

1926

*Twelfth Annual Report*  
*of the*  
**FEDERAL RESERVE BANK  
OF PHILADELPHIA**



**MADE TO THE FEDERAL RESERVE BOARD  
FOR THE THIRD FEDERAL RESERVE DISTRICT  
BY THE CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT**

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**LETTER OF TRANSMITTAL**

*January 28, 1927*

Federal Reserve Board,  
Washington, D. C.

Sirs:

I have the honor to transmit herewith the twelfth annual report on the operations of the Federal Reserve Bank of Philadelphia, covering the year 1926.

Very truly yours,

**RICHARD L. AUSTIN**

*Chairman of the Board and  
Federal Reserve Agent*

# CONTENTS

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	Page
Profit and loss statement .....	5
Business and financial conditions .....	6
Statement of condition .....	11
Loans and discounts of the bank .....	13
Reserve position of the bank .....	14
Federal reserve note issues .....	16
The discount rate .....	16
Departmental operations .....	17
 Internal organization:	
Directors .....	18
Federal Advisory Council .....	19
Officers and employees .....	19
Bank premises .....	20
 Banks of the district:	
Membership .....	20
Fiduciary powers .....	21
Acceptances to 100 per cent .....	21
Bank examination .....	22
Member bank earnings and expense .....	22



**ANNUAL REPORT**  
of the  
**FEDERAL RESERVE BANK OF PHILADELPHIA**  
for 1926

The profit and loss statement for the year is as follows, together with, for the purpose of comparison, the statements of 1924 and 1925:

	1926	1925	1924
Gross earnings .....	\$3,626,648	\$3,135,550	\$2,915,845
Current expenses .....	2,056,274	2,036,268	2,153,835
Current net earnings .....	\$1,570,374	\$1,099,282	\$762,010
Additions to current net earnings....	\$1,130	\$566	\$22,131
Deductions from current net earnings	37,771	21,728	37,049
Net deductions from current net earnings .....	\$36,641	\$21,162	\$14,918
Net earnings available for dividends, surplus and franchise tax.....	\$1,533,733	\$1,078,120	\$747,092
Distribution:			
Dividends .....	\$730,598	\$673,212	\$615,135
Paid to Government as a franchise tax .....	0	0	0
Transferred to surplus account....	803,135	404,908	131,957

The increase in earnings reflects in particular a higher rate of discount and larger borrowings by member banks. The latter may be explained by the improved condition of business in the district as shown by the statement of business and financial conditions which follows. Current expenses were heavier, inasmuch as increased costs of bank operation and unusual expenses incident to the completion of an addition to the bank building exceeded a substantial reduction in the cost of Federal reserve notes, resulting from a larger use of United States notes and gold certificates.

### ***Business and financial conditions***

The periodical reports made by this bank and prepared by the department of statistics and research, indicate that the year just passed has been one of well maintained and widely distributed prosperity in the Philadelphia Federal reserve district. Most of the important branches of industry and trade have been operating at high levels and the dollar volume of business transacted during the year, despite a continued decline in prices, was substantially larger than in either of the two preceding years. Employment of labor, at good wages, has been general, and the consumption of goods has reached record volumes.

Manufacturing, in its various phases, is the economic backbone of this district, employing over two-fifths of all the workers, and producing annually goods valued at more than five billion dollars. These industries have experienced a substantial recovery from the low levels reached in the summer of 1924, and the district output of manufactured goods during the past year has been well in excess of that of either of the two preceding years. Employment at factories in Pennsylvania, New Jersey and Delaware reporting to this bank was 2.7 per cent greater than in 1925, and the total amount of wages paid showed a gain of 6.2 per cent. The metal manufacturing industries experienced an active and prosperous year, with increased purchasing by nearly all classes of customers, and a high rate of operations. Pig iron production in the district was 11 per cent larger than in 1925, and the output of iron and steel castings, respectively, was 10 per cent and 22.2 per cent above the totals for the preceding year.

During the first half of the year, noticeable weakness was manifest in most of the textile industries. Price declines were quite widespread and there was a substantial curtailment of mill activity, but in the late summer and early fall these industries recovered rapidly, and the year closed with operations in most branches of the textile trade well ahead of the 1925 level.

In most of the other important manufacturing industries in the district, as well, 1926 proved to be a generally satisfactory year, with output and sales in larger volume than in the preceding year. Cement output in the district, which constitutes nearly 30 per cent of the national supply, reached a record high total for the year, and the active construction program also was reflected in a high rate of operations in the other building material industries.

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

Although prices of numerous hide and leather products were lower in 1926 than in 1925, these industries generally experienced a fairly satisfactory year, with an adjustment of production to current demand. The cigar manufacturing industry, which had been comparatively quiet for some months, became much more active in the fall of 1926, and closed the year with operations well above those of 1925.

