 set a new record for the ninth straight year. The increase in 1955, however, was only $6\frac{1}{2}$ percent over the previous year as compared with year-to-year increases of 25 percent from 1953 to 1954 and 39 percent from 1952 to 1953. The number of coins wrapped during 1955, approximately 103 million, was just double the number wrapped in 1951. As a generalization, it can be said that the percentage variations in work volume figures showed both increases and decreases as compared with 1954, but that the differences were all relatively small.

Again in 1955, as was the case in the last half of 1954, fit-for-use Federal Reserve Notes of this bank accumulated in our vaults and our net note circulation again declined. In July 1954, it will be remembered, the Federal Reserve Act was amended to permit Federal Reserve Banks to pay out the notes of other Reserve Banks. The note circulation of this bank on June 30, 1954 just prior to the passage of the legislation, amounted to ~~\$622~~ million. At the end of 1954 our note circulation had declined contraseasonally to \$584 million and on December 31, 1955 it was down to \$532 million. Meanwhile, cash on hand in our Currency and Coin Department reached a high of approximately \$63 million at the end of 1955 as compared with \$51 million a year earlier and \$27 million at the

end of 1953. The accumulation of 9I notes which was largely responsible for these increases was not at such a rapid rate, however, during the late summer and fall of 1955 as it was during the similar period of 1954.

Two changes occurred in our post office deposits operation during the year. On January 1 post offices in the Upper Peninsula of Michigan and the Ninth District portion of Wisconsin discontinued sending their deposits to us. This left us with only the post offices in North Dakota, Montana, South Dakota and Minnesota as depositors and considerably reduced our work in the post office deposits section. On October 1, however, we not only got back all of the upper Michigan and northwestern Wisconsin post offices but also added all of the post offices in the Seventh District portion of Wisconsin so that our work in this division became larger than at any time since we added the post office deposits function on July 1, 1954. During the last three months of the year we averaged in excess of 800 post office deposits a day with average daily currency receipts of about \$150,000.

Early in 1955 we were authorized by the Treasury Department to remove from custody and destroy \$3,100,000 of unfit \$1 Silver Certificates which we had held in joint custody with the Treasury since 1951 as a part of a war emergency reserve. Destruction of these bills completed the removal from our vaults of all of the unfit currency reserve which had been set up in that year. In March we received an additional \$5 million in new \$1 Silver Certificates to be held in joint custody with the Treasury as an emergency reserve.

The building expansion and remodeling program which began June 1 has not affected the Currency and Coin Department to any great extent as yet. It did, however, make necessary the removal of the coin wrapping operation from the bank floor. Two of the automatic wrapping machines are now located on the ground floor with the third machine being located on the third floor. The department

also lost a small amount of space in the cancelled currency cage and it was necessary to rearrange our operations in that area.

Coin shipments from the mints were higher in 1955 than they have been for any year since 1952. Cents were particularly in demand but we were able to get through the year with very little rationing and the penny shortage in our district was apparently not as severe as in other parts of the nation. In August and September we took on an assignment from the Federal Bureau of Investigation to look for Greenlease ransom money bills in our incoming currency. Although we examined more than 50,000 tens and twenties visually or by I.B.M. punch card comparison, we found only one such bill. The number of counterfeits detected during 1955 was lowest in many years, totaling 16 as compared with 90 in 1954 and 72 in 1953.

During the summer months we continued the practice we began in 1953 of hiring additional summertime help in our currency sorting section to take care of the usual seasonal bulge in incoming currency. We also continued the practice begun in 1954 of selling our cancelled postage to a local stamp dealer although on a somewhat different basis from that of the previous year.

No major equipment was purchased for the department during the year but we did buy two tickometers which had previously been rented and replaced our electric time stamp and a coin counting machine.

ANNUAL REPORT FOR CURRENCY AND COIN FOR 1955

Currency Paid Out by Denominations to Member Banks

	<u>1955</u>	<u>1954</u>
1's and 2's	\$ 31,258,000	\$ 30,903,000
5's	45,255,000	45,492,000
10's	119,042,000	109,753,000
20's	111,841,000	106,993,000
50's	4,887,000	5,035,000
100's	15,454,000	18,005,000
500's	596,000	943,000
1,000's	909,000	1,221,000
5,000's	Ø	Ø
10,000's	40,000	30,000
	<u>\$329,282,000</u>	<u>\$318,375,000</u>

Outgoing Shipments
for Account of Member Banks

	<u>1955</u>		<u>1954</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency paid out	18,648	\$329,282,000	19,129	\$318,375,000
Currency shipped to Helena Branch and for other F.R.Banks	78	11,800,000	422	26,568,000
Coin paid out	<u>14,704</u>	<u>13,267,000</u>	<u>14,076</u>	<u>12,106,000</u>
	33,430	\$354,349,000	33,627	\$357,049,000

Incoming Shipments
for Account of Member Banks

	<u>1955</u>		<u>1954</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency	20,946	\$380,868,000	21,797	\$392,010,000
Coin	<u>4,398</u>	<u>12,050,000</u>	<u>4,493</u>	<u>11,652,000</u>
	25,344	\$392,918,000	26,290	\$403,662,000
Fit-for-use \$1's received from Helena Branch	13	1,020,000		875,000
Postmasters' deposits recd.	<u>147,924</u>	<u>24,690,644</u>	<u>97,566</u>	<u>17,504,000</u>
	173,281	\$418,628,644	123,856	\$422,041,000

Number & Amount of Pieces Handled

Currency

	<u>1955</u>		<u>1954</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Bills recd. & counted	60,735,350	\$389,388,910	64,592,019	\$429,708,000
Bills rehandled	3,707,389	67,831,430	4,851,697	85,040,000
Bills hand verified	<u>18,058,323</u>	<u>201,926,237</u>	<u>19,038,797</u>	<u>219,785,500</u>
	82,501,062	\$659,146,577	88,482,513	\$734,533,500

Coin

	<u>1955</u>		<u>1954</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Coins recd. & counted	121,668,777	\$ 11,569,799	125,741,015	\$ 11,451,000
Coins rehandled	768,250	81,725	485,220	61,621
Coins wrapped	<u>102,729,000</u>	<u>8,223,950</u>	<u>96,398,000</u>	<u>8,359,500</u>
	225,166,027	\$ 19,875,474	222,624,235	\$ 19,872,121

Amount of Coin Received
From U.S. Mints

<u>1955</u>	<u>1954</u>
\$2,274,500	\$1,743,500

Number of Bills Redeemed

<u>1955</u>	<u>1954</u>
\$30,421,207	\$28,522,890

DISCOUNT AND CREDIT

One hundred and one member banks borrowed an aggregate of \$4,156,277,000 from our bank in 1955. These figures included advances by the Helena Branch to 21 banks aggregating \$227,042,000. Comparable figures for 1954 showed borrowings by 70 member banks aggregating \$945,900,500, including \$66,320,000 borrowed by 9 banks at the Helena Branch. All advances were secured by direct obligations of the United States (or Federal Intermediate Credit Bank obligations) except for advances aggregating \$316,000 made to two banks under Section 10(b) of the Federal Reserve Act. The highest amount outstanding to member banks in this district was \$111,447,000 on December 29, 1955. Twenty-five banks were borrowing on that day.

Our bank's participation in foreign loans on gold in the year totaled \$2,600,000.

Two applications for industrial loans under Section 13b of the Federal Reserve Act were received during the year. These applications totaled \$70,000. Both applications were declined. The total amount of industrial advances (current) outstanding on our bank's books on December 31, 1955, was \$59,629.90. Borrowers concerned were a packer and shipper of fresh vegetables and a wholesale and retail grocery business.

Three applications for guaranteed loans under Regulation V totaling \$1,050,000 were received during 1955, two of these were approved and one declined. One guarantee agreement for \$100,000 was executed.

In 1955, advances totaling \$32,175,313.94 were made by financing institutions under Regulation V; \$29,811,000 advanced was guaranteed by the Department of the Air Force; \$1,322,400 by the Department of the Army and \$1,041,913.94 by the Atomic Energy Commission.

Loans actually outstanding under guarantee agreements at the year end aggregated \$690,600 for the Air Force (guaranteed portion \$621,540); \$480,370 for the Army (guaranteed portion \$376,296); and \$5,516,330.76 for the Atomic Energy Commission (guaranteed portion \$5,240,514.22).

DUPLICATING

Volume of work performed by the various sections of the department is set forth in the following tabulations:

	<u>1955</u>		<u>1954</u>	
	<u>Forms</u>	<u>Total Run</u>	<u>Forms</u>	<u>Total Run</u>
Ditto	580	42,619	689	43,373
Mimeograph	2,161	436,935	2,120	513,890
Multigraph	898	545,998	924	490,410
Multilith	1,452	4,329,956	2,199	3,907,980
Photostat		<u>3,997</u>		<u>2,783</u>
	<u>5,091</u>	<u>5,359,505</u>	<u>5,932</u>	<u>4,958,436</u>

These figures show no material change in volume for the Ditto, Mimeograph, and Multigraph sections. The total number of jobs run by the Multilith section was reduced by 747 but the runs were considerably longer, resulting in an increase in number of copies produced of more than 420,000. Photostat increased production in 1955 by 1,214 over 1954 to a total of 3,997.

Work of the Addressograph division remained about the same in 1955 as it was in 1954. A total of 975,336 envelopes and 765,738 miscellaneous forms were addressed during the year.

EXAMINATION

There were on December 31, 1955 one-hundred-thirty State member banks in this district. A regular examination of the State member banks was made and a second examination was made of two of those banks.

As of the end of the year, fourteen State member banks were exercising trust powers. Eight other State member banks are not exercising their trust powers. Sixty-three national banks held permits to exercise full or limited trust powers.

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

	<u>State Banks</u>	<u>Holding Company Affiliates</u>
Michigan	14	-
Minnesota	29	2
Montana	45	-
North Dakota	2	-
South Dakota	27	-
Wisconsin	<u>15</u>	<u>-</u>
	132	2

There are three holding company affiliates which are residents of this district. They are Bank Shares Incorporated, First Bank Stock Corporation and Northwest Bancorporation. It is the policy to examine the holding company affiliates biennially. In line with that policy, an examination was made of Bank Shares Incorporated and First Bank Stock Corporation during 1955, Northwest Bancorporation having been examined in 1954.

No applications for membership in the Federal Reserve System were received from State banks.

Six-hundred-eighty reports were received from the Chief National Bank Examiner's Office. The cost of these reports was \$6,800.00.

Seventy-nine duplicate copies of reports of examination of Montana national banks were received from the Chief Examiner's office, and the cost of these additional copies was \$395.00.

In addition, thirty separate reports of examination of trust departments were received at a cost of \$150.00.

The number of 1955 reports of examination received from the various State Banking Departments in the Ninth Federal Reserve District of State member banks examined independently by them was as follows:

Minnesota	20
North Dakota	1
Wisconsin	5

Four calls for a report of condition of each member bank were issued. 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.

Investigations and favorable recommendations were made in connection with the applications of the following banks for permission to exercise additional fiduciary powers. Both of the applications were approved by the Board of Governors.

<u>Name of Bank</u>	<u>Location</u>	<u>Date Approved</u>
The Miners' First National Bank of Ishpening	Ishpening, Michigan	2-14-55
The Great Falls National Bank	Great Falls, Montana	12-21-55

Both of the applications referred to us by the Board of Governors of the Federal Reserve System which were pending at the end of 1954 were disapproved by the Comptroller of the Currency.

Four applications for national bank charters were referred to us during 1955 by the Board of Governors for investigation and recommendation. A charter was issued to one bank, one application has the preliminary approval of the Comptroller of the Currency, one was disapproved, and the other application was pending at the year end.

Two-hundred-seven applications for adjustment of holdings of Federal Reserve Bank stock were received from member banks. Stock was issued to one new member. One application for total surrender of stock was received. The Bank Examination Department approves applications for adjustment, for new stock, and for cancellation of stock.

