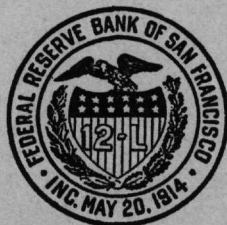


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Twenty-First Annual Report

Federal Reserve Bank of San Francisco

For the Year Ended December 31, 1935



Federal Reserve Agent
Twelfth Federal Reserve District

Twenty-First Annual Report

Federal Reserve Bank of San Francisco

For the Year Ended December 31, 1935



Federal Reserve Agent
Twelfth Federal Reserve District

DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO

January 1, 1936

		DIRECTORS						Term Expires Dec. 31
Class	Group							
A	1	C. K. McINTOSH, San Francisco, California	-	-	-	-	-	1937
		President, The Bank of California, N. A., San Francisco, California.						
A	2	THOMAS H. RAMSAY, Red Bluff, California	-	-	-	-	-	1938
		President and General Manager, Pacific National Agricultural Credit Corporation, San Francisco, California.						
A	3	KEITH POWELL, Salem, Oregon	-	-	-	-	-	1936
		President, Salem Federal Savings and Loan Association, Salem, Oregon.						
B	1	A. B. C. DOHRMANN, San Francisco, California	-	-	-	-	-	1938
		Chairman of the Board, Dohrmann Commercial Company and The Emporium Capwell Corporation, San Francisco, California.						
B	2	MALCOLM McNAGHTEN, Los Angeles, California	-	-	-	-	-	1936
		President, Broadway Department Store, Inc., Los Angeles, California.						
B	3	ELMER H. COX, San Francisco and Madera, California	-	-	-	-	-	1937
		President, Madera Sugar Pine Company, Madera, California.						
C		_____,	-	-	-	-	-	1938
		Chairman.						
C		WALTON N. MOORE, San Francisco, California	-	-	-	-	-	1936
		Deputy Chairman, President, Walton N. Moore Company, San Francisco, California.						
C		ANDREW WELCH, San Francisco, California	-	-	-	-	-	1937
		Chairman of Board, Welch and Company, San Francisco, California.						

MEMBER OF FEDERAL ADVISORY COUNCIL

M. A. ARNOLD,
President, Seattle-First National Bank,
Seattle, Washington

OFFICERS

_____, Chairman of the Board and Federal Reserve Agent	JNO. U. CALKINS, Governor
S. G. SARGENT, Assistant Federal Reserve Agent and Secretary	WM. A. DAY, Deputy Governor
OLIVER P. WHEELER, Assistant Federal Reserve Agent	IRA CLERK, Deputy Governor
	W. M. HALE, Cashier
	CHESTER D. PHILLIPS, Assistant Cashier
	C. E. EARHART, Assistant Cashier
	H. N. MANGELS, Assistant Cashier
	E. C. MAILLIARD, Assistant Cashier
	J. M. OSMER, Assistant Cashier
F. H. HOLMAN, General Auditor	H. F. SLADE, Assistant Cashier
R. T. HARDY, Auditor	M. McRITCHIE, Acting Assistant Cashier

DIRECTORS AND OFFICERS OF BRANCHES

January 1, 1936

SPOKANE BRANCH

Directors	Term Expires Dec. 31	Officers
STANLY A. EASTON,* Chairman	1937	D. L. DAVIS, Managing Director
_____*, _____*	1937	FRED C. BOLD, Assistant Manager
R. M. HARDY†	1936	A. J. DUMM, Assistant Cashier
N. A. TELYEA†	1937	
D. L. DAVIS†	1936	

SEATTLE BRANCH

_____*, Chairman	1937	C. R. SHAW, Managing Director
_____*, J. W. Maxwell†	1937	B. A. RUSSELL, Assistant Manager
G. H. GREENWOOD†	1937	G. W. RELF, Assistant Cashier
C. R. SHAW†	1936	

PORTLAND BRANCH

HARRY M. HALLER,* Chairman	1937	R. B. WEST, Managing Director
_____*, RICHARD S. SMITH†	1937	S. A. MAC EACHRON, Assistant Manager
E. B. MACNAUGHTON†	1937	J. P. BLANCHARD, Assistant Cashier
R. B. WEST†	1936	

SALT LAKE CITY BRANCH

_____*, Chairman	1937	W. L. PARTNER, Managing Director
_____*, E. O. HOWARD†	1937	W. M. SMOOT, Assistant Manager
J. E. HALVERSON†	1937	W. M. SCOTT, Acting Assistant Cashier
W. L. PARTNER†	1936	

LOS ANGELES BRANCH

_____*, Chairman	1937	W. N. AMBROSE, Managing Director
_____*, VICTOR H. ROSSETTI†	1937	H. M. CRAFT, Assistant Manager
C. E. BROUSE†	1937	Jos. M. LEISNER, Assistant Manager
W. N. AMBROSE†	1936	L. C. MEYER, Assistant Cashier

*Appointed by Board of Governors of the Federal Reserve System.

†Appointed by Federal Reserve Bank.

LETTER OF TRANSMITTAL

Federal Reserve Bank,
San Francisco, California,
May 8, 1936.

SIRS :

I have the honor to submit the following report concerning conditions in the Twelfth Federal Reserve District and the operations of the Federal Reserve Bank of San Francisco, for the year ended December 31, 1935.

Yours respectfully,

A handwritten signature in dark ink, appearing to read "J. P. Sargent". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Assistant Federal Reserve Agent.

Board of Governors of the
Federal Reserve System,
Washington, D. C.

TWENTY-FIRST ANNUAL REPORT
FEDERAL RESERVE AGENT
FEDERAL RESERVE BANK OF SAN FRANCISCO

Business activity in the Twelfth Federal Reserve District expanded markedly during 1935, continuing the upward tendency noted during most of 1934 and 1933. Measures of the value of industrial output, building, factory payrolls, wholesale and retail trade, payments to transportation agencies, corporate and individual income tax returns, securities transactions, and agricultural income all showed increases during the twelve-month period. Most volume measures of business increased along with advances in prices and value. Factory employment averaged higher than in 1934 and available information indicates that the number of persons employed by trade, financial, and public utility companies increased. There is no adequate information on changes in the number of persons unemployed.

The increased value of business was accompanied by a rise in the value of checks drawn. The expansion in debits to bank deposits resulted in only a small increase in the average rate of turnover, because deposits in district banks rose substantially during the period. Most of the increase in deposits resulted from large disbursements by the United States Treasury, partly from the proceeds of the sale of United States Government obligations to banks in this district. Loans rose during the last six months and showed a net gain for the year as a whole. Part of the rise reflected loans extended under Title I of the Federal Housing Act for repairs and alterations to homes and other buildings.