All of the commercial anthracite in the United States is mined in the Philadelphia Federal reserve district, and this industry, which employs close to 150,000 workers and produces normally nearly half a billion dollars' worth of coal each year, is one of the most important in the district. After the termination of the strike in February of 1926, there was a rapid resumption of operations at the mines, and the output for the year was close to 77,000,000 tons, an amount which is practically equal to the average annual production for the fifteen years prior to 1926. Some evidences of the effect of the strike on business and financial operations in the coal mining districts are apparent from the following table which shows comparisons for Scranton and Wilkes-Barre of figures for December, 1925, when the strike was in progress, with the same month in 1924 and 1926:

	December 1926	December 1925	December 1924
Anthracite production, tons.....	7,528,000	250,000	7,189,000
Manufacturing industries:			
Wage payments* .....	92.0	100.9	102.8
Employment* .....	97.1	106.2	93.6
Retail sales (12 stores).....	\$2,119,000	\$1,794,000	\$2,057,000
Wholesale sales (16 firms).....	857,000	692,000	931,000
Debits .....	138,129,000	112,028,000	137,452,000
Member banks:			
Deposits, total .....	106,410,000	100,373,000	99,317,000
Loans and discounts .....	66,039,000	60,560,000	50,913,000
Borrowings .....	1,683,000	4,935,000	1,277,000
Savings deposits .....	71,874,000	69,808,000	68,650,000

\*Index numbers—1923=100

The bituminous industry also was more active during the year, demand for soft coal having been stimulated by the strike in the British mines.

Construction operations in the district continued very active during 1926. Total building contracts awarded during the year



*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

amounted to \$421,216,000, as compared with \$406,470,000 in the year before. There was some slackening of residential building during the last months of 1926, but this was accompanied by a substantial expansion of industrial construction. Real estate transactions were in somewhat smaller volume during 1926 than in 1925, and there has also been a declining demand for rented apartments which has resulted in lowering of rents in some instances.

Agriculture in the district has suffered from unfavorable weather conditions in the late summer and fall and lower prices for many farm products, which together resulted in a considerable reduction of total farm income for 1926. The yield of a number of important crops, particularly corn, oats, rye, buckwheat, white potatoes and tobacco, was smaller than in 1925, but there was a larger production of winter wheat and very large yields of apples, peaches and pears. Average farm prices on December 1, 1926, were lower than the year before, and the total farm income from crops in the district was somewhere between 15 and 20 per cent less than in 1925. Dairying and livestock conditions, however, continued generally favorable throughout the district.

Distribution and consumption of goods in the Philadelphia Federal reserve district has been in larger volume during the past year than in any preceding year. The dollar volume of trade, as measured by debits in the principal cities of the district, was larger in practically every month of 1926 than in the corresponding months of previous years, and the total for the year was 15.5 per cent above that of 1924 and 4.1 per cent greater than the 1925 total, despite the decline which has occurred in wholesale prices during the past eighteen months. Railroad freight shipments made new high records in nearly every month of the year, and in the Allegheny district the total loadings in 1926 amounted to 10,820,543 cars, as compared with 10,288,033 cars in the year preceding and 9,828,661 cars in 1924. A large part of this gain was due to much heavier shipments of coal, although loadings of merchandise were 3.7 per cent above the total for 1925. That these shipments were effected smoothly and without interruption was due not only to the increased efficiency of the railroads but to the continued policy on the part of wholesalers and retailers of buying in small lots for quick delivery.

Dollar sales at wholesale by reporting dealers in the district were somewhat smaller in the aggregate than in the previous year, partially as a result of somewhat lower prices for many commodities. Retail business reported by department, apparel and shoe