BANK CHANGES IN 1955
(Per Stock Book Records)

Total number of member banks in the district		
January 1, 1955		473
National banks organized		1
State banks admitted		<u>0</u>
		474
National banks absorbed by other national banks		<u>1</u>
Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year		473

At the close of the year there were 473 member banks in this district as compared to the same number at the beginning of the year. The number of national banks and the number of State member banks remained the same. The total membership at the close of the year was divided into 343 national banks and 130 state banks.

Stock in the Federal Reserve Bank
Issued to New Member Banks

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Subscribed</u>
4-26	The First Westside National Bank of Great Falls	Great Falls, Montana	90

State Bank Membership According to States

<u>State</u>	<u>No. of State Bank Members 1-1-55</u>	<u>No. of State Banks Admitted During Year</u>	<u>No. of State Banks Which Withdrew During Year</u>	<u>No. of State Bank Members 12-31-55</u>
Michigan	14	0	0	14
Minnesota	28	0	0	28
Montana	44	0	0	44
North Dakota	2	0	0	2
South Dakota	27	0	0	27
Wisconsin	<u>15</u>	<u>0</u>	<u>0</u>	<u>15</u>
	130	0	0	130

MEMBER BANKS SEVERING CONNECTION WITH THIS FEDERAL RESERVE BANK DURING 1955

NATIONAL BANKS ABSORBED BY OTHER NATIONAL BANKS

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
8-18	The First National Bank of (Absorbed by First National Bank of Aberdeen, South Dakota)	Hecla, South Dakota	42

NUMBER OF MEMBER BANKS IN ACTUAL OPERATION AT THE
CLOSE OF BUSINESS DECEMBER 31, 1955

National banks	343
State banks	<u>130</u>
Total	473

FISCAL AGENCY

During the year 1955 we received and processed tenders for the Treasury Department's weekly offering of Treasury Bills, for cash and in exchange for maturing bills, as follows:

<u>Tenders Received</u>	<u>Subscribers</u>	<u>Amount</u>	<u>Accepted</u>
3,899	5,348	\$816,091,000.	\$785,031,000.

The amount of the weekly offering was increased from \$1,500,000,000 to \$1,600,000,000 beginning with the bills dated on July 7, 1955. The lowest average yield on the bills during the year was 1.049% on the bills dated January 6, 1955. The highest average yield during the year was 2.688% on the bills dated December 29, 1955. The Treasury Department also offered one issue of Tax Anticipation Treasury Bills during the year. These bills were dated December 15, 1955, and will mature on March 23, 1956. This issue will be accepted by Directors of Internal Revenue at face value in payment of income and profits taxes due on March 15, 1956. This bank received and allotted tenders for this issue as follows:

<u>Tenders Received</u>	<u>Subscribers</u>	<u>Amount</u>	<u>Allotted</u>
86	88	\$64,541,000.	\$38,441,000.

The Treasury Department made the following cash offerings of United States Government Securities, other than savings bonds. We received and allotted subscriptions for these issues as follows:

<u>Issue</u>	<u>Subscriptions for Banks</u>	<u>Subscriptions for Others</u>	<u>Amount</u>	<u>Allotted</u>
1 3/8% Treasury Certificates of Indebtedness Series F-1955 (Tax Anticipation) Dated 4-1-55, Due 6-22-55	277	35	\$171,656,000.	\$71,777,000.

<u>Issue</u>	<u>Subscriptions for Banks</u>	<u>Subscriptions for Others</u>	<u>Amount</u>	<u>Allotted</u>
2% Treasury Notes of Series B-1956 Dated 5-17-55, Due 8-15-56	327	38	\$ 93,031,000.	\$ 63,353,000.
1 7/8% Treasury Certificates of Indebtedness Series A-1956 (Tax Anticipation) Dated 7-18-55, Due 3-22-56	317	37	168,417,000.	47,364,000.
3% Treasury Bonds of 1995 (Additional Issue) Dated 2-15-55, Due 2-15-95	51	60	28,342,000.	12,341,000.
2 1/4% Treasury Certificates of Indebtedness Series C-1956 (Tax Anticipation) Dated 10-11-55, Due 6-22-56	358	44	159,820,000.	62,738,000.
Totals	1,330	214	\$621,266,000.	\$257,573,000.

The Treasury Department offered the following securities, during 1955, in exchange for matured or called issues:

<u>Issue</u>	<u>Subscriptions for Banks</u>	<u>Subscriptions for Others</u>	<u>Allotted in Full</u>
1 5/8% Treasury Notes of Series A-1956 Dated 2-15-55, Due 3-15-56	550	112	\$ 97,254,000.
2% Treasury Notes of Series C-1957 Dated 2-15-55, Due 8-15-57	852	111	137,460,000.
3% Treasury Bonds of 1995 Dated 2-15-55, Due 2-15-95	49	147	40,642,500.

<u>Issue</u>	<u>Subscriptions for Banks</u>	<u>Subscriptions for Others</u>	<u>Allotted in Full</u>
2% Treasury Notes of Series B-1956 Dated 5-17-55, Due 8-15-56	435	129	\$ 51,549,000.
2% Treasury Certificates of Indebtedness, Series B-1956 (Tax Anticipation) Dated 8-1-55, Due 6-22-56	40	38	9,302,000.
2% Treasury Notes of Series B-1956 (Additional Issue) Dated 5-17-55, Due 8-15-56	232	70	34,529,000.
2 5/8% Treasury Certificates of Indebtedness, Series D-1956 Dated 12-1-55, Due 12-1-56	504	132	79,376,000.
2 7/8% Treasury Notes of Series A-1958 Dated 12-1-55, Due 6-15-58	456	92	60,662,000.
Totals	<u>3,118</u>	<u>831</u>	<u>\$510,774,500.</u>

We also processed the subscriptions in this district for the cash offering of 2 1/2% Federal National Mortgage Association Notes of Series ML 1958A, dated January 20, 1955, due January 20, 1958. We received subscriptions totaling \$124,505,000 for the account of 428 banks and 36 other subscribers. The subscribers were allotted \$28,302,000 of the issue.

On December 31, 1955, 1,271 banks with 111 branches and 32 other organizations with 3 branches, in our district, were qualified to act as paying agents for Series A through E United States Savings Bonds and Armed Forces Leave Bonds. Two hundred-nineteen of these agents are also qualified to pay matured Series F and G bonds. During 1955 these agents and our bank and our Helena Branch paid bonds as follows:

<u>Series</u>	<u>Pieces</u>	<u>Redemption Value</u>
A through E and matured F and G and Armed Forces Leave Bonds paid by agents (Includes Armed Forces Leave Bonds paid by our bank)	2,266,279	\$160,153,718.41
A through E, F and J and matured G bonds paid by our bank and the Helena Branch	147,562	103,167,185.00
G, H and K bonds paid by our bank after release of registration	25,459	26,729,710.00

The paying agents in our district were reimbursed this year for paying savings bonds of Series A through E and Armed Forces Leave Bonds, paid during the last quarterly period of the year 1954 and the first three quarterly periods of 1955, in the amount of \$311,267.70 for 2,299,469 pieces. The Treasury Department in Washington now prepares special drafts for these reimbursements at the end of each quarterly period. The special draft is sent directly to the paying agent for negotiation through the regular check collection channels.

There were 1,407 qualified issuing agents for Series E savings bonds in this district, as of December 31, 1955. 1,287 of these agents were banks. These issuing agents were consigned bonds and reported sales during the year as follows:

<u>Number of Shipments</u>	<u>Pieces</u>	<u>Amount (Maturity Value)</u>
10,436	1,456,060	\$200,692,975.00
<u>Number of Sales Reports Received</u>	<u>Pieces Issued</u>	<u>Amount (Issue Price)</u>
21,214	1,368,410	\$138,561,525.25

Our bank issued United States Savings Bonds during 1955 as follows:

<u>Series</u>	<u>Number of Applications</u>	<u>Pieces</u>	<u>Issue Price</u>
E	293,954	306,282	\$ 9,671,062.75
H	28,555	58,346	64,376,000.00
J	3,789	12,745	12,806,046.00
K	<u>4,823</u>	<u>10,047</u>	<u>25,982,000.00</u>
	331,121	387,420	\$112,835,108.75

During the year 1955, we reissued for all purposes 124,828 savings bonds with a maturity value of \$30,063,600.

Our Safekeeping Division handled United States Savings Bonds during the year 1955 for the account of individuals and organizations other than banks as follows:

Number of pieces received for safekeeping	9,322
Number of pieces released from safekeeping	24,011
TOTAL pieces held in safekeeping on 12-31-55	207,909

Effective as of April 1, 1955, the Treasury Department, as an economy measure, amended the terms of the bonds and its regulations so as to terminate the safekeeping privilege. Federal Reserve Banks and Branches will, however, continue to hold the bonds held in safekeeping as of March 31, 1955, until they are withdrawn by the owners.

As of December 31, 1955, 1,192 banks in this district were qualified as "Depositaries for Public Moneys", and accordingly, were qualified to maintain a "Treasury Tax and Loan Account".

Number of active Class A Accounts	871
Number of active Class B Accounts	<u>167</u>
Total active accounts	1,038
Aggregate total deposits for the year	\$1,051,595,227.66
Total deposits in Treasury Tax and Loan Accounts on December 31, 1955	84,894,984.59

There were 758 banks in this district qualified to act as "Depositaries for Federal Taxes" as of December 31, 1955. During 1955, we received from these qualified depositaries and direct from taxpayers, depositary receipt cards representing deposits for the following taxes:

	<u>Number of Depository Receipts</u>	<u>Amount of Taxes</u>
Withheld Income and Federal Insurance Contributions Act Taxes	250,203	\$452,403,137.59
Railroad Retirement Act Taxes	471	23,232,227.29
Excise Taxes	<u>28,751</u>	<u>77,428,490.21</u>
Totals	279,425	\$553,063,855.09

Effective as of February 1, 1955, the government coupon redemption function was transferred to the Fiscal Agency Department. During the year, coupons were redeemed by our bank as follows:

	<u>Pieces</u>	<u>Amount</u>
Coupons from Treasury Issues	282,226	\$41,384,512.10
Coupons from securities for which the Treasurer of the United States acts as fiscal agent	<u>13,083</u>	<u>1,326,147.35</u>
Totals	295,309	\$42,710,659.45

Since February 1, 1955, the verification and destruction of unfit currency is also functioned by the Fiscal Agency Department. During 1955, 25,650,000 bills, amounting to \$36,221,000 were verified and destroyed at our bank.

The Fiscal Agency occupies space on the bank floor, the third floor and the Annex. There were 85 full time and 3 part time employees in the department on December 31, 1955 as compared with 89 full time employees on December 31, 1954.

Commodity Credit Corporation

There are 489 agencies in this district qualified to make C.C.C. loans and to service such loans. According to the Minneapolis Office of the Commodity Credit Corporation, 198 of these agencies were active in 1955.

We paid 210,034 sight drafts drawn by these agencies during the year.

We handled 148,097 collection items for the C.C.C. We issued 28,533 Treasury checks on disbursements schedules received from the C.C.C. totaling \$458,560,698.61.

We cleared 107,213 checks totaling \$184,021,052.42 deposited by the C.C.C. lending agencies.

There were two full-time employees and one part-time employee in this division as of December 31, 1955.

Reconstruction Finance Corporation Pool Loans

During the year 1955, banks in this district which service such loans, made 773 remittances, totaling \$592,699.22 for payments on the principal and interest of such loans. We credited the Federal Reserve Bank of Chicago as Fiscal Agent of the Reconstruction Finance Corporation for the payments received each day.