The number of banks operating in the district continued to decline during 1935, reflecting principally an extension of branch banking through acquisition of existing institutions which were converted to branch offices.

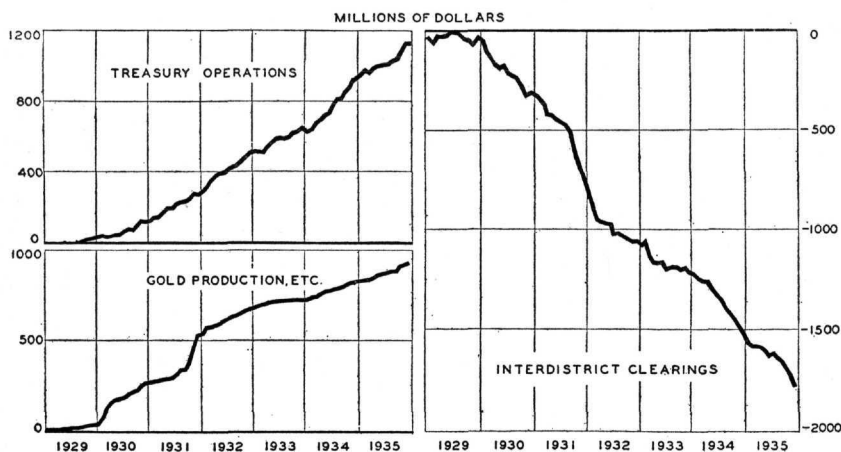
Federal laws governing the Reserve Bank and commercial banks of this district were amended extensively during 1935. Discussion of such legislation will be found in issues of the Federal Reserve Bulletin and also in the Twenty-second Annual Report of the Board of Governors of the Federal Reserve System.

BANKING AND CREDIT

Changes in the condition of Twelfth District banks during 1935 were largely the result of influences similar to those which had operated during 1934 and most of 1933. As in the preceding year, United States Treasury disbursements and Mint payments for gold tended to increase reserves of member banks, but the 312 million dollars coming from those sources during 1935 was largely offset by other transactions which took funds from Twelfth District banks.

The most important factor tending to increase bank reserves during 1935 was the payment into the district by the United States Treasury of larger amounts than were taken out in the form of taxes, borrowings, and other revenues. Aggregate disbursements of the Treasury for normal and emergency activities in the Twelfth District totaled 207 million dollars more than was collected (including receipts from sales of securities) by the Treasury from the Twelfth District during 1935. Disbursements of the Treasury included payments for such agencies as the Farm Credit Administration, Reconstruction Finance Corporation, Home Owners' Loan Corporation, Public Works Administration, Works Progress Administration, Veterans' Administration, Army, Navy, and Post Office, and other Federal Government departments and independent offices. These disbursements were made to individuals, corporations, and other agencies, largely by checks drawn upon the Treasurer's account at the Reserve Bank. The checks were deposited principally in member banks throughout the district, and upon presentation at the Reserve Bank were credited to the reserve balances of those banks. To the extent that the payments exceeded local collections of the Federal Treasury, they resulted in an addition to deposit liabilities of Twelfth District banks. At the same time, they provided funds which banks used to purchase investments (largely Government securities), to increase their balances at the Reserve Bank, to meet net payments to other districts arising from commercial transactions, and for other purposes.

Another important source of funds which built up reserve deposits of banks, as well as deposits of their customers, was the production, importation, and reclamation of gold. Sales of such gold to the Mint and



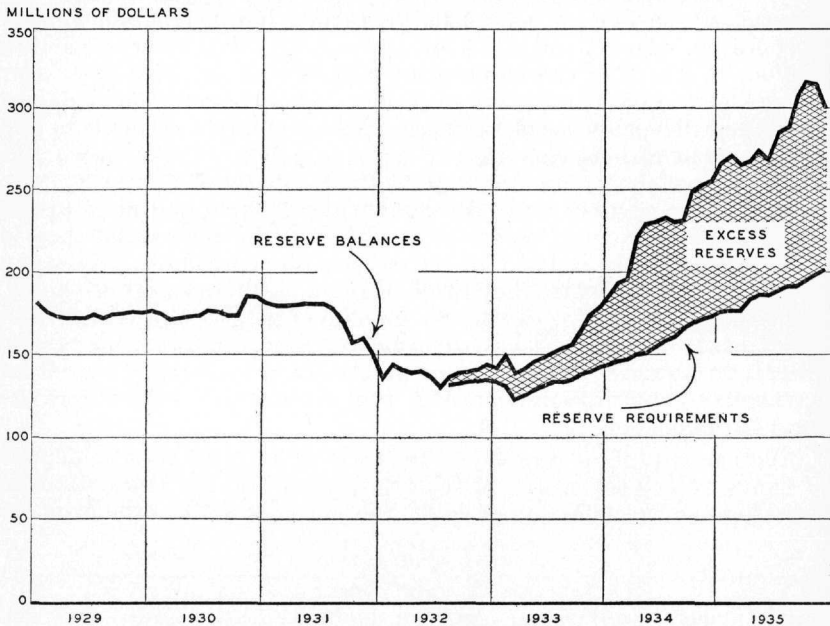
PRINCIPAL FACTORS AFFECTING BANK RESERVES—Twelfth District
(Changes cumulated from January 2, 1929)

Treasury operations—Net excess of United States Treasury disbursements over collections in the Twelfth District.

Gold production, etc.—Twelfth District production, net imports, and gold reclaimed from secondary sources.

Inter-district clearings—Net movement of funds out of the Twelfth District in connection with commercial and financial transactions.

its agencies were valued at 105 million dollars during the year. Of this total, gold valued at 15 million dollars was imported from foreign countries, 85 million dollars was newly mined in the United States and possessions, and 5 million dollars was reclaimed from secondary sources. The proceeds from these sales were deposited in district banks, thus increasing deposits and reserve balances in the same manner as did Treasury disbursements.



RESERVE BALANCES OF MEMBER BANKS—Twelfth District

Figures of required reserves are charted only since July 1932. Prior to that time, reserve balances corresponded closely with reserve requirements.

The most important factor taking funds from district banks during the year was the use of local bank deposits to meet a net balance of payments due to other regions because of commercial and financial transactions. Total value of goods, investments, and insurance and other services purchased by the Twelfth District from other areas was, as has been customary for many years, much larger than sales of such goods and services by the Twelfth District to outside regions. As a result, local banks in 1935 were drawn upon by depositors to pay other districts considerably larger sums than were received from outside districts in settlement of these transactions. In addition, banks purchased in outside districts more securities for their own accounts than were sold. The net movement of funds out of the Twelfth District because of these inter-district clearances was 259 million dollars. Local banks were also called upon to meet a net increase of 20 million dollars in public demand for currency for circulation. Other factors which add to or take from district banking reserves were of minor influence during 1935,

and the increase in member bank reserve balances amounted to 32 million dollars.