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

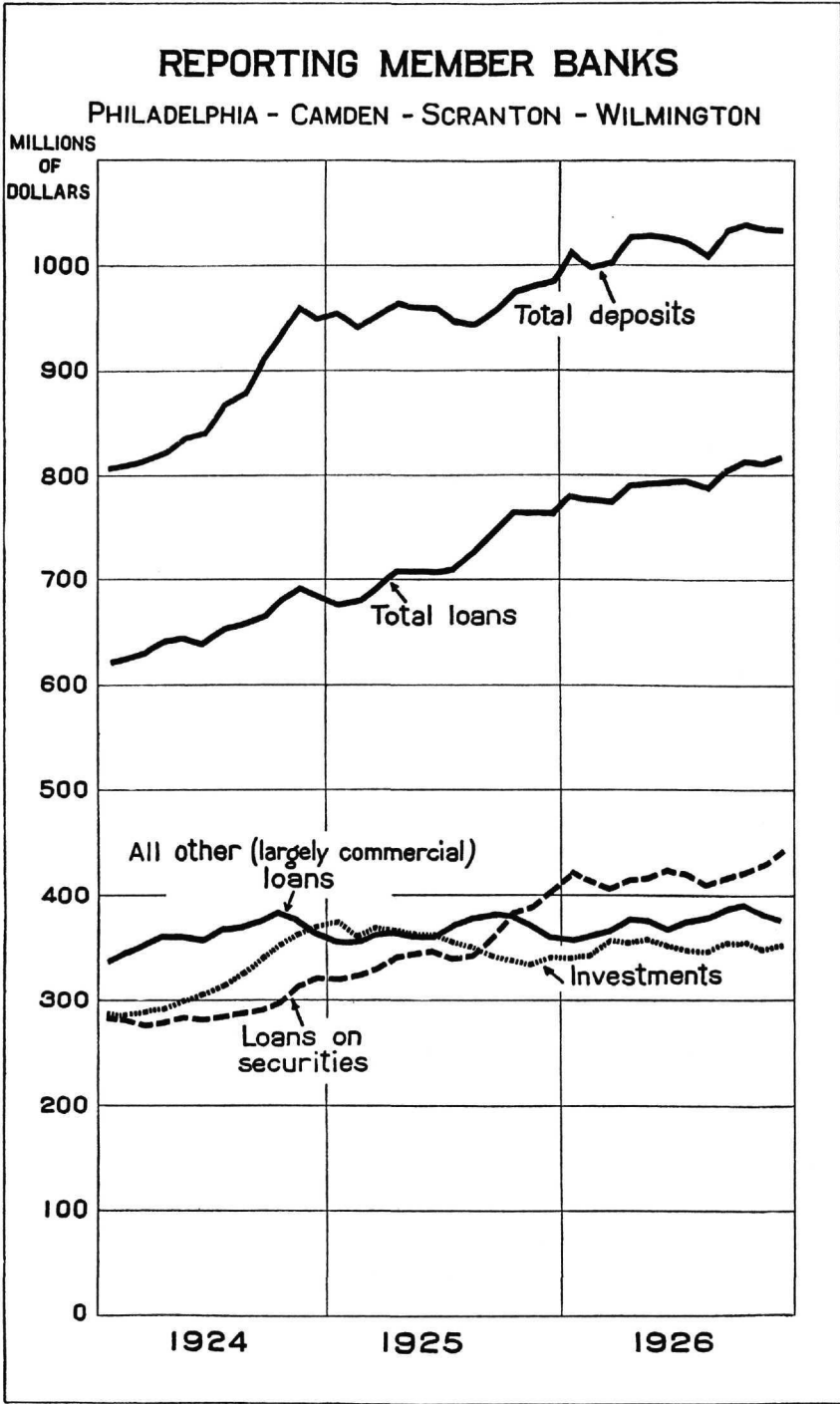
stores in the district showed only a small gain, 2.3 per cent, over the previous year, a much smaller increase than occurred throughout the United States. Chain store business and mail order sales, however, were in much larger volume than in 1925.

From this summary it appears that the volume of business transacted in the Philadelphia Federal reserve district during 1926 was distinctly heavier than in 1925. From the special weekly reports of member banks in four of the largest cities in the district it is found that their commercial loans expanded only slightly, the average for the year being 1.9 per cent above that in 1925.

The total of loans and investments and of deposits of these banks reached higher points than ever before. Investment holdings fluctuated considerably at times when new issues of Government securities were offered and in the year there was an increase in holdings of securities. Heavier loans on securities accounted for the bulk of the expansion in loans and investments. The almost continuous tendency to increase manifested by such loans in 1925 was not repeated in 1926, but, despite large fluctuations, the trend was upward, although reports from banks in leading cities throughout the country show that in total the volume of such loans remained below the figure reached at the end of 1925.

No small portion of the loans on securities are used to finance the flotation and assimilation of new issues of securities a portion of the proceeds of which are used to supply liquid funds for business enterprises and to that extent they displace commercial paper. Corporate issues of securities in the United States for the purpose of obtaining new capital increased from \$4,100,000,000 in 1925 to \$4,357,000,000 in 1926, according to the *Commercial and Financial Chronicle*.

Weekly figures giving the condition of the reporting member banks appear in the annual reports of the Federal Reserve Board. For purposes of record and comparison, the condition of the banks in the cities above referred to at the end of each of the past six years is given in the table following and the course of the principal items is depicted in an accompanying chart.



*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

(Dollar figures in millions)	1926 Dec. 29	1925 Dec. 30	1924 Dec. 31	1923 Dec. 26	1922 Dec. 27	1921 Dec. 28
Loans on securities .	\$449.9	\$406.5	\$318.1	\$280.8	\$265.0	\$251.1
commercial loans)	369.2	359.7	355.1	341.0	327.4	326.6
All other (largely Total loans ....	\$819.1	\$766.2	\$673.2	\$621.8	\$592.4	\$577.7
Investments .....	353.1	343.5	375.2	294.3	294.1	238.1
Total loans and investments ..	\$1,172.2	\$1,109.7	\$1,048.4	\$916.1	\$886.5	\$815.8
Deposits:						
Net demand .....	762.4	773.5	753.1	672.0	698.1	612.8
Time .....	248.5	206.2	182.3	114.6	58.8	45.6
Government .....	22.7	21.2	18.7	14.7	30.0	26.3
Total deposits .	\$1,033.6	\$1,000.9	\$954.1	\$801.3	\$786.9	\$684.7
Due to banks* .....	165.5	175.0	192.9	157.2	159.3	131.1
Ratio of loans to deposits .....	79%	77%	71%	78%	75%	84%

\* Philadelphia banks only

These figures are of particular interest in that they show a comparatively small increase in commercial loans over the past five years, despite a considerable growth in business. Investments and loans on securities have expanded considerably and at the end of 1926 made up 69 per cent of the loans and investments of these banks, as compared with 60 per cent five years earlier.