NONCASH COLLECTION

	<u>Number</u>	<u>Change from 1954</u>	<u>Amount (000 Omitted)</u>	<u>Amount Change from 1954 (000 Omitted)</u>
City Collections*	916,805	+ 4,034	\$785,105	\$ -5,134
Country Collections	25,689	- 9,155	23,117	+1,196
Security Collections	226,845	+21,769	15,108	- 903

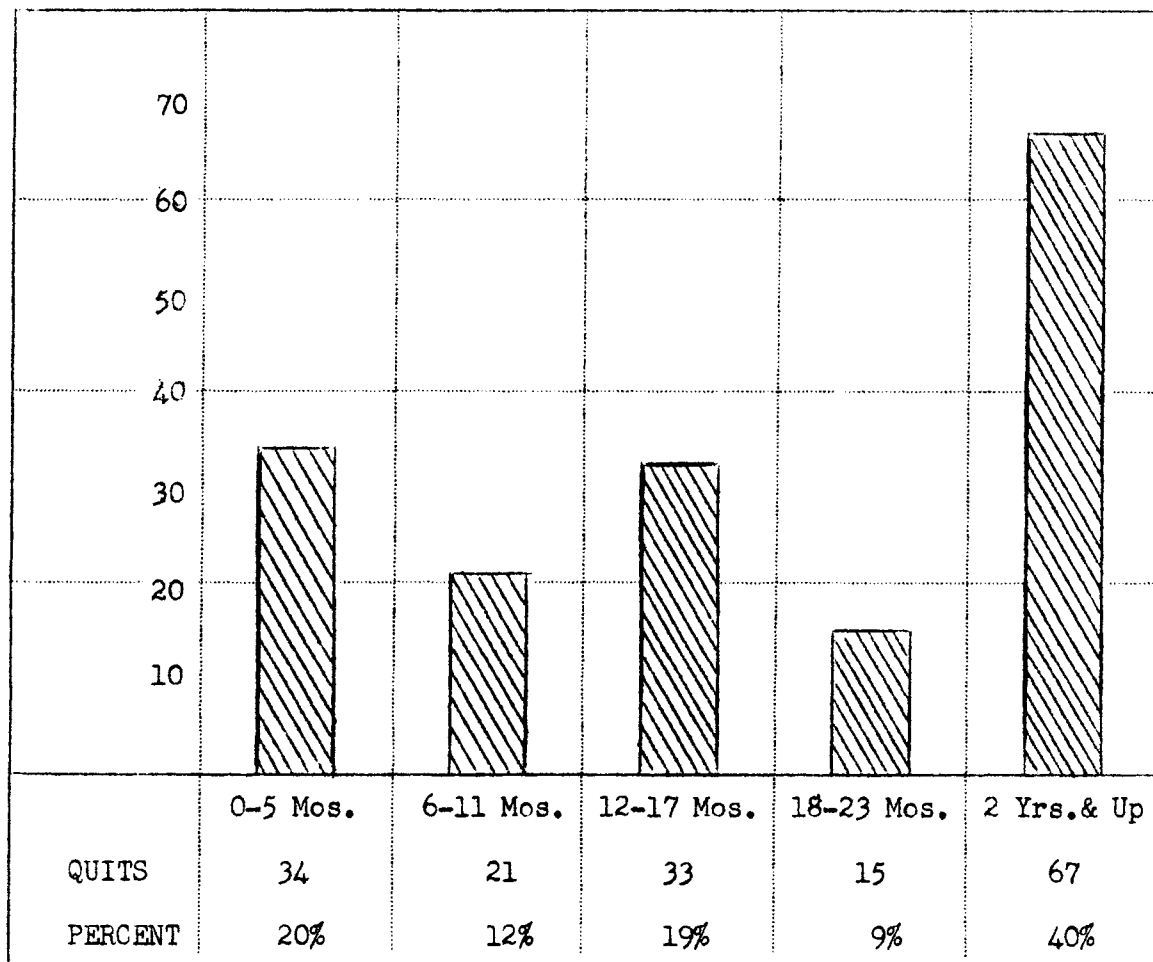
* Includes grain drafts

PERSONNEL

The end of the year 1955 found us virtually 100 per cent staffed, with a total of 640 employees, as compared to 617 at the end of last year. Separations for the year totaled 224 and accessions 247. Our staff increased slightly during the year due to increased volume in our Check Collection Department and because of furnishing faster and more efficient clearing service to our suburban banks.

It was more difficult this year than in many previous years to be fully staffed and to continue to maintain our standards of employment, due to the tight labor market. In an effort to fill our openings, we contacted our usual sources of labor supply (schools, business colleges, University of Minnesota, Minnesota State Employment Service, employment agencies, and newspaper advertising). Many applicants were referred to us by present employees. Also, there were many applicants who came in on their own to apply and some from out of the city wrote letters to us concerning employment possibilities. Reliable statistics indicate that employment is up and unemployment is down. We are also feeling the effect of the low birth rate during the depression years, which has reduced the number of young people available for employment. There is a continuous shortage of applicants in many categories. Included in this group are jobs which directly affect us, such as stenographers, typists, secretaries, and bookkeeping machine operators. Much difficulty was encountered in employing qualified messengers, who are men in an older age group.

The number of separations has been gradually decreasing during the last four years and it is interesting to note that 40 per cent of the voluntary separations during 1955 were employees who had two years or more of service. In previous years the majority of separations have been employees of shorter length of service. The following chart shows a breakdown of the length of service of the voluntary quits for the period October 1954 through October 1955:



The Personnel Development Committee followed its regular practice of recommending members of our staff to participate in various schools and training programs. The following is a summary of personnel development activities during 1955:

The Bank sent two additional men to the Central States School of Banking at Madison, Wisconsin, making the total enrollment at the school this year three officers and three employees.

One officer graduated from the Graduate School of Banking at Rutgers University. He was the only representative of our Bank enrolled at that school during the year.

We enrolled one man in the first-year class of a two-year course at the Agricultural Credit School at Iowa State College.

Four men completed the Dale Carnegie Course in Effective Speech and Human Relations.

Seven members of the staff completed a four-month course in letter-writing offered by the Hower Letter Improvement Service of St. Louis, Missouri.

Several members of the staff were enrolled in courses at the University of Minnesota. Included were four auditors who completed a course in internal auditing, and two of our economists who completed courses in economics and mineralogy.

In October several members of our staff attended a two-day session of the Junior Bank Officers and Staff Conference of the Minnesota Bankers Association, which was held in Minneapolis.

The Bank entered into a new activity for the first time in 1955 by sponsoring a Junior Achievement Company in Minneapolis, known as Fedco Wood Products. This group is composed of high school boys and girls who are instructed in the operations of business under the free enterprise system. Three members of our staff who were recommended by the Personnel Development Committee have been serving as advisors to this group since the beginning of the 1955-56 school year.

The committee made specific recommendations for enrollment of certain members of the staff in AIB classes which it thought would be particularly valuable for personnel development, such as Problems of Supervision and Job Instructor Training.

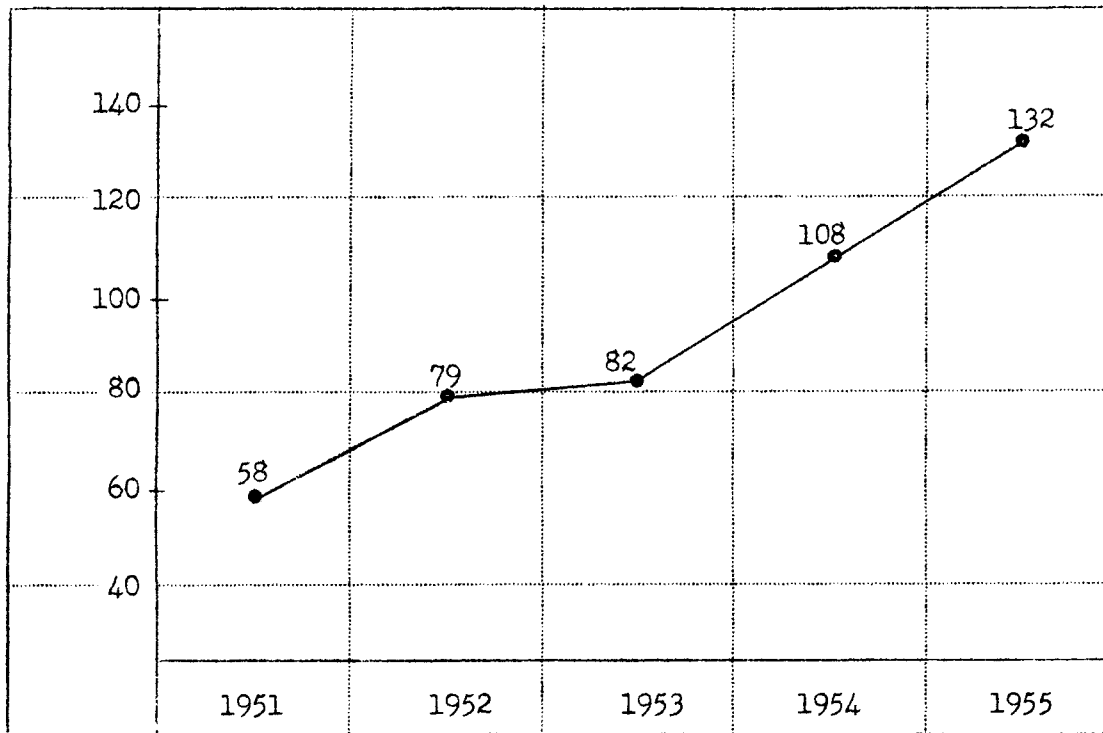
During 1955 five senior members of our Bank staff, including one officer, were sent to commercial banks for a week's training in commercial bank procedure and operations. Of this number, only one had previously had such training.

In July, we received approval from the Board of Governors in Washington, D. C., to increase, by approximately 5 per cent, all salary ranges at the Head Office and Helena Branch.

In March a luncheon was held for nineteen counselors and coordinators of the local high schools and three members of the Board of Education. This was the eighth consecutive year we have met with this group. There was a discussion concerning the number of June graduates available in 1955 and for several years following. The starting rates for part-time co-op students and June graduates were also reviewed. The program was concluded by a speech given by the Business Economist on current and future employment trends, changes in the methods of production due to automation and mechanization, and the type of employee skills made necessary by these changes. We continued our practice of employing part-time high school students under the work program and employed nine girls in the fall.

The 53rd AIB National Convention in Miami, Florida, was attended by four employees of the Bank staff. Three attended as delegates and the fourth by virtue of being elected second vice president of the Minneapolis chapter. The second vice president will automatically become first vice president in 1956 and president of the Minneapolis chapter in 1957.

Membership and enrollments in the AIB have continued to show a steady increase. The following chart shows the number of our employees who have enrolled and completed courses during the past five years.



Mother and Daughter Luncheons were again continued in 1955, and during the year 27 mothers attended the luncheons, followed by a tour of the Bank. A picture taken of the mother and daughter in the daughter's department was sent to the mother.

For the third consecutive year the Bank conducted the United Appeal Drive for Charities. Approximately 96 per cent of the staff participated in the drive. The results showed an average increase of 5 per cent in individual contributions over 1954.

On October 1 the benefits under the Bank's Blue Cross plan were increased with no additional cost to the participating employees. The increase gave the employee enrolled \$16 per day coverage for hospital room and board as compared to the former benefits of \$14 per day; maximum number of days per disability of 120 compared to prior benefits of 70 days; and coverage of all

in-hospital diagnostic X-rays for bed patients, which was previously limited to \$15.

Under our Blue Cross-Blue Shield contract for the period August 1954 through July 1955, 156 of our employees had claims under Blue Cross totaling \$26,665.79. Of this amount \$22,350.82 or 87% was paid by Blue Cross. Under Blue Shield there were 166 claims, amounting to \$7,057.50.

As of April 1, thirty-two of our retired employees were enrolled in a plan whereby they may pay for Blue Cross-Blue Shield Hospital and Surgical coverage on a group basis by authorizing monthly deductions from their retirement allowance.

Our sick leave policy was expanded to include charwomen, who had not previously been covered.

Our employee suggestion system was in its 19th year during 1955. There were 49 suggestions submitted; 8 were accepted; and \$182.50 was awarded.

The supper money allowance was increased from \$1 to \$1.50 and was extended to include employees who are classified as executive or administrative under the Fair Labor Standards Act.

On October 1, a new and improved procedure was established for the enrollment of beginning full-time employees in the retirement system and group life insurance plan. Enrollments are now made during the first complete payroll period following date of employment, instead of on the first of the month following ninety days.