This increase of 32 million dollars in reserve balances of Twelfth District members was distributed among banks throughout the district. In the closing month of the year, city banks held reserves averaging

CHANGES IN FACTORS AFFECTING RESERVE DEPOSITS OF
MEMBER BANKS—TWELFTH DISTRICT

January 1 to December 31, 1935

(Millions of
dollars)

Transactions Which Increased Reserves

United States Treasury Operations..... 207

This figure shows the net amount by which Federal Government disbursements in the district exceeded collections during the year, thus adding to reserve funds and to deposit liabilities of district banks.

Gold Purchases by United States Mint..... 105

This figure shows the amount that the Mint paid out to individuals and business houses because of its purchases of newly mined, imported, and reclaimed gold. This payment, like United States Treasury operations, added to reserve funds and to deposit liabilities of district banks.

Reserve Bank Credit 2

This figure shows the amount of increase in Reserve Bank credit extended directly to the Twelfth District. Discounts and open market investments purchased in the Twelfth District declined during the year, but credit extended to banks for checks upon which collection had not been completed increased slightly.

TOTAL TRANSACTIONS INCREASING MEMBER BANK RESERVES... 314

Transactions Which Decreased Reserves

Inter-district Payments 259

This figure shows the net amount of funds paid to other districts in settlement of commercial and financial transactions. The resulting decrease in reserve funds of banks was offset by decreased deposit liabilities of banks, or in the cases where banks transferred funds to purchase securities for their own accounts, in additional investments of banks.

Demand for Currency 20

This figure shows the amount by which vault cash holdings of banks and public holdings of currency increased. This was accomplished through banks withdrawing part of their deposits at the Reserve Bank in the form of currency.

Other Federal Reserve Accounts 3

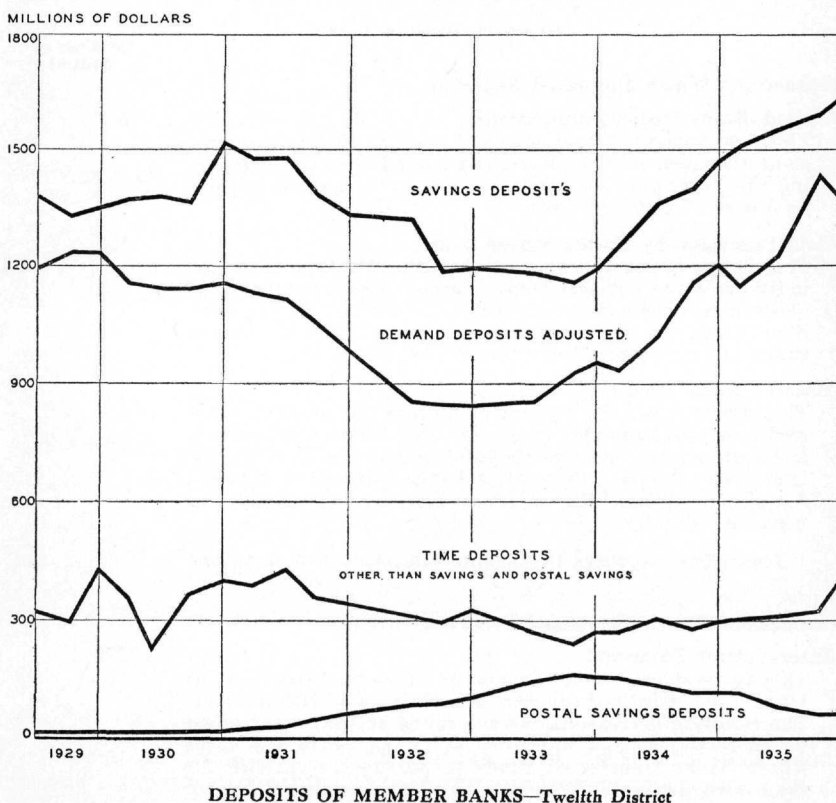
This shows the increase in nonmember bank and other miscellaneous Reserve Bank accounts which withdrew funds from the banking structure.

TOTAL TRANSACTIONS DECREASING MEMBER BANK RESERVES... 282

Member Bank Reserve Deposits at Federal Reserve

Bank of San Francisco Increased..... 32

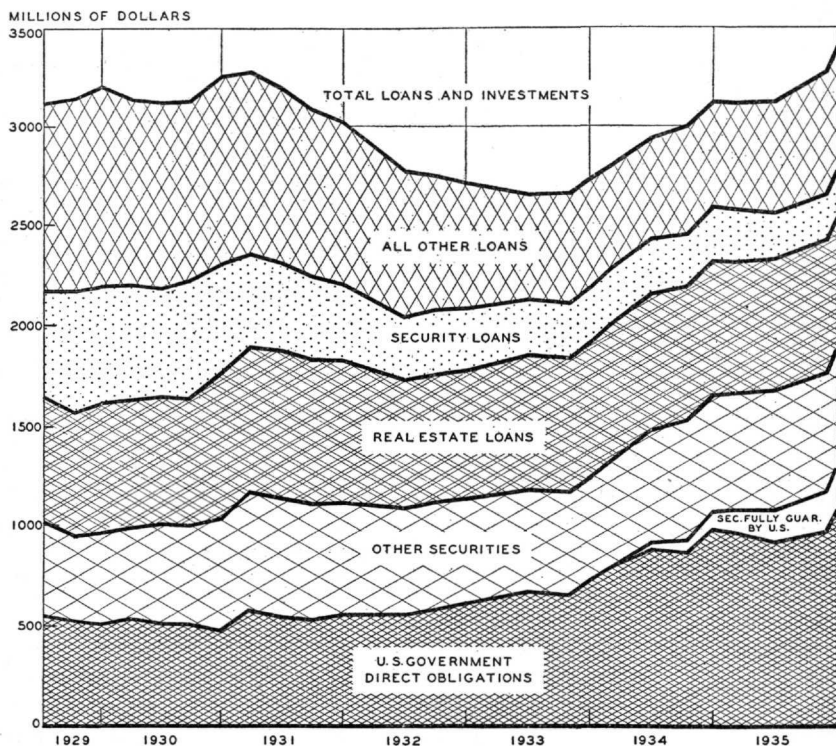
47 percent in excess of the legal requirement, and country banks had reserve balances 75 percent in excess of their legal requirements. These excess reserves did not include any of the balances carried with correspondent banks in eastern money markets, although considerable parts of such balances were in excess of needs for usual banking purposes and at the option of the member banks could be used to build up balances at the Reserve Bank. Of the 350 member banks in the district, nearly all had a substantial margin of excess reserves. Borrowings from the Federal Reserve Bank during the year were negligible.