*Statement of condition*

The condition of this bank at the close of 1926 is contrasted below with that at the end of 1925:

(000's omitted)	December 31, 1926	December 31, 1925	Changes during 1926
<b>RESOURCES</b>			
Gold reserves .....	\$180,057	\$216,812	—\$36,755
Reserves other than gold.....	5,266	4,910	+ 356
Total reserves .....	\$185,323	\$221,722	—\$36,399
Non-reserve cash .....	1,611	1,716	— 105

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

(000's omitted)	December 31, 1926	December 31, 1925	Changes during 1926
<b>Bills discounted:</b>			
Secured by Government obligations..	\$46,556	\$34,450	+\$12,106
Other bills discounted .....	21,285	18,807	+ 2,478
<b>Total bills discounted .....</b>	<b>\$67,841</b>	<b>\$53,257</b>	<b>+\$14,584</b>
Bills bought in open market.....	26,839	16,923	+ 9,916
U. S. Government securities.....	20,230	24,063	— 3,833
Federal intermediate credit bank bonds	2,000	3,050	— 1,050
Foreign loans on gold .....	0	725	— 725
<b>Total bills and securities.....</b>	<b>\$116,910</b>	<b>\$98,018</b>	<b>+\$18,892</b>
Uncollected items .....	64,554	65,526	— 972
All other resources .....	2,006	1,518	+ 488
<b>Total resources .....</b>	<b>\$370,404</b>	<b>\$388,500</b>	<b>—\$18,096</b>
<b>LIABILITIES</b>			
Federal reserve notes in actual circulation .....	\$134,067	\$155,933	—\$21,866
<b>Deposits:</b>			
Member bank—reserve account.....	139,247	139,272	— 25
Government .....	1,019	1,256	— 237
Other deposits .....	2,764	1,211	+ 1,553
<b>Total deposits .....</b>	<b>\$143,030</b>	<b>\$141,739</b>	<b>+ \$1,291</b>
Deferred availability items.....	59,202	58,539	+ 663
Capital paid in.....	12,605	11,623	+ 982
Surplus .....	21,267	20,464	+ 803
All other liabilities .....	233	202	+ 31
	<b>\$370,404</b>	<b>\$388,500</b>	<b>—\$18,096</b>
Ratio of total reserves to deposit and Federal reserve note liabilities combined .....	66.9%	74.5%	— 7.6%
Contingent liability on bills purchased for foreign correspondents .....	\$5,863	\$6,541	— \$1,178

Member banks in the Philadelphia Federal reserve district, according to the figures of June 30, have a higher percentage of capital and surplus to deposits than the banks in any other district. Due to this and the increase in membership, in the last six years the capital of this bank has increased 49 per cent, which pro-

portionally is greater than that of any other reserve bank, and its ratio of paid-in capital to reserve deposits is 9.1 per cent, as compared with 5.7 per cent for the system. Dividend requirements are correspondingly heavy; payments by this bank in 1926 were 10 per cent. of the amount paid by all reserve banks, although the reserve deposits of this bank were only 6.3 per cent of the total.

Some of the central banks of foreign countries keep balances on deposit with the Federal reserve banks. Such business is prorated among the Federal reserve banks in proportion to capital and surplus. When desired, the reserve banks purchase United States securities and bankers' acceptances for these banks and hold them in safekeeping, collecting a commission for their services in purchasing. The payment of bankers' acceptances is guaranteed by the reserve banks and appears on their statements as a contingent liability.

### *Loans and discounts of the bank*

The discounts for member banks in 1926, on the average, were not heavier than in the closing months of 1925, but the annual average was larger than in any year since 1923. Following the seasonal decline in January of 1926, which was accompanied by the usual return of currency after the holidays, borrowings were resumed and reached a high point of 69.9 millions on March 25. A decline followed and the low point for the year of 35.8 millions was reached on November 8. Towards the close of November and over part of December, borrowings fluctuated markedly, with, however, an upward tendency, as was to be expected in view of the usual heavy demand for currency. A peak of 75.6 millions was attained on December 24, which has not been equalled since July, 1923.

The weekly reports of 50 member banks in Philadelphia, Camden, Scranton, and Wilmington, show that these banks borrowed on the average only 17.2 millions in 1926, as compared with 16.4 millions in 1925. From this slight change it appears that banks in other communities were chiefly responsible for the heavier demands for accommodation over the greater part of the year. At the end of the year, however, Philadelphia banks were borrowing more than the banks in all other parts of the district, as may be noted in the following table, which gives separate figures for amounts under discount for member banks in the larger cities.