Following the annual closing of the cafeteria for two weeks' vacation for cafeteria employees, an additional closing period of ten weeks was necessary due to alterations being made to our building. However, during this period, the cafeteria did function on a limited basis, serving wrapped sandwiches and pastry, beverages, fruit, and packaged ice cream. The cafeteria has resumed serving

complete meals, even though the amount of space is still somewhat limited. In 1955 the Bank absorbed 38.2 per cent of the cost of operating the cafeteria.

PLANNING

During 1955, the Planning Department made extensive surveys of ways and means to make available sufficient space for conducting our activities during the period of bank building alterations and construction during which period substantial areas of the bank building are being utilized by contractors or vacated to safeguard our employees. In addition to assisting departments in layout plans, the Planning Department supervised the movement of furniture, equipment, supplies, etc., to new areas within the building or to space rented in the Syndicate Building, the Thorpe Building and the Minneapolis Van and Warehouse Building. The department is currently assisting and reviewing the tentative furniture and equipment layouts of space of departments tentatively allocated in the completed building.

The department assisted in a comprehensive survey of items handled on Minneapolis suburban banks and in the inauguration of a plan of collecting such items on an immediate credit basis effective October 1, 1955.

Two surveys of our procedure in the handling of post office deposits were necessary during the year as a result of changes inaugurated by the post office department effective January 1, 1955 and October 1, 1955.

The department assisted in a Federal Reserve System survey of employee benefit costs and prevailing practices in selected companies being conducted by the Industrial Relations Counselors Service, Incorporated, New York, which survey included approximately twenty-five corporations in the Ninth District.

The department made a survey of the Registered Mail and Express Department operations which will result in a number of improvements in the activities of this department shortly.

Extensive surveys were conducted for System committees and information, comments and suggestions were furnished in response to the questionnaires received.

A survey of several operating problems at the Helena Branch was made in December and ways and means of improving these operations discussed with the officers at the Branch.

The Planning Department considers employees' suggestions and makes recommendations to the Personnel Committee for the acceptance or rejection of such suggestions. New forms are designed by the department and all forms are reviewed prior to purchasing. The distribution of operating letters and supplements to member banks is a responsibility of the department.

PROTECTION

Three guards left the employ of the bank during 1955. Three new guards were hired to fill these vacancies. Due to construction of the new building, four new guards were hired for added protection. As of December 31, 1955 the personnel of the Protection Department was as follows:

1 Superintendent
4 Sergeants
28 Guards (1 acting as Chauffeur)

The information Clerk issued 1,441 passes to outsiders to visit upper floors of the bank during the year. Work cards were issued to 1,548 outside workmen, canteen employees, etc.

At the request of Bond, Noncash Collection and Currency departments, 685 guard escorts (599 singles and 86 doubles) were furnished.

By memorandum 130 employees were admitted and after-hour passes issued and turned in to the guard office.

PUBLIC SERVICES

Good will is generally regarded as an intangible; however, in many businesses it is treated as a capital asset. The net worth of a going business is oftentimes measured more by the good will of a going concern than by its physical assets. In spite of this, however, it is difficult to place an exact dollar value on good will and by the same token it is difficult to determine whether the expense involved engendering such good will is warranted.

Good will does not appear as a balance sheet item of the Federal Reserve banks; however, as quasi governmental institutions, the good will of all with whom the Federal Reserve bank has associations is a necessity. The Federal Reserve Bank of Minneapolis has for many years carried on a definite program to build good will both for itself and for the Federal Reserve System.

The form which this program has taken in recent years has followed pretty much the pattern set in about 1948. There have been minor variations, but essentially the basis of the bank and public relations program for our bank has consisted of meetings with bankers or bank-associated groups, and with educators, visits to banks in the district, and the offering of assistance to bankers, teachers, or other interested groups in their attempts to relay information concerning the Federal Reserve.

Expensewise, the program of calling on bankers at their banks and attending bankers' meetings comprises a large part of the budget set up for bank and public relations; however, when one considers that in 1955 representatives of our bank called on all 1296 banks in the district at least once, attended all State Bankers Association conventions, some National Bankers Association meetings, and local and district meetings in an area such as the Ninth District, the expense involved does not seem out of line. In 1955, for the first time, in addition to the calls made by men regularly assigned to areas in the district, the senior officers of the bank made calls on the banks in the major centers of population.

Also to assist the men calling on banks, a letter was sent over the signature of the president to the managing officer of the banks to be visited in advance of the time when our representative planned to make his call. The reports from the men assigned to the various districts indicate that this introductory letter was very effective in gaining them entree.

The second major item of expense is the meetings sponsored by our bank. The largest of these meetings in 1955 was the Third Assembly of Member Bank Directors and Officers. Using as a central theme "The Economic Picture", this meeting held at the bank and the Nicollet Hotel on April 26 and 27 attracted an audience of 558 persons which statistically was the second largest such meeting held. To promote attendance at this meeting, the executive officers of member banks were sent beginning in January literature which sought to create an interest in the program. While attendance did not set any record, the fact that those who did register sat through the program sessions indicated that the program offered was well accepted.

From the standpoint of attendance, the second largest meeting sponsored by our bank was the Examiners Conference held November 26 this year. As in previous years, this meeting was attended by the working force of the Federal Deposit Insurance Corporation, the National Bank Examiners, Clearing House Examiners in Minneapolis, and the representatives of the examination groups from the states in the Ninth District. Total attendance in 1955 was 151 which included the men of our examination department and several of our officers. The program for this meeting necessarily seeks to give the working examiners background material which will be useful to them in formulating judgements concerning the operation of the banks which they examine. The Examiners Conference this year varied slightly from those held in the past in that both the business and social sessions were held at the Nicollet Hotel. The occasion for this change, of course,

was the building program under way at our bank.

Another meeting sponsored by our bank was the Money and Banking Workshop held this year, May 7. This meeting to which are invited the instructors in money and banking and economics from Ninth District colleges has been popular since first offered in 1949. The 1955 session was attended by the largest group on record - 112. Inasmuch as the audience for this meeting is composed of teachers, the treatment of economic subjects is a little more theoretical than is the case in meetings for bankers. Also the question sessions which follow each speech are entered into by the audience to a far greater extent than in other meetings. The program is formulated on the advice of a group of instructors from the colleges who meet with our research men and senior officers early in the spring. Details of arrangements have during recent years been taken over by the research department but the public services department has participated.

During 1955 seven sessions of our Short Course in Central Banking were held. Not properly a meeting but more of a school, the end of the Short Course season in 1955 brought the total attendance to these one-week sessions to 933 representatives of our member banks. Regrettably, the Short Course will be postponed during the building construction and our member banks have been informed of this postponement. It is planned to again offer the course in 1958.

Our program of assistance to bankers, teachers, or other interested groups includes speeches by representatives of our bank, circulation of the movies in our library, furnishing printed material to individuals or groups who request it, and assisting banks which are holding special open houses or anniversary celebrations. Listed below is the statistical record of these phases of our bank and public relations program:

Speeches

74 to an audience of 9,444 persons.

Picture Book - "Your Money and the Federal Reserve System"

1,403 requests for 17,575 copies.

"The Federal Reserve System * Purposes and Functions"

34 requests for 535 copies, plus 403 copies sent out by the research department.

"Money: Master or Servant?"

94 requests for 1,398 copies, plus 1,551 copies sent out by the research department. In addition this publication was sent to the managing officer of all our member banks.

Movies

"The Federal Reserve Bank and You"

Shown to an audience of 22,971 persons in the Ninth District.

"Your Money's Worth"

Shown to an audience of 2,575 persons.

"A Day at the Federal Reserve Bank of Cleveland"

Shown to an audience of 917 persons.

"The Federal Reserve System"

Shown to an audience of 5,067 persons.

"Soil Conservation Pays"

Shown to three audiences totaling 71 persons.

"You and Your Money"

A recent acquisition shown to audiences totaling 284 persons.

In addition, press releases have been sent to all of the daily and some weekly papers in the Ninth District in connection with all events of interest to people outside of our bank. The research department, of course, sends releases on economic happenings on a periodic basis. In addition to the press of the Ninth District, news releases are sent to the financial press and to the banking magazines. From clippings furnished us by an agency which we pay for giving us this service, we feel that the releases sent by our bank are well accepted and are used by the editors to whom they are addressed.

PURCHASING

There were 2,950 items purchased by the department in 1955, an increase of 133 over 1954. The prices paid for supplies during the year were generally higher than in the previous year as a result of increasing costs of raw materials and labor and also because it was necessary to purchase smaller quantities during the year due to a lack of storage space for printing, stationery, supplies, etc. Prior to building alterations and construction operations in June, it was necessary to vacate all of the three stock rooms used by the department as these areas were included in the initial alteration projects. Storage space was made available in a portion of a file vault in the basement. Other supplies are now stored within the departments utilizing them in areas not suitable for office use and in an area on the side of the bank floor underneath the skylights vacated to safeguard our employees during the steel erection period and the construction of the outside stone walls.

As a result of the storage of supplies within the departments using them, there was a decrease of 1,270 requisitions for supplies from the stock room, the total requisitions handled in 1955 being 9,920.

REGISTERED MAIL

On June 7 the post office department instituted Certified Mail service. This service provides for a record of delivery and a receipt for the sender if desired. Only first-class mail having no value is accepted-- non-negotiable material and documents having no dollar value but where a cost of replacement is involved if lost.

Registered Mail Volume for Year 1955

<u>Incoming</u>	Pieces <u>Outgoing</u>	Total <u>1955</u>	Total <u>1954</u>
58,330	50,756	109,086	125,638

Certified Mail Volume Pieces

	<u>9,472</u>	<u>725</u>	<u>10,197</u>	<u>0</u>
Total Registered and Certified	67,802	51,481	119,283	125,638

RESEARCH

It is noteworthy that bankers and businessmen in recent years have been relying more and more on research personnel for answers to their questions about current economic developments. This trend was particularly evident during 1955.

These requests originate with businessmen in the district, top management of many of our larger banks, and representatives of national organizations having interests in this area, and such requests have made substantial demands upon the time of the staff.

In administering its "flexible" monetary policy, the Board of Governors has made increasing use of the research staffs of the individual banks to obtain up-to-date factual information about those segments of the economy which are of particular significance. Each year since 1951 the number of special surveys conducted at the request of the Board has been increasing. During 1955 surveys were made by the Research Department at the request of the Board regarding the warehousing of mortgages by banks, the extent to which securities were being purchased through the use of bank credit, the agricultural credit situation, the status of inventory buildup in business, the availability of mortgage credit, the housing market, and the automobile market.

During the year a special survey of the housing market was inaugurated by our staff economists. This study is intended to develop the major characteristics of the residential real estate market in various localities throughout the district. It also is a pilot study designed to provide the System Committee on Real Estate Credit with data relative to the merits and possibilities of surveys of this nature. The results are scheduled for publication early in 1956.

To provide a convenient method for answering the numerous special requests for information about the development of shopping centers in this area, a special booklet, "Twin Cities Area Shopping Centers", was prepared. Over 500 requests were received for this booklet.

The department has continued to participate in the statistical work of the System as well as to collect the special data for this district which are necessary for adequate regional research.

A major statistical effort during the year was the special system-wide survey of Commercial and Industrial Loans. It is estimated that this survey, which involved the collection of detailed loan information from 135 district banks, took 200 man-days of effort during the period from September 15 to December 15, 1955.

Also, during 1955 we undertook the collection of building permit information in cooperation with the U. S. Department of Labor. This greatly expanded the volume of permit data being gathered and recorded. It is hoped that the procedures for tabulating and processing this volume of data will be perfected during 1956 so that this information may be made available for analytical use.

During the year members of the staff, on their regular trips throughout the district, made a concerted effort to call on large numbers of department stores, general stores, appliance stores, and furniture stores. This was intended to cement good relations with retail firms now reporting in our various statistical series and, more important, to secure additional respondents to bolster our reporting samples.

At the request of the Great Falls Chamber of Commerce the department undertook to construct an index of general business activity for the city of Great Falls. Selecting the basic data, constructing the component series,

making seasonal adjustments, and computing a weighted average index was a substantial effort that required approximately one month's working time for a trained statistical clerk.