The moderate increase in reserve balances with the Federal Reserve Bank of San Francisco was only one of several significant changes in balance sheet items of Twelfth District member banks during 1935. Deposits of those banks increased 429 million dollars during the year. As is shown in the chart on this page, both demand and savings deposits shared in the increase, the largest expansion having been in demand deposits. Time deposits other than savings also increased somewhat during the year, despite the fact that large amounts of postal savings funds (classified as time deposits) were returned to the United States Treasurer by banks no longer willing or able to pay the mandatory 2½ percent interest rate thereon.

The growth in bank deposits during the year was a result of gains in funds because of a number of factors. As stated before, when the United States Treasury paid funds to individuals, businesses, and others, the checks (drawn upon the Treasurer's account at the Reserve Bank) were ultimately deposited in banks, thus increasing deposit liabilities of the banks. Payment of 105 million dollars for gold purchased by the Mint also acted to build up deposits. Loans of member banks expanded by 68 million dollars, net, during 1935, the proceeds of such loans entering banks as additional deposits. Investments of banks also increased substantially during the year, the rise in such investments being reflected in larger deposits.

Expansion of 68 million dollars in total loans of member banks was a net result of a variety of changes in types of loans made. Loans on securities declined 32 million dollars, advances both to brokers and to other customers having been reduced. Total loans on real estate declined 8 million dollars during the year, a decrease of about 1 percent. This decrease resulted from repayments of principal on outstanding loans, from transfer of some real estate loans to the Home Owners' Loan Corporation and the Farm Credit Administration, from foreclosures, and from write-down of loans which had declined in value.



TOTAL LOANS AND INVESTMENTS OF MEMBER BANKS—Twelfth District
(Classified by types)

A substantial volume of new loans on real estate was made during the year, partly under Title II of the Federal Housing Act. Those loans were largely to finance new construction and, in addition, banks participated in financing increased building by loans for alterations and repairs to existing structures under Title I of the Federal Housing Act. The latter type of advance is not classified as a real estate loan. It was loans of this type, in fact, which accounted for a substantial portion of the expansion of 105 million dollars in "other" loans of member banks during the year. The increase in "other" loans also included considerable expansion in commercial borrowing.

In connection with the real estate market, banks found it practicable to dispose of some of the properties that had been acquired through foreclosure or deed in earlier years. At least partly because of this condition, a net decrease of about 2 million dollars or 5 percent was shown during the year in "other real estate owned".

Total investments of member banks increased 221 million dollars during the year. This represented largely acquisition of direct and guaranteed obligations of the United States Government, but some increase was also shown in holdings of other securities.

Another significant change in the consolidated balance sheet of Twelfth District banks during 1935 was the elimination of liability for circulating notes of national banks. At the beginning of the year, Twelfth District national banks had a note liability of 121 million dollars, 18.5 percent of note liability of all national banks in the United States. Bonds having the permanent note circulation privilege were called for redemption in July and August, while the temporary circulation privilege accorded several issues of low interest coupon bonds expired by law on July 22, 1935. As a result of elimination of all collateral for circulating notes, banks found it necessary to deposit with the Treasurer of the United States sufficient funds to retire their liability for such notes which, in turn, became obligations of the Treasury. The net result of the retirement of national bank notes upon reserves of banks was negligible. In effect, banks holding Consols and Panama Canal bonds turned these in to the Treasury and were relieved of liability for an equal dollar value of notes. The principal element of change existed in the return to those banks of the 5 percent lawful money redemption fund deposited with the Treasury, a factor which tended to increase member bank reserve balances. This exchange did not balance out for all banks, since some held called bonds in excess of their note circulation and thus received a net payment from the Treasury. Other banks had notes outstanding secured by bonds which were not called but which lost the circulation privilege on July 22, and those banks were called upon to make a net payment to the Treasury.

After August 1, 1935, both fit and unfit national bank notes were withdrawn from circulation as rapidly as they were received at the Reserve Bank. During the year, a total of 64 million dollars of national bank notes was retired from actual circulation at this bank. Other types of currency placed in circulation during the year totaled more than the national bank notes retired.

Rates of interest charged by banks as well as rates paid upon savings deposits declined further during 1935. The decrease in rates charged

customers may be explained by the large amount of idle bank reserves seeking employment. The decline in rates paid on savings was a result of the same factor—banks did not need to bid for deposits by paying higher rates, and, with gross earnings declining, they found it desirable or necessary to reduce this item of expense. The rate of interest that may be paid upon time deposits by member banks is limited by regulations of the Board of Governors of the Federal Reserve System. Effective February 1, 1935, the Board reduced the maximum rate permitted upon all classes of time deposits from 3 percent to $2\frac{1}{2}$ percent per annum, compounded quarterly. The prevailing rate upon savings deposits in leading Twelfth District cities was $2\frac{1}{2}$ percent prior to that reduction. In the second half of the year, a rate of 2 percent prevailed upon savings deposits, although in some cases $1\frac{1}{2}$ percent was the maximum and in a few instances, $2\frac{1}{2}$ percent was paid. The Banking Act of 1935 directs the Federal Deposit Insurance Corporation to limit the rate of interest that may be paid upon time and savings deposits in insured banks which are not members of the Federal Reserve System. A regulation of the Federal Deposit Insurance Corporation adopting the same maximum as that in the regulation of the Board of Governors was issued late in 1935, to become effective February 1, 1936.

The discount rate of the Federal Reserve Bank of San Francisco was 2 percent throughout 1935.

LICENSED BANKS IN OPERATION—TWELFTH DISTRICT

Member Banks			Nonmember Banks*			All Banks*		
Number	Assets		Number	Assets†		Number	Assets†	
	(000 omitted)			(000 omitted)			(000 omitted)	
December 31, 1934								
Arizona ...	7	\$ 29,220	3	\$ 7,695		10	\$ 36,915	
California ...	146	3,286,255	134	476,872		280	3,763,127	
Idaho	35	61,007	28	17,688		63	78,695	
Nevada ...	6	17,963	4	3,849		10	21,812	
Oregon	59	211,824	46	29,972		105	241,796	
Utah	32	113,473	26	26,152		58	139,625	
Washington	94	359,613	111	100,700		205	460,313	
Twelfth District ...	379	\$4,079,355	352	\$662,928		731	\$4,742,283	
December 31, 1935								
Arizona ...	6	\$ 42,799	3	\$ 8,219		9	\$ 51,018	
California .	139	3,550,334	132	502,588		271	4,052,922	
Idaho	33	69,962	27	20,841		60	90,803	
Nevada ...	6	23,155	4	4,850		10	28,005	
Oregon ...	50	234,633	48	34,766		98	269,399	
Utah	32	125,812	27	28,154		59	153,966	
Washington	84	389,316	104	108,119		188	497,435	
Twelfth District ...	350	\$4,436,011	345	\$707,537		695	\$5,143,548	

* Includes mutual savings banks and trust companies.