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

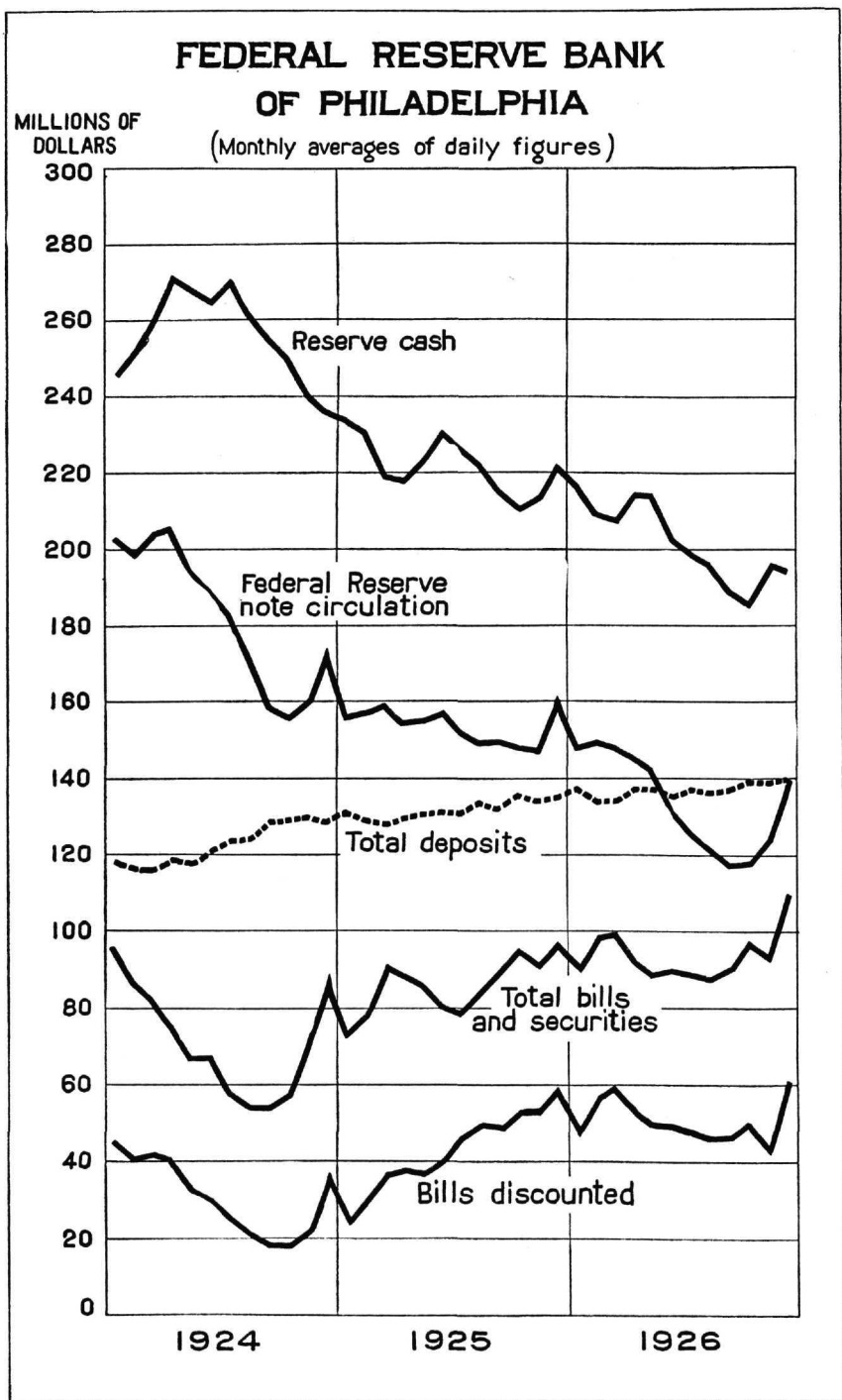
	December 31, 1926	December 31, 1925	Change
Allentown .....	\$330,000	0	+ \$330,000
Altoona .....	0	0	0
Atlantic City .....	3,341,000	\$3,076,000	+ 265,000
Bethlehem .....	612,000	250,000	+ 362,000
Camden .....	650,000	0	+ 650,000
Chester .....	625,000	720,000	— 95,000
Harrisburg .....	0	0	0
Hazleton .....	721,000	931,000	— 210,000
Johnstown .....	40,000	115,000	— 75,000
Lancaster .....	0	0	0
Lebanon .....	200,000	65,000	+ 135,000
Norristown .....	270,000	230,000	+ 40,000
Philadelphia .....	36,509,000	15,844,000	+ 20,665,000
Reading .....	1,572,000	3,096,000	— 1,524,000
Scranton .....	540,000	2,691,000	— 2,151,000
Trenton .....	671,000	600,000	+ 71,000
Wilkes-Barre .....	756,000	1,735,000	— 979,000
Williamsport .....	1,240,000	1,276,000	— 36,000
Wilmington .....	190,000	20,000	+ 170,000
York .....	655,000	695,000	— 40,000
Other communities .....	18,919,000	21,913,000	— 2,994,000
<b>Totals under discount .....</b>	<b>\$67,841,000</b>	<b>\$53,257,000</b>	<b>+\$14,584,000</b>

Although operations in the open-market resulted in marked changes from time to time in the holdings of purchased paper and securities, the annual averages show comparative stability, the total of bills and securities other than bills discounted declining slightly from 43 to 42.8 millions. Average annual holdings follow:

	1926	1925
Bills discounted .....	\$50,931,000	\$43,466,000
Purchased bills .....	18,581,000	18,508,000
United States securities .....	21,336,000	21,383,000
Federal int. credit bank debentures.....	2,516,000	2,274,000
Foreign loans on gold .....	387,000	875,000
<b>Totals .....</b>	<b>\$93,751,000</b>	<b>\$86,506,000</b>

***Reserve position of the bank***

The reserve ratio fluctuated within a range of 64.8 and 79 per cent, the lower figure being reached on the day before Christmas, when note circulation was at a high point.