At the request of the System Committee on Current Reporting Series and as part of a Systemwide effort, the seasonal factors for the district indexes of department store sales and stocks were reviewed and brought up to date.

There was a continuation of the effort to improve the quality, coverage, and appearance of department publications. As an additional service, a weekly review of newspapers and periodicals was started in 1955. This will enable members of the bank's staff to follow more closely current developments of financial and business interest.

Also, the Library began to publish monthly a library bulletin aimed at informing district bankers of material available on library loan.

Demand for the two major department publications, "Monthly Review" and "Farm News", has continued strong. A tabulation of pertinent statistics for these publications is:

	<u>Monthly Review</u>	<u>Farm News</u>
Circulation at beginning of year	4,887	4,649
Plus: New names added	697	201
Less: Names deleted	<u>422</u>	<u>332</u>
Equals: Circulation at end of year	5,162	4,518
Plus: Bulk shipments to subscribers (end of year)	<u>2,649</u>	<u>6,444</u>
Equals: Total distribution, December 31, 1955 . . .	<u>7,811</u>	<u>10,962</u>

Members of the department have continued to devote substantial amounts of time to answering special requests for information. Also, they participated in 92 speaking engagements before a combined audience of 10,812 people.

SAFEKEEPING

The over-all picture of operations in the Safekeeping Department for 1955 seems to have been one of declining dollar volume and increasing physical volume. The dollar value of securities held by our Safekeeping Department dropped \$181 million or more than 10 per cent during the year. At the same time, the number of pieces held increased by 3,432. The number of transactions during the year was down slightly, pieces received declining 2 1/2 per cent and pieces delivered almost 5 per cent as compared with receipts and deliveries in 1954.

The largest work increase occurred in the number of coupons clipped where the figure for 1955 was 37,183 above the 1954 figure. This was an increase of about 13 per cent.

One change in our operations, which undoubtedly will increase our work somewhat in the future, was the centralization in December of all securities held by the Northwest Region of the United States Immigration and Naturalization Service in the Federal Reserve Bank of Minneapolis. Since the Northwest Region extends from Ohio to the West Coast, we received approximately 1,200 pieces of securities from other Federal Reserve Banks and Branches whereas we have previously held no securities for this account.

	<u>12-31-55</u>	<u>12-31-54</u>	<u>Inc. or Dec.</u> (In thousands of dollars)
Securities held in safekeeping (not pledged)	763,995	983,613	-219,618
Securities pledged to secure Public Deposits	413,463	398,522	+ 14,941
*Securities pledged to secure Government Deposits	13,287	14,665	- 1,378
**Securities pledged to secure Treasury Tax and Loan Account	230,928	250,769	- 19,841
Securities held as Collateral for Discounts and Advances	71,528	27,070	+ 44,458
Securities held for other Federal Reserve Banks		25	25
Securities held as collateral to Consignment Account-U.S. Savings Bonds, Series E			
Securities held for Public Housing Administration	<u>0</u> 1,493,201	<u>0</u> 1,674,664	<u>0</u> -181,463

*Includes \$2,065,000 held by Commercial Banks

**Includes \$15,837,000 held by Commercial Banks and other Federal Reserve Banks

The Safekeeping Department received 78,291 pieces of securities, issued 8,138 receipts and delivered 74,859 pieces in 9,771 transactions, resulting in a net increase of 3,432 pieces of securities.

The Department also made 9,838 transfers of securities from one account to another and clipped 327 thousand coupons from securities held during 1955.

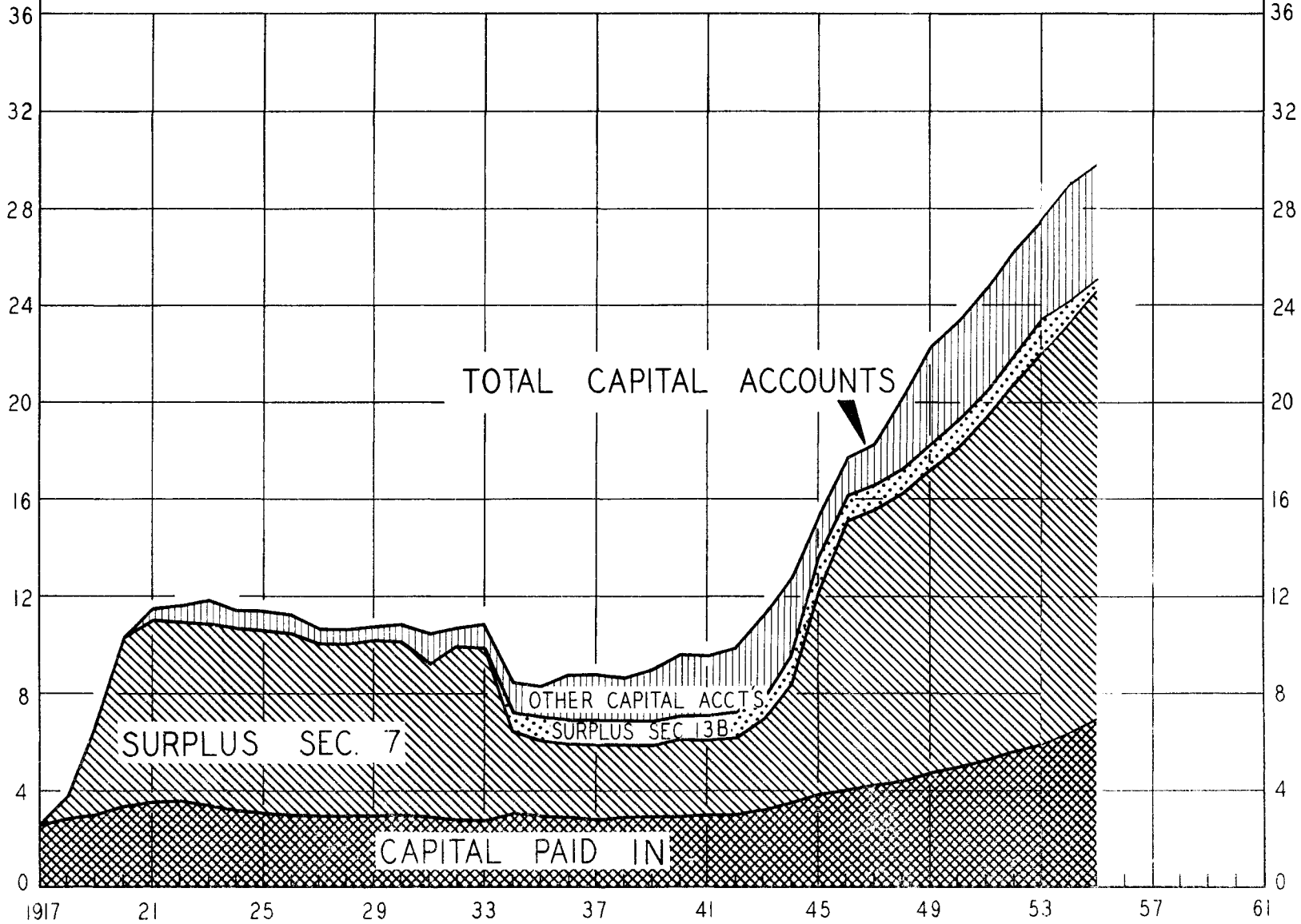
The table below shows comparative volume figures for 1955 and 1954.

	<u>1955</u>	<u>1954</u>	<u>Inc. or Decrease</u>
Receipts issued	8,138	10,654	- 2,516
Pieces received	78,291	80,470	- 2,179
Withdrawals handled	9,771	12,445	- 2,674
Pieces delivered	74,859	78,588	- 3,729
Transfers from one account to another	9,838	10,252	- 414
Coupons clipped	327,299	290,116	+37,183
Custodian receipts issued	1,573	1,994	- 421

MILLION DOLLARS

MILLION DOLLARS

CAPITAL ACCOUNTS



CAPITAL ACCOUNTS

CAPITAL STOCK paid in totaled \$6,861 thousand on December 31, 1955, an increase of \$501 thousand during the year.

SURPLUS ACCOUNTS. Surplus (Section 7) was increased \$668 thousand on December 31, 1955, which brings the total to \$17,586 thousand; Surplus (Section 13b) remained unchanged at \$1,073 thousand.

RESERVES FOR CONTINGENCIES. No change was made in the reserve of \$1 million set aside for losses in excess of the blanket bond coverage, the reserve of \$500 thousand earmarked for losses not covered by the Loss Sharing Agreement or the special reserve for contingencies of \$2,476 thousand.

The reserve for registered mail losses totaled \$253 thousand as of December 31, 1955. During the year we had a loss of \$820 on a shipment of \$5,000 in five dollar bills addressed to the First National Bank, Cokato, Minnesota. The shipment was in a mail pouch which was torn open under the wheels when thrown from the train. The Cokato bank refused to accept the damaged shipment and the Post Office Department made an original recovery of \$3,935 for us and a later recovery of \$45 from scattered bills. Our net loss of \$1,020 will be reduced \$200 on receipt of maximum coverage insurance payment of a like amount from the Post Office Department. The \$820 net loss was charged to our reserve. The credit to the account during the year was \$11,535.95 representing the regular yearly addition based on shipments.

The following table reflects the changes made in reserve for registered mail losses during 1955.

Reserve for registered mail losses beginning of year 1955	\$242,143.19
Credit:	
Annual addition based on 2¢ per \$1,000 of total shipments of \$576,797,476 for 12-month period Dec. 1, 1954 through Nov. 30, 1955	11,535.95
Debit:	
Net loss on \$5,000 currency shipment to First National Bank, Cokato, Minn.	<u>820.00</u>
Reserve for Registered Mail Losses, Dec. 31, 1955	\$252,859.14

The following table shows currency and coin shipments made during the twelve-month period December 1, 1954 to November 30, 1955, which were the basis for the addition to the registered mail loss reserve:

	12 months ended 11-30-55 <u>(000 Omitted)</u>
<u>Registered or Insured Mail and Express</u>	
Net F.R. currency from Washington	\$ 60,900
Currency and coin between Minneapolis and Helena	11,650
Other currency and coin outgoing- Minneapolis and Helena	215,787
Other currency and coin incoming- Minneapolis and Helena	<u>288,460</u>
	\$576,797

The disposition of 1955 net earnings and the changes made in the surplus accounts are shown below:

Net Earnings		\$7,080,438.94
Dividends Paid	\$ 399,256.93	
Paid U. S. Treasury (Interest of F.R. Notes)	6,013,072.87	6,412,329.80
Transferred to Surplus (Section 7)		<u>\$ 668,109.14</u>

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Surplus (Section 7) December 31, 1954	\$16,918,046.33
Transferred from Earnings 1955	668,109.14
Surplus (Section 7) December 31, 1955	<u>\$17,586,155.47</u>

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Valuation Allowances for Losses on Industrial Loans

On June 27, 1955 we accepted \$4,000 as full payment for our 60% share in the industrial loan of the Clear Lake Creamery and Produce Co. which had been carried as a past due industrial loan and against which a 100% valuation allowance had been provided. The valuation allowance and the loan were removed from our books and the \$4,000 was credited to Profit and Loss.

Beginning of year 1955	\$5,940.00
Reductions	<u>5,940.00</u>
Total - Dec. 31, 1955	0

DIVIDENDS

As of December 31, 1955, capital stock held by member banks totaled \$6,860,650, on which accrued dividends totaling \$399,257 were paid. This year's dividend payments were again the largest for any single year in the history of the bank and when combined with previous years' payments, brings the aggregate total to \$8,751,264.