† Includes corporate assets of trust companies, but not trust funds held by them in fiduciary capacity.

Changes in Banks and System Membership

A substantial reduction in the number of banks in the Twelfth District took place during 1935, the number of licensed institutions decreasing from 731 at the beginning of the year to 695 at the end. During 1934, the number of licensed banks had declined from 733 to 731, consolidation and liquidation of operating banks during that year having been largely offset by granting of licenses to other banks which, on January 1, 1934, were still on a restricted basis as a result of action taken at the time of the banking holiday in 1933 or shortly thereafter. During 1935, some reduction in the number of banks occurred in each state of the district except Nevada. The largest reduction came in Washington, where two banks increased the number of their branches considerably by acquiring other banks. Substantial declines in the number of bank charters also took place in Oregon and California because of mergers. Several banks went into voluntary liquidation during the year. Except for the closing of the San Francisco Branch of the Bank of Canton, Ltd., of Hong Kong, no bank suspension occurred in the Twelfth District during 1935, although one bank in Utah was placed in liquidation by supervisory authorities. Liquidation of that bank did not affect the number of licensed banks since it was restricted at the beginning of the year. A reduction from 1,652 to 1,641 in the total number of district banking offices, including branches, was recorded during the year. This reduction came almost entirely in California, where both the number of banks and the number of branches declined.

CHANGES IN BANK MEMBERSHIP DURING 1935—TWELFTH DISTRICT

	Number			Assets
	National	State	Total	(000 omitted)
Member Banks, December 31, 1934.....	300	80	380	\$4,079,945
Unrestricted	299	80	379	4,079,355
Restricted	1	..	1	590
Additions to Membership:				
Absorption of nonmember banks by member banks	8*	..	8*	2,360
Losses to Membership:				
Mergers between member banks.....	25	2	27	84,991†
Suspension**	1	..	1	590
Voluntary liquidation	2	..	2	446
TOTAL LOSSES	28	2	30	1,036
Member Banks, December 31, 1935.....	272	78	350	\$4,436,011

* Does not affect total number of member banks.

† Does not affect total resources of member banks.

** Represented final disposition of bank that was unlicensed January 1, 1935.

Most of the reduction in the number of district banks came among members of the Federal Reserve System, inasmuch as member branch banks showed most expansion during the year and most of the banks which they took over in the process were members at the time of con-

solidation. The number of members on December 31, 1935 was 350, by far the lowest number in any year since the System was organized in 1914. Although the number of members decreased considerably during 1935, that did not represent any contraction in the portion of banking resources in the Reserve System in this region. In fact, more than 86 percent of district bank assets was in member banks at the end of 1935, a slightly higher proportion than at any previous time. Total assets of all district banks increased from \$4,742,283,000 on December 31, 1934 to \$5,143,548,000 on December 31, 1935.

Branch Banking

Both the number of banks operating branches and the number of branches in the Twelfth District increased during 1935. Although all states of the district except California showed some increase in the number of branches, the largest expansion came in Washington and Oregon. For the most part, extension of branch systems was accomplished by conversion of existing banks into branches, although new offices were authorized in a number of locations. One important new branch banking system came into existence, the result of development of a regional branch system by a national bank in the State of Washington through absorption of previously affiliated country banks.

Extension of branch banking during 1935, as in 1934 and 1933, was in sharp contrast with the competitive buying of banks and opening of branches that marked much of the rapid growth in the number of branches in California prior to 1929. In those earlier years, California and Arizona were the only district states that permitted statewide branch banking, and the spectacular expansion occurred entirely in California. By 1929, the period of rapid growth in number of branches had come to an end, and in that year there was a tendency to consolidate or close offices when that could be done without depriving a community of essential banking facilities or weakening a competitive position. This tendency continued during 1930, 1931, and 1932, and in those years there was a moderate net decrease in the number of branches, closing and consolidation of offices having exceeded the number of new branches established.

With passage of legislation in 1933 authorizing branch banking in each Twelfth District state which had formerly not permitted it, a new period of expansion developed. During these recent years, however, branch systems have been developed primarily on the basis of needs of communities and prospects of profitable operation of each branch, rather than for the purpose of obtaining competitive locations, as was frequently the case prior to 1929.

Aside from a change in attitude on the part of bankers, additional safeguards against unsound extension of branch banking have been provided by the Banking Act of 1935. Prior to passage of that Act in August 1935, establishment of branches by national banks and by state bank members of the Federal Reserve System was subject to approval of Federal supervisory authorities. For state members, such approval was, of course, in addition to requirements that might be imposed by state authorities. Since passage of the Banking Act of 1935, establishment of branches of nonmember banks insured by the Federal Deposit

Insurance Corporation is subject to the approval of that organization. The establishment of branches, therefore, by these three classes of banks is, by Federal law, subject to approval of Federal supervisory authorities as follows:

- a. National banks must obtain the approval of the Comptroller of the Currency for establishment of any branch.
- b. State banks which are members of the Federal Reserve System must obtain the approval of the Board of Governors of the Federal Reserve System for establishment of any branch, as well as permission of state chartering authorities.
- c. State banks which are not members of the Federal Reserve System but which belong to the Federal Deposit Insurance Corporation must obtain the consent of that organization before establishing any branch, in addition to complying with requirements of state chartering authorities.