The cash reserve was without special movement until May, when a declining tendency developed which brought the reserve to a minimum of 177 millions in the autumn. Subsequently gains were made which brought the holdings up to \$185,323,000, which was 36.4 millions less than at the close of the previous year. Much of this loss in reserves can be traced to the paying out of a considerable quantity of United States notes and gold certificates during the year in the place of Federal reserve notes.

As indicated above, fewer Federal reserve notes were issued in 1926 than in 1925, but the total amount of currency received and paid out was larger, hence the circulation statement of the bank entirely fails to reflect the business demand for currency. At the lowest point, 111 millions on October 6, the circulation was 35 millions below that of a year earlier. From that date to Christmas the increase was 38 millions, nevertheless at the end of the year only 134 millions were in circulation, as compared with 156 millions at the close of 1925.

Although the reserve deposits of member banks on December 31 were about the same as at the close of 1925, over much of the year such deposits were larger than on corresponding dates of the earlier year. The deposits of member banks increased in 1926 but much of the gain was in time deposits, on which a lower reserve is required than on demand deposits.

### *Federal reserve note issues*

Federal reserve notes issued to the bank in 1926 amounted to \$122,860,000, as compared with \$143,200,000 in 1925 and \$144,160,000 in 1924. At the close of the year the bank was carrying \$175,841,510, on account of which it had deposited security in accordance with the law as follows: gold—\$105,841,510; eligible paper—\$70,763,464. In the past three years the amount of Federal reserve notes of this bank outstanding has declined 80 millions.

### *The discount rate*

In passing upon the discount rate, the current statistics of production, trade, car loadings, prices, stocks of goods, etc., as well as those factors which are essentially more financial in their nature, have been closely watched. There was nothing in these reports that indicated any change in the condition of business or the use of bank credit sufficient to recommend any change in the rate of discount. The rate was maintained at 4 per cent through the year.

*Departmental operations*

In the following table the work handled by the principal departments of the bank during 1926 is contrasted with that performed in 1925. Detailed figures will appear in the annual report of the Federal Reserve Board.

1926 compared to 1925	Number of items handled	Dollar amounts handled
Bills discounted .....	+22.1%	+19.2%
Purchased bills .....	+30.6%	+13.8%
Currency received and counted .....	+ 8.1%	+ 5.1%
Coin received and counted .....	+ 9.6%	+32.1%
Checks handled (excluding return items) .....	+ 3.5%	- 1.4%
<b>Collections handled:</b>		
United States Government coupons paid .....	-13.6%	-11.9%
All other .....	+ 8.2%	+ 1.7%
United States securities issued, redeemed and exchanged by fiscal agency department .....	-38.8%	- 5.6%
Transfers of funds (including clearings by wire) ..	+ 6.9%	+ 8.4%

The magnitude of the work performed by some of the departments may be gauged by the fact that the transit department handled an average of 227,000 checks daily. The currency department, among other duties, received and counted 628,000 pieces of currency each day, which is greater by 80 per cent than the amount counted in 1921.

An ever increasing use is being made of many of the services which this bank performs for its members. In the past five years the number of checks handled has increased 26 per cent, and the quantity of non-cash items (other than Government coupons) forwarded for collection is more than double that in 1921. The facilities for transferring funds have been widely used and the number of such transfers has greatly increased in five years; the dollar amount (including clearings by wire) so transferred amounted to \$5,508,000,000.

The custody department, in addition to holding securities and cash for this bank and for the treasurer of the United States, also holds in safekeeping securities for member banks. The average amount held for members increased from \$184,610,000 in 1925 to \$186,018,000.

## *Internal organization*

### *Directors*

The terms of Joseph Wayne, Jr., Edwin S. Stuart, and Richard L. Austin as directors of this bank expired at the close of 1926. Although nominated to succeed himself, Mr. Stuart expressed the wish not to be considered for reelection. This was received with the deepest regret by the member banks and this board of directors, of which board he had been a member since the opening of the bank. In recognition of the important services which he has rendered, the board of directors, at the meeting held January 5, 1927, ordered the following minute to be made:

“Since the organization of this bank, over twelve years ago, Edwin S. Stuart has served it most conscientiously as deputy governor and director. His business experience and large acquaintance with the administration of public affairs, fitted him unusually as a counsellor and advisor, both in the organization period and subsequently in the conduct of the affairs of the institution, in which he was most tactful, faithful and helpful.

“To the great regret of his colleagues, a recent opinion, affecting a clause in the Federal Reserve Act, necessitated a decision by him as to which one of two financial institutions, the Federal Reserve Bank of Philadelphia, or another, he would continue to serve as a director. He decided to continue as a director of the other institution, and as a result of this decision, his connection as a director here terminated December 31, 1926.