Distribution of 1955 and 1954 Dividends

State	1955		1954		Change
	No. of Banks	Dividend Paid	No. of Banks	Dividend Paid	
Michigan	40	\$ 19,519.36	40	\$ 18,730.12	\$+ 789.24
Minnesota	206	260,503.34	206	234,870.03	+25,633.31
Montana	84	42,186.93	83	39,407.96	+ 2,778.97
North Dakota	40	23,496.85	40	21,896.80	+ 1,600.05
South Dakota	61	32,322.73	62	30,276.15	+ 2,046.58
Wisconsin	<u>42</u>	<u>21,227.72</u>	<u>42</u>	<u>19,981.70</u>	<u>+ 1,246.02</u>
	473	\$399,256.93	473	\$365,162.76	\$+34,094.17

TABLE OF DIVIDENDS PAID SINCE ORGANIZATION

1914		1935	\$ 185,448.45
1915		1936	179,052.04
1916	\$ 57,719.87 ^{a/}	1937	174,057.31
1917	363,894.19 ^{b/}	1938	174,231.27
1918	168,102.97	1939	174,905.39
1919	180,186.21	1940	177,400.58
1920	195,870.65	1941	179,789.68
1921	211,657.03	1942	183,336.33
1922	213,774.01	1943	190,924.19
1923	212,732.68	1944	206,158.74
1924	202,827.98	1945	221,686.96
1925	193,559.46	1946	238,372.30
1926	187,609.25	1947	253,251.30
1927	180,726.51	1948	262,776.22
1928	181,202.86	1949	272,831.22
1929	184,029.92	1950	294,034.00
1930	184,445.39	1951	314,934.23
1931	180,454.53 ^{c/}	1952	327,905.73
1932	175,494.80	1953	348,774.12
1933	171,568.89	1954	365,162.76
1934	181,117.51	1955	<u>399,256.93</u>
			\$8,751,264.46

- ^{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

There was no change in the book value of the Head Office and Branch bank buildings during 1955. The normal depreciation of 2% was taken on both buildings. All expense in 1955 due to our building program was charged to a Building Construction Account. A reduction of \$17,530 was made in depreciation of Head Office fixed machinery and equipment to reflect 1955 costs of converting two of our oil furnaces to gas. This reduction has been offset by a normal monthly depreciation and at the end of the year our fixed machinery and equipment account was fully depreciated.

CONSTRUCTION ACCOUNT

On August 16, 1945 our Board of Directors approved a contract with Larson and McLaren, Architects, in connection with a proposed addition to the Head Office building. The architects were paid \$22,000 in fees December 5, 1945 for preliminary work on the proposed addition and alterations to our bank building. The fee represented 1% of an estimated cost of \$2,200,000 for the proposed addition and alterations. The \$22,000 was charged to Current Expense - Repairs and Alterations and at the end of the year was closed out to Profit and Loss. The plans were tabled at that time due to the scarcity of steel and other building materials.

The Board of Directors on September 12, 1951 requested the architects to prepare final plans for an addition of eight additional floors to the present building. August 4, 1952 we paid the architects an additional \$42,517 for preliminary work and drawings for an eight-story addition with an estimated cost of \$3,781,000. This construction project was deferred pending consideration of adding only six floors and expanding the building, including the additional floors, to the present building's outer extremities and the \$42,517 was charged to Profit and Loss.

Larson and McLaren were paid \$4,736.68 on February 3, 1953 to cover revising plans on the six additional floor basis rather than eight additional floors. Included in the payment of \$4,736.68 was \$486.26 for services on a new electrical wiring system to be installed in the present building, which amount was charged to Repairs and Alterations. The balance (\$4,250.42) was charged to Profit and Loss as fees on an abandoned project.

In May 1953 it was decided to have the architect complete the design and specifications for an eight-story addition to our building plus certain repairs and alterations, subject to the approval of the Board of Governors. In July 1953 the firm of Holibird, Root and Burgee was employed as consulting architects to advise with respect to plans submitted by Larson and McLaren. For this service, the consultants were paid \$15,748.36.

In February 1955 the completed detailed plans and specifications for alterations and an eight-floor addition to our building were sent to the Board of Governors for approval. A wire was received from the Board on March 16, 1955 approving the plans and authorizing us to accept bids. On this same date we paid the architects an additional \$80,093.82 and opened a construction account for a like amount.

The deadline date for submitting bids was May 3, 1955, and the low bidders for the various phases of work to be done were approved by our Board of Directors as Follows:

<u>Successful Bidder</u>	<u>Work</u>	<u>Bid</u>
Naugle-Leck	General Contractor	\$2,751,039*
Mooneys	General Mechanical Work	1,035,340
Carrier Corp.	Centrifugal Refrigeration Machine Work	73,900
Sterling Electric Co.	Electrical Work	242,924
Hauenstein & Burmeister	Floor Covering	52,460
Emil Beckstrom	Painting, Decorating and Wall Covering	29,800
Aslesen Co.	Cafeteria Equipment	66,659
Otis Elevator	Passenger Elevators	383,079
Otis Elevator	Car Elevator and Levelators	25,494
		<hr/> \$4,660,695

* Includes general contract (\$2,732,738), 1% on all other accounts except

elevators, floor covering and painting, decorating and wall covering (\$14,288), and 5% on floor covering and painting, decorating and wall covering (\$4,113).

A copy of the bid tabulation indicating the low bidders for each phase of work to be done aggregating \$4,660,695 was forwarded to the Board of Governors on May 13, 1955. The Board of Governors by wire dated May 20, 1955 approved the acceptance of the low bids as recommended by our Board of Directors, and authorized expenditure of approximately \$5,105,000 for the program, which amount includes architect fees plus an allowance of \$200,000 for contingencies.

On May 26, 1955 Profit and Loss was credited \$81,523.33, Current Expense was credited \$17,326.41, and the Construction Account was charged \$98,849.74, representing alteration and new building costs paid prior to the opening of the Construction Account on March 16, 1955.

As of December 31, 1955 the total amount charged to the Construction Account was \$1,226,106.45.

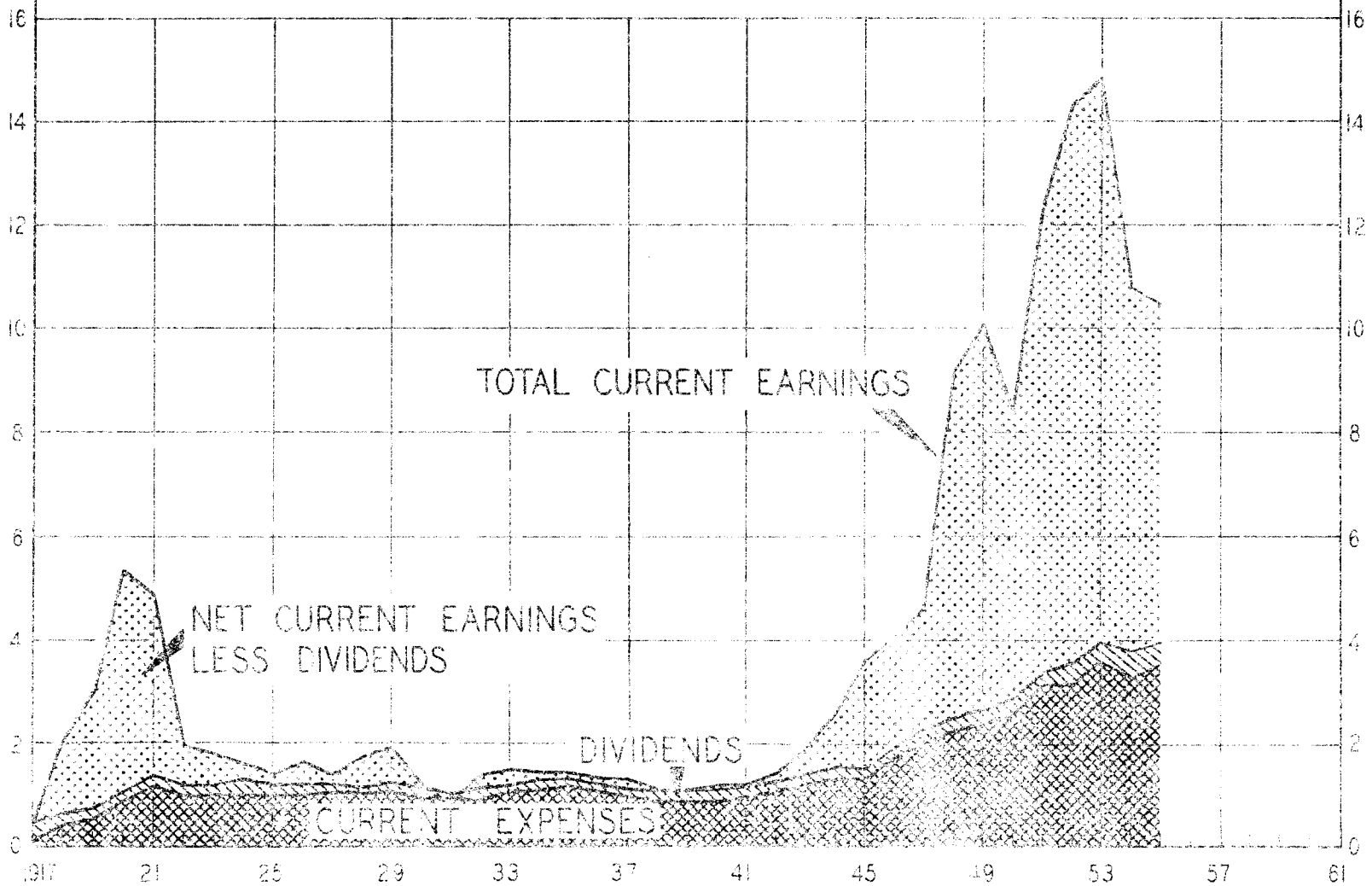
BANK PREMISES

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
<u>BANK BUILDING:</u>			
Gross Book Value:			
Beginning of 1955	\$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 1955	\$ 798,878.04	\$ 769,968.36	\$ 28,909.68
Depreciation	27,685.56	25,665.60	2,019.96
End of Year	\$ 826,563.60	\$ 795,633.96	\$ 30,929.64
Net book value December 31, 1955. . .	\$ 557,717.90	\$ 487,647.54	\$ 70,070.36
<u>FIXED MACHINERY AND EQUIPMENT:</u>			
Gross Book Value:			
Beginning of 1955	\$ 667,146.34	\$ 629,944.35	\$ 37,201.99
Additions during year	-	-	-
Deductions during year	-	-	-
End of Year	\$ 667,146.34	\$ 629,944.35	\$ 37,201.99
Allowance for depreciation:			
Beginning of 1955	\$ 656,251.50	\$ 619,049.51	\$ 37,201.99
Deductions during year	17,530.42	17,530.42	-
Depreciation	28,425.26	28,425.26	-
End of Year	\$ 667,146.34	\$ 629,944.35	\$ 37,201.99
Net book value December 31, 1955. . .	-	-	-
<u>Land:</u>			
Net book value December 31, 1955 . . .	\$ 410,520.66	\$ 400,520.66	\$ 10,000.00
<u>TOTAL BANK PREMISES:</u>			
Net book value December 31, 1955 . . .	\$ 968,238.56	\$ 888,168.20	\$ 80,070.36

MILLION DOLLARS

MILLION DOLLARS

NET EARNINGS



NET EARNINGS AND PROFITS

	<u>1955</u>	<u>Change from 1954</u>
Total current earnings	\$10,526,277	\$- 309,138
Net expenses	<u>3,518,762</u>	<u>+ 30,021</u>
Current net earnings	\$ 7,007,515	\$- 339,159
Additions to current net earnings:		
To reverse entries in connection with construction program prior to opening our construction account.	\$81,523	\$+ 81,523
Accepted as full payment for our 60% share in the industrial loan of Clear Lake Creamery and Produce Co. which has been carried in Industrial Loans Past Due Three Months and against which a 100% valuation allowance has been provided	<u>4,000</u>	<u>+ 4,000</u>
All other	<u>947</u>	<u>- 2,484</u>
Total additions	\$86,470	\$+ 83,039
Deductions from current net earnings:		
Reserve for registered mail losses	\$11,536	\$- 1,893
All other	<u>1,972</u>	<u>+ 1,570</u>
Loss on sales of U.S. Government Securities (net)	<u>38</u>	<u>+ 14,842</u>
Total deductions	\$13,546	\$+ 14,519
Net additions to current net earnings	\$ <u>72,924</u>	\$+ <u>68,520</u>
Net earnings and profits	\$ 7,080,439*	\$- 270,639