BRANCH BANKS IN OPERATION—TWELFTH DISTRICT

State	No. of Licensed Banks	Banks Operating				Branches Operated by				Located	
		Total	Branches			Total	State			In Home City	Out- side Home City
			Na- tional Banks	State Mem- ber	Non- mem- ber		Na- tional Banks	Mem- ber Banks	Non- mem- ber Banks		
December 31, 1934											
Arizona*	10	2	0	1	1	17	0	13	4	0	17
California	280	40	12	8	20	804‡	602	156	46	255	549
Idaho	63	4	2	1	1	25r	9	14r	2	0r	25
Nevada	10	2	2	0	0	5	5	0	0	1	4
Oregon	105	3	2	0	1	30	29	0	1	11	19
Utah	58	3	3	0	0	9r	9r	0	0	1r	8
Washington	205	8	4	2	2	31	23	6	2	13	18
Total	731	62	25	12	25	921r	677r	189r	55	281r	640
December 31, 1935											
Arizona*	9	3	2	0	1	19	15	0	4	0	19
California	271	39	11	8	20	798‡	615	136	47	245	553
Idaho	60	5	3	1	1	26	10	14	2	0	26
Nevada	10	2	2	0	0	7	7	0	0	1	6
Oregon	98	3	2	0	1	42	41	0	1	11	31
Utah	59	4	3	0	1	10	9	0	1	1	9
Washington	188	8	5	1	2	44	37	5	2	14	30
Total	695	64	28	10	26	946	734	155	57	272	674

No unlicensed banks had branches at the end of 1934 or 1935.

*Figures for Arizona do not include banks located in Eleventh Federal Reserve District, and do not include one Twelfth District branch of a nonmember state bank with home office located in Eleventh District. Figures for 1934 include 3 and figures for 1935 include 4 Eleventh District branches of a member bank with home office and 10 branches located in Twelfth District. ‡Includes Portland, Tacoma, and Seattle branches of Bank of California National Association, San Francisco. Does not include London Branch of Bank of America National Trust and Savings Association, San Francisco. r Revised.

This recent legislation results for the first time in Federal supervisory agencies having effective authority over the development of branch banking, since nearly all banks are members of the Federal Deposit Insurance Corporation. The wide authority of Federal supervisory bodies which have common objectives for sound development of branch banking provides a means for avoiding in other states the rapid competitive development of branch banking which took place in California during several years prior to 1929.

By the close of 1935, branch banking had progressed to a point where more than half of total bank assets in each Twelfth District state except Utah were in branch institutions. In the district as a whole, 78 percent of assets of all banks, including mutual savings banks, were in branch institutions. The greatest proportionate increase during the year was shown in Arizona, but all states except Utah recorded some increase.

BRANCH BANK ASSETS—TWELFTH DISTRICT

(000 omitted)

	National	State Member	Non- member	All Branch Banks	Ratio Branch Bank Assets to all Bank Assets
December 31, 1934					
Arizona	\$	\$ 15,352	\$ 2,534	\$ 17,886	48.5
California	2,171,178	620,784	341,645	3,133,607	83.3
Idaho	14,640	22,274	2,617	39,531	50.2
Nevada	13,339	.....	.....	13,339	61.2
Oregon	156,849	.....	1,041	157,890	65.3
Utah	46,107	.....	.....	46,107	33.0
Washington	171,808	41,866	3,525	217,199	47.2
Twelfth District...	\$2,573,921	\$700,276	\$351,362	\$3,625,559	76.5
December 31, 1935					
Arizona	\$ 35,773	\$	\$ 3,620	\$ 39,393	77.2
California	2,344,625	688,039	355,322	3,387,986	83.6
Idaho	17,905	25,506	2,941	46,352	51.0
Nevada	17,944	.....	.....	17,944	64.1
Oregon	185,398	.....	1,197	186,595	69.3
Utah	49,278	.....	1,214	50,492	32.8
Washington	240,808	18,732	3,691	263,231	52.7
Twelfth District...	\$2,891,731	\$732,277	\$367,985	\$3,991,993	77.6

A net reduction during 1935 from 804 to 798 in the number of branches in California resulted from consolidation of branches, principally of home city offices, to eliminate unnecessary duplications of banking service. The tendency to consolidate offices was most evident in the San Francisco Bay Region, although it also occurred to a small extent in other parts of the State. During the same period, a number of branches were added to existing systems, partly by taking over other banks and partly by opening new offices. One national bank in California which had been a local system prior to December 1934 extended its branches to a number of cities throughout northern California by acquiring previously affiliated banks.

SECURITIES MARKETS

Trading on Pacific Coast stock exchanges increased materially during 1935. Price averages of Pacific Coast stocks fluctuated within a narrow range during the first three months of 1935 but advanced steadily throughout the rest of the year, showing gains of 70 to 100 percent. The greatest advances took place in machinery, store, and utility shares, while oil and bank stocks advanced least.

Prices of higher grade bonds of Pacific Coast corporations advanced five to ten points during 1935. Bonds having more speculative attractions showed greater gains, an average of 123 bonds rising twenty points. Municipal bond prices reached the highest levels of many years, yields declining more than $\frac{1}{2}$ percent.

New Pacific Coast securities distributed during 1935 totaled about \$450,000,000. Of this total \$70,000,000 represented municipal bonds. Corporate issues were mainly public utility refundings. New capital issues for private undertakings were comparatively small in amount.

Securities Exchange Act and Regulation T

Continuing the activities begun in October 1934, the Federal Reserve Agent's Department received numerous inquiries as to the interpretation and operation of Regulation T issued in accordance with the Securities Exchange Act of 1934 for the purpose of governing the extension and maintenance of credit by members of national securities exchanges and brokers and dealers transacting a business in securities through such members.

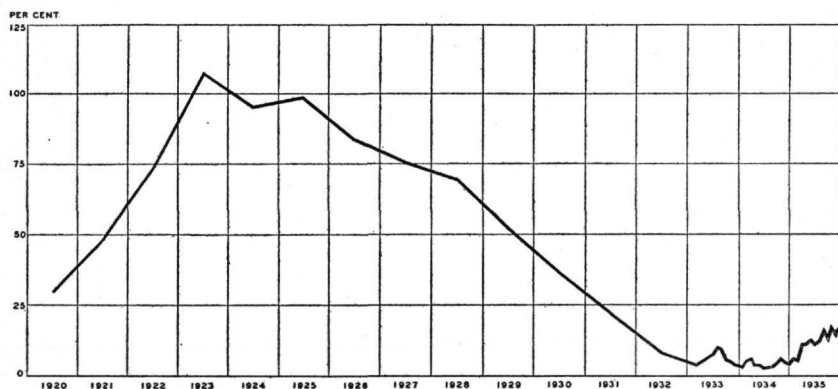
In September and October 1935, there was inaugurated a system of monthly reports from Twelfth District members of the New York Stock Exchange, San Francisco Stock Exchange, Los Angeles Stock Exchange, and San Francisco Curb Exchange. In conjunction with similar reports from other districts, these are primarily for the purpose of ascertaining the amount of credit extended by brokers and dealers to their customers.

INDUSTRY, TRADE, EMPLOYMENT

Expansion in Twelfth District industrial production during 1935 was somewhat broader than in either of the two preceding years. In general, changes in total output of industry in this district were similar to changes in the country as a whole.