“This bank has been most fortunate in having had, for so long a time, the benefit of his fine personality and ripe judgment. For the directors, it has been a most happy experience, and we always will recall our association with him with the greatest satisfaction and pleasure.”

Mr. Wayne was unanimously reelected to represent the group 1 banks as a class A director, and Arthur W. Sewall, succeeding Mr. Stuart, was elected a class B director, representing group 2 banks. The Federal Reserve Board reappointed Richard L. Austin as a class C director.

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

**Board of directors**

Class	Name	Residence	Term expires
A.	Group 1 Joseph Wayne, Jr., president, Philadelphia-Girard National Bank, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1926
	Group 2 Francis Douglas, cashier, First National Bank, Wilkes-Barre, Pa.	Wilkes-Barre, Pa.	Dec. 31, 1927
	Group 3 John C. Cosgrove, director, First National Bank, Hastings, Pa.	Johnstown, Pa.	Dec. 31, 1928
B.	Group 1 Alba B. Johnson, chairman of board, Southwark Foundry and Machine Co., Philadelphia	Rosemont, Pa.	Dec. 31, 1928
	Group 2 Edwin S. Stuart, merchant, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1926
	Group 3 Charles K. Haddon, merchant, Camden, N. J.	Haddonfield, N. J.	Dec. 31, 1927
C.....	Richard L. Austin, chairman of the board	Philadelphia, Pa.	Dec. 31, 1926
	Charles C. Harrison, deputy-chairman of the board	Philadelphia, Pa.	Dec. 31, 1927
	Harry L. Cannon	Bridgeville, Del.	Dec. 31, 1928

**Federal Advisory Council**

The board of directors, at its meeting of January 6, 1926, unanimously reelected Levi L. Rue to represent the third Federal reserve district on the Federal Advisory Council during 1926.

**Officers and employees**

The Federal Reserve Board appointed Richard L. Austin as chairman of the board of directors and Federal reserve agent, Charles C. Harrison as deputy chairman, and Arthur E. Post as assistant Federal reserve agent, to serve during the year 1926. Ernest C. Hill was made an assistant Federal reserve agent on July 7.

At the first meeting of the board of directors, the following officers were reelected for terms of one year each: governor, George W. Norris; deputy governor, William H. Hutt; cashier and secretary, C. A. McIlhenny; assistant cashiers, W. J. Davis, James M. Toy, R. M. Miller, Jr., F. W. LaBold, S. R. Earl. William G. McCreedy was reappointed comptroller at the same meeting.

The number of officers and employees increased from 736 to 758 in the course of the year.

**Bank premises**

An addition to the bank building was completed and occupied. All of the records and property formerly stored in other buildings now are systematically filed and stored in the bank building, greatly facilitating access to them. The first floor of the enlarged building now provides accommodation for all departments with which the member banks have contact.

**Banks of the district**

The number of member banks in the district increased from 755 to 771 during 1926. Twenty-three banking institutions were admitted to membership in the course of the year, but six consolidations and the liquidation of a national bank which was acquired by a state member bank reduced the net gain to sixteen. One national bank suspended business in June, but resumed operations in August.

In Philadelphia several notable consolidations, involving some of the largest banking institutions, took place during the year. The banks included in these consolidations had banking resources of more than 600 millions of dollars, or about 45 per cent of the total of all member banks in the city. Personal trusts handled by the combining institutions amounted to more than 600 millions and corporate trusts to almost a billion dollars.

Changes in membership, according to the capital stock records, are given in the table:

	National banks	State member banks	Totals
Membership, December 31, 1925 .....	673	82	755
Changes during 1926:			
<i>Gains:</i>			
New national banks .....	17	—	17
Non-member banks converted to national banks .....	2	—	2
New state bank members .....	—	4	4
Total .....	19	4	23
<i>Losses:</i>			
Consolidation of national banks .....	5	—	5
Liquidation of national bank* .....	1	—	1
Consolidation of state bank members .....	—	1	1
Total .....	6	1	7
Membership, December 31, 1926 .....	686	85	771

\* Acquired by a member state bank.

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

Through these changes the system has not lost the resources of any member bank in this district which was a member at the end of 1925.

In the year ended June 30, 1926, the total number of banks in the district increased from 1287 to 1303, these figures including all national, state and private banks with the exception of non-reporting private banks not under state supervision. Loans and investments of all the banks expanded from \$3,654,000,000 to \$3,923,000,000 or 7.4 per cent, and deposits (exclusive of bank deposits) from \$3,278,000,000 to \$3,479,000,000 or 6.1 per cent.

On June 30, 1926, 58 per cent of the total number of banks in the district were members of the Federal Reserve System and 62 per cent of the total loans and investments of the banks of the district were held by these banks.

*Fiduciary powers*

During 1926, 28 additional national banks were granted fiduciary powers, and 2 banks, already in the possession of partial powers, were permitted to exercise additional powers. At the end of the year more than a third of all the national banks in the district were in the possession of fiduciary powers.