* For disposition of profits see page No. 80

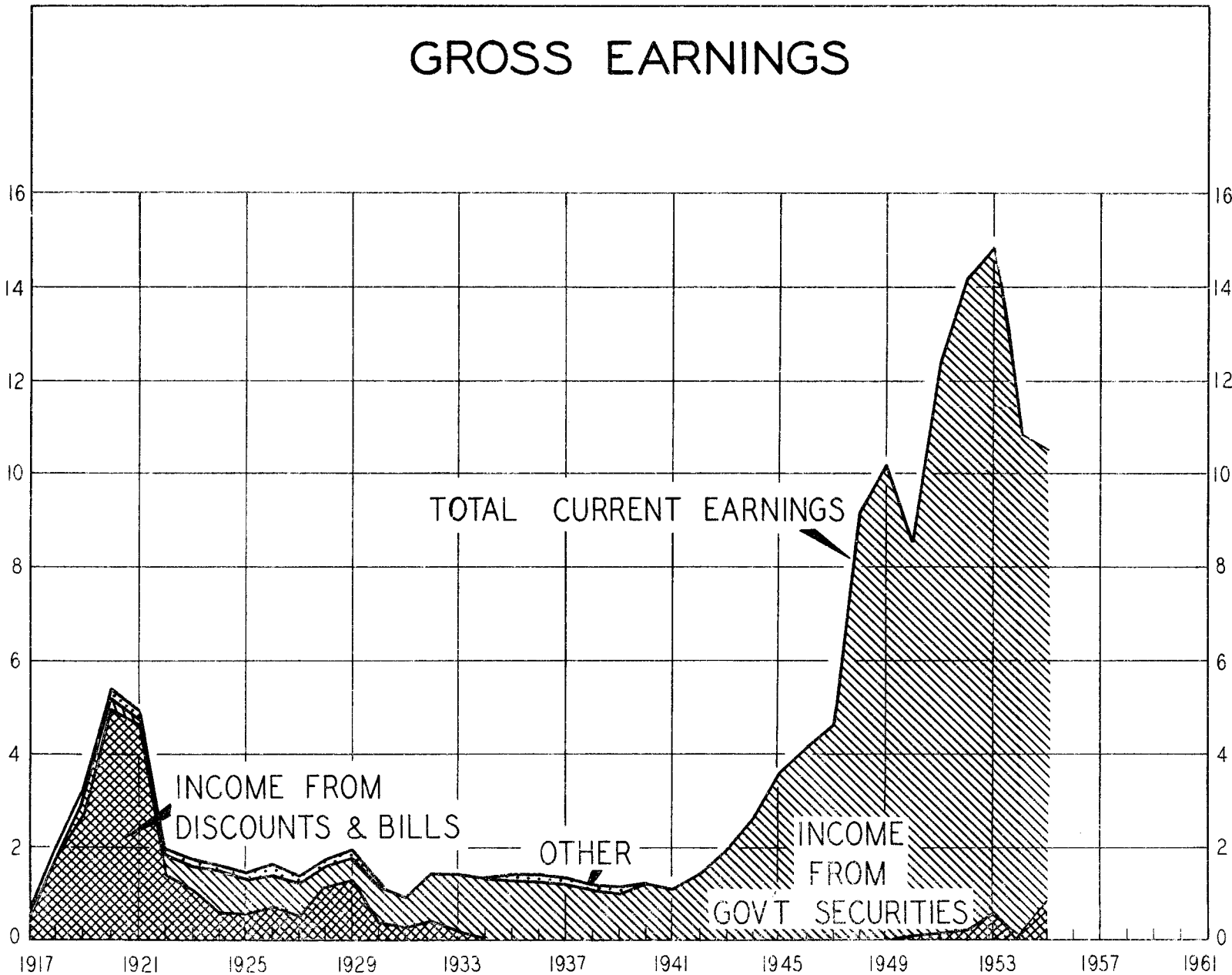
The table below gives a breakdown of Profit and Loss during 1955:

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
<u>Additions to Current Net Earnings:</u>			
To reverse entries in connection with construction program prior to opening our Construction Account. Year-end 1945 - \$22,000.00; 12/18/54 - \$42,517.00; year-end 1954 - \$17,006.33	\$81,523.33	\$81,523.33	
Accepted as full payment for our 60% share in the industrial loan of Clear Lake Creamery & Produce Co. which has been carried in Industrial Loans Past Due Three Months and against which a 100% valuation allowance has been provided	4,000.00	4,000.00	
Discount on foreign currency and coin	.31	.31	
Profit on mutilated currency and coin	72.34	46.41	\$25.93
Difference account	108.17	81.77	26.40
Dividend from Pondera Valley State Bank, Conrad, Mont. for Great Falls Lumber Co. claim assigned to Federal Reserve Bank of Minneapolis	173.00	173.00	
Refund from Northern States Power Co. for price adjustment for period April 1950 through December 1953 on their "Fuel Clause Adjustment" charge	<u>593.29</u>	<u>593.29</u>	<u> </u>
Total Additions	\$86,470.44	\$86,418.11	\$52.33
- - - -			
<u>Deductions from Current Net Earnings:</u>			
Reserve for registered mail losses	\$11,535.95	\$11,535.95	
Net loss on sale of \$15,000.00 2% Treasury notes B-1956 purchased in error for American Bank, Alma, Wis.	.68	.68	
Loss absorbed due to inability to furnish a facsimile of a check listed in our return item letter to Northwest Security National Bank of Sioux Falls, Huron, S. D.	7.50	7.50	
Loss on sale of U. S. Government Securities held in System Open Market account	38.47	38.47	
Loss on counterfeits	120.35	120.35	
Difference between actual and estimated reimbursable expenses for December 1954	<u>1,843.05</u>	<u>1,843.05</u>	<u> </u>
Total Deductions	\$13,546.00	\$13,546.00	Ø
Net Additions to Current Net Earnings	<u>\$72,924.44</u>	<u>\$72,872.11</u>	<u>\$52.33</u>

MILLION DOLLARS

MILLION DOLLARS

GROSS EARNINGS



-06-

EARNINGS

Combined earnings of Head Office and Helena Branch for the year 1955 totaling \$10,526 thousand were \$309 thousand less than for the preceding year.

Considerable borrowing by member banks resulted in our daily average lending increasing from the 1954 daily average of \$6,936 thousand to \$42,456 thousand in 1955. The increased lending plus an increase of .230% in our average earning rate accounted for increased earnings from this source of \$700 thousand.

Our daily average holdings of Foreign Loans on Gold and industrial advances decreased \$273.5 thousand and \$21.5 thousand respectively, resulting in reduced earnings of \$3,515 and \$1,137.

Earnings from our participation in the System Open Market account were \$1,010 thousand less than during the preceding year. Our daily average participation was \$25,454 thousand less than in 1954 and the average yield of 1.668 was .097% less than for the preceding year.

The following tables show the sources of earnings, average daily holdings, average earning rates and holdings of securities as of December 31, 1955.

Total Current Earnings
(Minneapolis and Helena Combined)

	<u>1955</u>	<u>Change from 1954</u>
Discounts and advances	\$ 817,160	\$+ 699,573
Foreign loans on gold	23,701	- 3,515
Industrial advances	3,997	- 1,137
U. S. Government securities - System account	9,669,412	-1,010,584
Deficient reserve penalties	10,829	+ 6,174
All other:		
Clearinghouse fines	230	Ø
Commissions earned on Bankers' Acceptances purchased for foreign correspondents	903	504
Interest received on past due industrial advance	Ø	- 198
Miscellaneous	<u>45</u>	<u>+ 45</u>
	<u>\$10,526,277</u>	<u>\$- 309,138</u>

Average Daily Holdings

	<u>1955</u>	<u>Change from 1954</u>
Discounts and advances	\$ 42,456,430	\$+35,520,376
Foreign loans on gold	1,474,361	- 273,516
Industrial advances	78,577	- 21,544
U. S. Government securities - System account	<u>579,591,011</u>	<u>-25,453,712</u>
	<u>\$623,600,379</u>	<u>\$+ 9,771,604</u>

Average Earning Rate

	<u>1955</u>	<u>Change from 1954</u>
Discounts and advances	1.925%	+.230%
Foreign loans on gold	1.608	+.051
Industrial advances	5.087	-.041
U. S. Government securities - System account	1.668	-.097
Average rate for above accounts	1.686	-.078

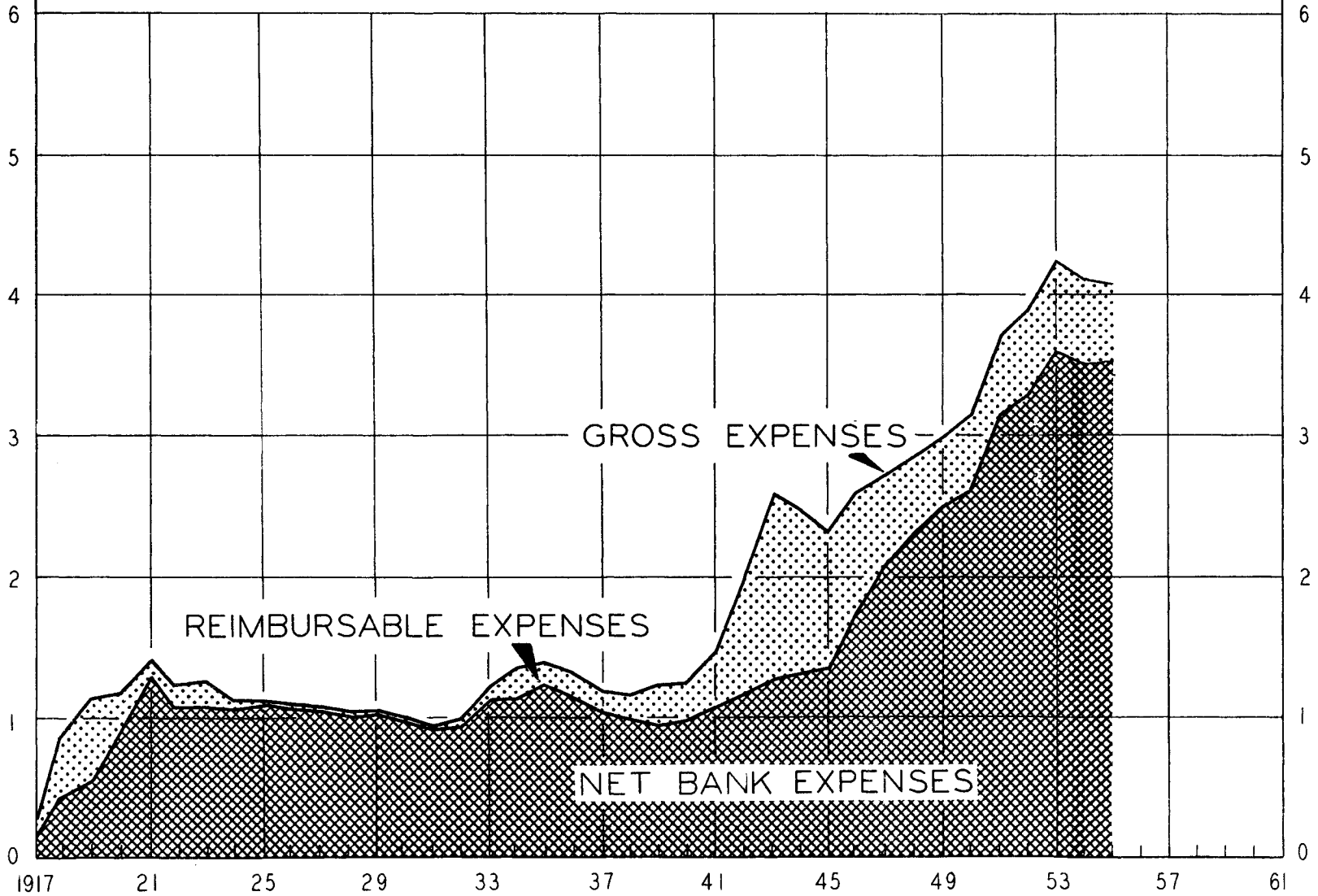
Participation in System Open Market Account
(in thousands of dollars)