One of the most outstanding developments in the district during 1935, as in the remainder of the United States, was a marked increase in residential building. Expansion in building of homes was practically continuous throughout the year, as is shown upon the accompanying chart, and was extended throughout the district. Most of the buildings were single-family dwellings. Total value of residential construction was larger than in any year since 1931, although it was well below annual totals recorded from 1922 through 1929. Some tendency for rents on dwellings to advance was indicated by indexes of the United States Bureau of Labor Statistics and by nonstatistical reports, a

factor pointing to greater demand for housing facilities. Insured mortgages issued under Title II of the Federal Housing Act, as well as customary mortgages of real estate loan institutions were used extensively in the financing of new home construction during 1935.



VALUE OF RESIDENTIAL BUILDING PERMITS—Twelfth District

Based upon figures for 11 cities. Annual indexes 1920 to 1932; monthly indexes 1933 to date.
(1923-1925 average=100)

The expansion in residential building, in the district and elsewhere, together with increases in the manufacture of boxes and crates and in railroad maintenance and equipment expenditures, contributed directly to improvement in the Twelfth District lumber industry. Volume of lumber output was 10 percent larger in 1935 than in 1934, notwithstanding temporary curtailment in the important Douglas fir region during May and June because of a protracted strike of loggers and mill workers. Lumber shipments were about equal to production during the year, and as a consequence mill inventories of finished lumber remained at the relatively low levels that existed at the beginning of 1935. Gross income of the Twelfth District lumber industry increased considerably during 1935. This was entirely a result of the larger volume of lumber sold, since prices for the industry as a whole averaged about the same as in 1934.

Contracts for public works construction expanded in the last half of 1935, but during the year as a whole totaled somewhat lower than in 1934, when a number of large projects were started. Cement production, closely related to changes in heavy construction, also advanced during the latter part of the year, but averaged lower in 1935 than in 1934.

Mining and development work on nonferrous metals properties was more active than in 1934, and smelting of ores increased. Operations were stimulated by advances in the Federal Government buying price for newly mined silver, and by increases in demand for copper, lead, and zinc. An influence contributing to the increase for the year as a whole was the larger output of mines that had first been brought into production in 1934. Petroleum output averaged 18 percent higher during 1935 than in 1934, increases in production having followed removal

in June of the restraints imposed by the National Recovery Administration petroleum code. Tin can factories and steel works and rolling mills in the district also operated at a somewhat higher rate in 1935 than in 1934. Motion picture studios were reported to have produced at record levels during the year. Output of automobile assembly plants was considerably larger in 1935 than in 1934, judging from increases in the number of workers employed in that industry.

With the exception of livestock slaughter, most district food industries were more active in 1935 than in 1934. Livestock slaughter was 20 percent lower than in 1934 when totals were increased by large receipts of animals from drought-stricken areas.



VOLUME OF INDUSTRIAL PRODUCTION—Twelfth District

Index adjusted for seasonal variation (1923-1925 average=100)

Although the number of persons employed in manufacturing averaged only slightly higher in 1935 than in 1934, available statistics indicate that pay rolls in manufacturing industries increased 10 to 15 percent as a result of larger earnings per employee. No adequate statistical data are available concerning employment in this district in nonmanufacturing establishments. A substantial increase occurred during the second half of the year in employment on projects under the Federal Works Progress Administration.

The volume and value of trade in the Twelfth District expanded further during 1935. Retail trade, as reflected in sales of department, apparel, specialty, and furniture stores expanded throughout the district. Particularly sharp increases occurred in the sales of new passenger automobiles and commercial vehicles. Wholesale trade also was higher in 1935 than in 1934. Railway freight traffic averaged considerably higher than in 1934, notwithstanding a temporary reduction in lumber shipments during May and June because of a strike of lumber workers in the Douglas fir region. Westbound cargo shipments through the Panama Canal also were higher in volume in 1935 than in 1934, but eastbound water-borne shipments declined as a result of decreased petroleum shipments. Value of the district's foreign trade was somewhat higher in 1935 than in 1934; imports (excluding raw silk) were the largest in amount since 1930, and exports the largest since 1931.

INDEXES OF INDUSTRY, EMPLOYMENT, TRADE

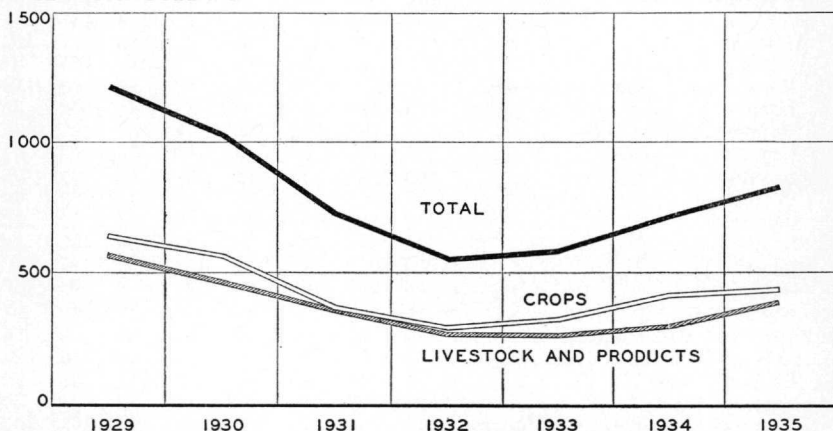
Twelfth Federal Reserve District
(1923-1925 Annual Average=100)