Figures, divided by states, follow:

	Full powers	Partial powers	Totals
Pennsylvania* .....	158	32	190
New Jersey* .....	31	7	38
Delaware .....	6	4	10
Totals .....	195	43	238

\* That part of state within third district boundaries.

*Acceptances to 100 per cent*

Authority to execute acceptances up to 100 per cent of the paid-up and unimpaired capital and surplus has been granted to five national banks of the district, all of which are located in Philadelphia.

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

Figures on the amount of acceptances executed for customers by member banks in the third district and in the United States are given below:

	Third district	United States	Per cent of third district to total
Outstanding:			
June 30, 1922.....	\$11,205,000	\$297,683,000	3.8%
June 30, 1923.....	9,180,000	319,381,000	2.9 "
June 30, 1924.....	8,853,000	276,968,000	3.2 "
June 30, 1925.....	8,844,000	365,671,000	2.4 "
June 30, 1926.....	7,449,000	425,751,000	1.7 "

From these figures it appears that the volume of acceptances created by member banks in this district has declined in recent years and that the banks here are doing a decreasing percentage of the country's acceptance business. From 1922 to 1926 the amount of acceptances executed by other banks for the account of banks in the third district (most of which probably were executed in other districts) increased from \$2,255,000 to \$4,144,000.

**Bank examination**

The department of bank examination co-operated with the state banking departments in the examination of 81 state bank and trust company members. In addition, five complete and independent examinations were made of state banking institutions which had applied for membership. Investigations in connection with the organization of 22 new national banks were conducted, 34 applications of national banks for permission to exercise fiduciary powers were received and acted upon, and 24 applications for interlocking directorates under the Clayton Act were examined and passed upon.

**Member bank earnings and expense**

Feeling that the member banks could derive some benefit from a comparative study of their earnings, expenses and profits with those of other banks of similar size located in communities of like population, a study was made by the department of statistics and research of the 1925 figures. This study covered more than 700 member banks and the final tabulation was published in considerable detail in order that individual member banks might be supplied with figures for the bank groups most nearly like themselves. A pamphlet containing the results of this study with explanatory notes was sent out to all members in the district. A

*Twelfth Annual Report, Federal Reserve Bank of Philadelphia*

few of the principal figures, covering national banks and state member banks regardless of the size of the communities in which they are located, are given below:

National banks	Percentages of average loans and investments				
	Gross earnings	Total expenses	Net earnings	Net losses	Net profits
<b>With loans and investments of:</b>					
Under \$500,000 .....	6.23%	4.23%	2.00%	.15%	1.85%
\$ 500,000 to \$ 1,000,000....	6.28%	4.09%	2.19%	.18%	2.01%
\$ 1,000,000 to \$ 2,000,000....	6.20%	4.07%	2.13%	.18%	1.95%
\$ 2,000,000 to \$ 5,000,000....	6.21%	3.92%	2.29%	.21%	2.08%
\$ 5,000,000 to \$10,000,000....	6.11%	3.98%	2.13%	.26%	1.87%
\$10,000,000 and over.....	5.55%	3.76%	1.79%	.19%	1.60%
<b>State bank and trust company members</b>					
<b>With loans and investments of:</b>					
Under \$1,000,000 .....	7.07%	4.91%	2.16%	.27%	1.89%
\$ 1,000,000 to \$ 2,000,000....	6.74%	4.61%	2.13%	.24%	1.89%
\$ 2,000,000 to \$ 5,000,000....	7.33%	4.50%	2.83%	.34%	2.49%
\$ 5,000,000 to \$10,000,000....	7.25%	4.99%	2.26%	.28%	1.98%
\$10,000,000 and over.....	7.08%	4.54%	2.54%	.04%	2.50%



# Federal Reserve Bank of Philadelphia

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*Directors and Officers Appointed and Elected for the Year 1927*

## DIRECTORS

### *Class A*

Joseph Wayne, Jr., Philadelphia, Pa.  
Francis Douglas, Wilkes-Barre, Pa.  
John C. Cosgrove, Johnstown, Pa.

### *Class B*

Alba B. Johnson, Rosemont, Pa.  
Arthur W. Sewall, Philadelphia, Pa.  
Charles K. Haddon, Haddonfield, N. J.

### *Class C*

Richard L. Austin, Philadelphia, Pa.  
Charles C. Harrison, Philadelphia, Pa.  
Harry L. Cannon, Bridgeville, Del.

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Member of Federal Advisory Council  
Levi L. Rue, Philadelphia, Pa.

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## OFFICERS

Richard L. Austin,  
Chairman and Federal Reserve Agent

Charles C. Harrison,  
Deputy Chairman

Arthur E. Post, Assistant Federal  
Reserve Agent

Ernest C. Hill, Assistant Federal  
Reserve Agent

George W. Norris,  
Governor

William H. Hutt,  
Deputy Governor

C. A. McIlhenny,  
Cashier and Secretary

W. J. Davis, Assistant Cashier  
J. M. Toy, Assistant Cashier  
R. M. Miller, Jr., Assistant Cashier  
F. W. LaBold, Assistant Cashier  
S. R. Earl, Assistant Cashier

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William G. McCreedy, Comptroller