	<u>12-31-55</u>	Change from <u>12-31-54</u>
Bills	\$ 36,414	\$- 16,801
Certificates	143,476	-197,433
Notes	343,283	+195,026
Bonds	<u>67,895</u>	<u>- 907</u>
	<u>\$591,068</u>	<u>\$- 20,115</u>

MILLION DOLLARS

MILLION DOLLARS

EXPENSES



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COMPARATIVE STATEMENT OF NET CURRENT EXPENSE

	<u>Head Office 1955</u>	<u>Helena Branch 1955</u>	<u>Combined 1955</u>	<u>Combined 1954</u>
Salaries:				
Officers	\$ 254,222	\$ 22,324	\$ 276,546	\$ 244,260
Employees	1,586,809	158,559	1,745,368	1,710,974
Fees:				
Directors	7,000	3,760	10,760	10,260
Federal Advisory Council	1,350		1,350	1,275
Other	3,284	392	3,676	3,399
Retirement Contributions:				
F.R. Retirement System	118,084	11,851	129,935	129,423
Supplemental Death Benefit	8,652	893	9,545	6,755
Social Security	31,530	3,180	34,710	32,424
Traveling Expenses:				
Directors	6,163	2,831	8,994	9,494
Federal Advisory Council	732		732	782
Other	52,189	7,061	59,250	54,789
Postage and Expressage:				
Original shipments of F.R. currency	11,895		11,895	31,902
Redemptions of F.R. currency	1,596	666	2,262	7,661
Other	366,050	74,953	441,003	419,162
Telephone and Telegraph	23,530	7,048	30,578	28,569
Printing, Stationery and Supplies	103,125	9,413	112,538	102,548
Insurance	22,485	3,045	25,530	29,722
Taxes on Real Estate	100,333	4,880	105,213	100,150
Depreciation	54,091	2,020	56,111	48,684
Light, Heat, Power and Water	35,072	3,084	38,156	33,975
Repairs and Alterations	20,400	2,461	22,861	14,603
Rent	58,629	41	58,670	51,366
Furniture and Equipment:				
Purchases	22,820	5,408	28,228	37,179
Rentals	139,255	17,775	157,030	149,273
Assessment for Expenses of Board of Governors	105,000		105,000	105,500
Federal Reserve Currency:				
Original Cost	54,000		54,000	116,086
Cost of Redemption	8,047		8,047	9,483
All Other	82,281	4,109	86,390	103,424
Total Expense	<u>\$3,278,624</u>	<u>\$345,754</u>	<u>\$3,624,378</u>	<u>\$3,593,122</u>
Less Undistributed Recoveries	<u>101,192</u>	<u>4,300</u>	<u>105,492</u>	<u>104,381</u>
Net Current Expense	\$3,177,432	\$341,454	\$3,518,886	\$3,488,741

NONREIMBURSABLE EXPENSE

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$3,177,432	\$+24,091
Helena Branch	<u>341,454</u>	<u>+ 6,054</u>
	\$3,518,886	\$+30,145

Net changes in the various subdivisions of the expense accounts at the Head Office and Branch are distributed as follows:

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SALARIES
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	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$1,841,031	\$+66,420
Helena Branch	<u>180,883</u>	<u>+ 260</u>
	\$2,021,914	\$+66,680

Increased costs due to merit and promotional salary increases, plus increase in starting salary of junior employees and the increased hourly rate for part-time help.

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FEES - DIRECTORS
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	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$ 7,000	\$+800
Helena Branch	<u>3,760</u>	<u>-300</u>
	\$10,760	\$+500

Head Office directors held eleven meetings in 1955, including one meeting in Montana.

FEEES - FEDERAL ADVISORY COUNCIL

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$1,350	\$+75

Our council member attended six local and three Washington meetings during 1955.

FEEES - OTHER

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$3,284	\$+ 29
Helena Branch	392	+248
	<u>\$3,676</u>	<u>\$+277</u>

No important change occurred in this account.

RETIREMENT CONTRIBUTIONS

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$118,084	\$+493
Helena Branch	11,851	+ 19
	<u>\$129,935</u>	<u>\$+512</u>

Retirement System contributions were at the rate of 7% from July 1, 1954 and decreased to 6.61% on July 1, 1955. The amount absorbed is in direct relation to increases or decreases in salary costs.

SUPPLEMENTAL DEATH BENEFIT

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$8,652	\$+2,577
Helena Branch	893	+ 213
	<u>\$9,545</u>	<u>\$+2,790</u>

In 1954 we made an additional charge to expense for \$232 to complete the contract year; in 1955 the charge was \$2,285. In 1954 the premium was \$14,596, compared with \$14,059 in 1955. A reduction in dividends has increased our expense.

SOCIAL SECURITY

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$31,530	\$+2,234
Helena Branch	3,180	+ 52
	<u>\$34,710</u>	<u>\$+2,286</u>

Social Security contributions are at the rate of two per cent on the first \$4,200 of each employee's salary. The amount absorbed is in direct relation to the payroll.

TRAVEL - DIRECTORS

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$6,163	\$-326
Helena Branch	2,831	-174
	<u>\$8,994</u>	<u>\$-500</u>

There was no change of any importance in this account.

TRAVEL - FEDERAL ADVISORY COUNCIL

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$732	\$-50

Our council member attended three out-of-town meetings in 1955. In 1954 four meetings were attended.

TRAVEL - OTHER

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$52,189	\$+3,235
Helena Branch	7,061	+1,226
	<u>\$59,250</u>	<u>\$+4,461</u>

The increase in Head Office travel is accounted for as follows:

	<u>1955</u>	<u>1954</u>
Bank Examination	\$23,368	\$25,175
Public Services	12,235	13,455
Travel on general bank business (schools, con- ventions, conferences, etc.)	16,586	10,324
	<u>\$52,189</u>	<u>\$48,954</u>

POSTAGE AND EXPRESSAGE
Original Shipments
F.R. Currency

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$11,895	\$-20,007

This represents shipping charges for the year on Federal Reserve currency from Washington to Minneapolis and Helena. During 1955 we received notes totaling \$50.9 million, compared with \$128.1 million in 1954.

POSTAGE AND EXPRESSAGE
Redemption
F.R. Currency

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$1,596	\$-4,596
Helena Branch	666	- 803
	<u>\$2,262</u>	<u>\$-5,399</u>

In July 1954 the law prohibiting a Federal Reserve bank from paying out notes of another Reserve bank was repealed. The decrease is the result of savings under this law.

POSTAGE AND EXPRESSAGE
Other

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$366,050	\$+20,027
Helena Branch	74,953	+ 1,814
	<u>\$441,003</u>	<u>\$+21,841</u>

This increase is due to the increased volume of checks handled, increased outgoing coin shipments and moving charges in connection with our building program.

TELEPHONE AND TELEGRAPH

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$23,530	\$+1,247
Helena Branch	7,048	+ 762
	<u>\$30,578</u>	<u>\$+2,009</u>

There was a 10% increase in volume in the number of words sent over the leased wire with almost half of the increase due to a larger

number of transfers of funds to other districts. Western Union expense went up as the result of a change in reporting procedure where we now send daily information to the Treasury Department by Western Union after our leased wire system is closed.

PRINTING, STATIONERY AND SUPPLIES

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$103,125	\$+11,147
Helena Branch	9,413	- 1,157
	<u>\$112,538</u>	<u>\$+ 9,990</u>

Most of the items in this account are recurring, the requirements each year reflecting the decreases or increases.

INSURANCE

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$22,485	\$-4,290
Helena Branch	3,045	+ 98
	<u>\$25,530</u>	<u>\$-4,192</u>

The decrease is due to refunds received on Blue Cross and Blue Shield group hospital and surgical insurance based on quarterly experience reports.

TAXES ON REAL ESTATE

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$100,333	\$+4,909
Helena Branch	4,880	+ 154
	<u>\$105,213</u>	<u>\$+5,063</u>

The Head Office tax rate increased from 149 mills to 156.7 mills.

DEPRECIATION

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$54,091	\$+7,427
Helena Branch	<u>2,020</u>	<u>0</u>
	\$56,111	\$+7,427

The increase is due to the adjustment in the account for gas conversion and boiler repairs.

LIGHT, HEAT, POWER AND WATER

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$35,072	\$+4,057
Helena Branch	<u>3,084</u>	<u>+ 124</u>
	\$38,156	\$+4,181

Each item of this expense showed increases with the largest increase in gas of \$2,897. Other increases were light, \$473, water, \$321, and sewage, \$257.

REPAIRS AND ALTERATIONS

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$20,400	\$+9,108
Helena Branch	<u>2,461</u>	<u>- 850</u>
	\$22,861	\$+8,258

Two items account for most of the increase: \$6,700 for repairs to switchboard feeders, and \$4,141 for smoke stack repairs.

RENT

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$58,629	\$+7,285
Helena Branch	41	+ 19
	<u>\$58,670</u>	<u>\$+7,304</u>

On June 23, 1955 additional space was rented in the Thorpe Building which accounts for most of this increase.

FURNITURE AND EQUIPMENT

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$22,820	\$-12,310
Helena Branch	5,408	+ 3,359
	<u>\$28,228</u>	<u>\$- 8,951</u>

The purchases during 1955 were minor, the principal items were:

30 typewriters (for use in Fiscal Agency work)	\$5,652
1 addressograph machine	1,269
2 tickometers	1,452

FURNITURE AND EQUIPMENT
RENTAL

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$139,255	\$+7,831
Helena Branch	17,775	- 74
	<u>\$157,030</u>	<u>\$+7,757</u>

The bulk of the increase is due to increased I.B.M. costs for check collection's extra shift rental of machines, substitution of some 32-pocket machines for 24-pocket machines at higher rental costs, and rental of cars to handle suburban bank clearings.

BOARD ASSESSMENT

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$105,000	\$-500

This bank's pro rata share paid to the Board of Governors of the Federal Reserve System to cover its general expenses.

FEDERAL RESERVE CURRENCY
Original Cost

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$54,000	\$-62,086

This bank's pro rata share of expenses of the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency for printing Federal Reserve Notes.

FEDERAL RESERVE CURRENCY
Cost of Redemption

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$8,047	\$-1,436

This bank's share of charges made by Treasury for redeeming Federal Reserve Currency and expenses of the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency relating to the cost of redemption of Federal Reserve currency.

ALL OTHER

	<u>1955</u>	<u>Change from 1954</u>
Head Office	\$82,281	\$-17,958
Helena Branch	4,109	+ 924
	<u>\$86,390</u>	<u>\$-17,034</u>

In May this year \$17,000 was credited to this account to reverse entries charged in 1954 in connection with the construction program prior to opening a construction account.

COMBINED REIMBURSABLE EXPENDITURES OR RECOVERIES

<u>Account of</u>	<u>1955</u>	<u>Change from 1954</u>
Public Debt	\$430,021	\$-35,742
Federal Taxes	30,737	+ 3,706
Department of the Army	512	- 1,354
Department of the Navy	35	- 780
Department of the Air Force	292	- 725
Atomic Energy Commission	604	- 121
Commodity Credit Corporation	12,707	- 1,717
F.R.B Chicago, Fiscal Agent for R.F.C.	590	+ 91
Federal Farm Mortgage Corporation	5	- 17
Federal Land Banks	216	- 158
Federal Intermediate Credit Bank	66	- 30
Central Banks for Cooperatives	11	+ 7
Housing and Home Finance	-	- 24
Federal Home Loan Banks	580	+ 540
Federal Public Housing Administration	15	+ 10
Federal National Mortgage Association	1,638	+ 1,604
Coin Wrapping services	16,551	+ 1,831
Processing Post Office Money Orders	17,900	-17,015
Destruction of Unfit U. S. Currency	6,413	+ 70
Miscellaneous	22,468	-10,016
Profit and Loss - over-estimate of Reimbursable Expense	<u>123</u>	<u>- 1,720</u>
	\$541,484	\$-61,560