	1928	1929	1930	1931	1932	1933	1934	1935
Industrial Production	114	123	100	75	58	64	70	79
Manufactures	118	124	102	76	59	68	74	80
Foods	124	120	122	106	94	113	126	128
Butter	111	105	114	121	122	124	119	115
Canned Fruits	167	138	148	110	82	128	129	142
Canned Vegetables	132	160	160	77	83	109	159	180
Canned Fish	135	189	167	118	79	114	137	161
Flour	111	115	105	102	90	89	97	104
Slaughter	101	99	99	108	107	110	123	99
Wool Consumption (Revised)...	77	77	64	79	82	84	78	116
Lumber	108	110	84	58	35	46	50	55
Refined Mineral Oils	155	193	168	140	134	127	123	140
Cement	116	107	93	71	46	53	67	64
Minerals	103	122	94	73	57	55	61	75
Petroleum	96	121	95	79	74	72	73	86
Copper	118	130	88	62	24	21	30	46
Lead	112	116	98	70	51	50	53	59
Zinc } Mine	220	288	262	193	113	162	187	215
Gold } output	88	106	102	78	74	76	99	123
Silver }	85	87	73	48	38	36	49	67
Building and Construction	83	81	67	62	34	39	43	50
Building Permits	75	68	51	31	14	12	12	24
Larger Cities	71	64	49	29	13	11	11	22
Smaller Cities	94	87	59	36	14	12	18	32
Construction excluding buildings..	113	134	128	187	116	149	161	152
Electric Power Production	144	157	159	156	139	139	150	161
Industrial Employment								
Employment—California (Revised)	110	119	107	86	74	83	96	101
Pay Rolls—California (Revised)...	112	123	106	82	61	60	71	82
Employment—Oregon	99	102	90	74	59	69	73	80
Pay Rolls—Oregon	99	104	88	63	40	46	54	67
Trade								
Carloadings	113	112	96	75	57	58	66	72
Industrial	111	109	84	57	37	43	48	56
Merchandise	114	114	105	89	74	70	81	85
Foreign Trade, excluding silk	130	141	109	72	48	47	59	70
Imports, excluding silk	116	128	105	64	43	43	51	72
Exports	138	147	110	76	50	49	64	69
Intercoastal Trade	87	97	86	71	54	70	76	66
Eastbound	79	87	80	66	50	69	76	59
Westbound	114	132	106	84	67	75	78	90
Wholesale Sales	102	108	93	73	55	56	67	77
Agricultural Implements	139	155	128	72	43	43	72	113
Automobile Supplies	93	89	72	54	43	41	45	50
Dry Goods	89	88	68	52	37	42	48	51
Electrical Supplies	121	124	103	70	41	45	61	81
Furniture	110	122	96	77	49	66	69	85
Groceries	102	123	118	105	86	85	99	110
Hardware	96	99	81	60	43	47	58	68
Shoes	106	101	82	62	47	51	58	59
Paper and Stationery	96	103	94	79	63	62	75	85
Department Store Sales	117	119	111	98	75	71	77	84
Department Store Stocks	105	103	101	87	68	61	63	62
Automobile Sales—New	98	135	97	67	34	48	63	104
Passenger	98	130	91	62	32	46	58	97
Commercial	98	180	151	114	57	75	121	179
Bank Debits	148	154	131	103	74	69	78	93

AGRICULTURE

The economic condition of agriculture continued to improve in the Twelfth District during 1935, and this improvement contributed to an expansion in the sales of agricultural implements, automobiles, and other merchandise. Cash receipts from marketing of the principal crops and of livestock and livestock products are estimated to have totaled \$822,946,000 during 1935, compared with \$712,795,000 during

MILLIONS OF DOLLARS



CASH INCOME FROM AGRICULTURAL PRODUCTS MARKETED—Twelfth District
(Annual totals)

1934. Income from crops marketed increased only 5 percent, but returns from sales of livestock and livestock products advanced 30 percent. Farm income was augmented by rental and benefit payments from the Agricultural Adjustment Administration totaling \$33,135,000 in 1935 and \$21,081,000 in 1934.

Expansion in farm income during 1935 resulted from a much larger volume of crop production and from higher prices for livestock and livestock products. Prices of crops averaged somewhat lower than in

INDEXES OF CROP PRODUCTION

Twelfth Federal Reserve District
(1925-1927 Average=100)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
Volume—All Crops	98	109	109	109	110	96	106	100	95	111
Vegetables	105	106	117	133	137	128	141	129	133	135
Field Crops	96	105	105	106	105	85	88	91	89	94
Grains	93	114	115	99	95	75	98	87	72	83
Fruits	102	110	112	113	121	116	122	112	109	138
Value—All Crops	92	103	104	113	84	58	46	56	65	70
Vegetables	103	105	117	128	123	94	85	78	97	105
Field Crops	92	95	107	124	81	57	45	56	66	62
Grains	88	110	96	93	54	36	31	45	47	55
Fruits	93	106	102	111	100	68	47	57	68	78

1934, and volume of livestock and livestock products marketed was smaller.

The 1935 growing season, although delayed by spring storms, was favored by good weather in most sections. Irrigation water was adequate in all districts. A killing freeze in November damaged only a few late maturing crops. Range conditions were excellent during 1935, although water for stock became unusually scarce in sections of the Pacific Northwest late in the summer.

Nineteen thirty-five was a relatively favorable year for the Twelfth District livestock industry. Ranges in almost all areas were in better condition than in any other recent year. Supplemental feeds were cheap. As a result, good to excellent quality stock made up the bulk of marketings during the year. While the total number of cattle and hogs sold was smaller than in 1934, when large numbers of drought-stricken animals were slaughtered, the number approximated that of other recent years. Receipts of lambs and sheep at district markets were 12 percent larger than in 1934. It is estimated that prices received by livestock producers averaged 50 to 75 percent higher in 1935 than in the preceding year, and that income of the group was 30 percent larger.

OPERATING STATISTICS

Volume of Operations

As a result of further large additions to their supply of idle funds and, to a lesser degree, because of the lending operations of Government agencies, member banks found little need to borrow from the Federal Reserve Bank of San Francisco during 1935. Discount operations, therefore, continued to be negligible. Daily average holdings of discounted bills (not including industrial advances) amounted to \$166,000 compared with \$722,000 in 1934 and \$28,816,000 in 1933.

Holdings of purchased bills consisted wholly of participation in foreign accounts, since there were no other bills acquired in the open market during the year. This bank's share of the Federal Reserve System's investment in United States Government obligations increased from \$166,330,500 on December 31, 1934 to \$199,330,500 on December 31, 1935. This represented a redistribution of open market investments of the Federal Reserve banks, since total System holdings of Government securities did not change materially during the year.

There was some increase during the year in the amount of credit extended to established industrial and commercial enterprises, as provided in section 13b of the Federal Reserve Act, approved June 19, 1934. Although the amount of credit extended under this provision remained comparatively small, a large amount of work was required in considering applications. The following figures show the volume and value of applications for loans that were received and approved following passage of that section:

	1935	1934
1. Applications received:		
Number	561	634
Amount	\$18,711,400	\$19,499,479
2. Applications approved:		
Number	147	88
Amount	\$ 7,891,000	\$ 2,452,000

The figures of loans approved during 1935 include a number of applications received in the latter part of 1934. Federal Reserve banks may either participate with banks, trust companies, and other financial institutions in extending loans under section 13b, or may make commitments to discount or purchase such loans. Advances and commitments have been made as follows:

ADVANCES	1935	1934
Number made during year	29	7
Amount made during year	\$ 621,869	\$587,600
Amount outstanding December 31	\$1,110,949	\$587,600
COMMITMENTS		
Number made during year	115	39
Amount made during year	\$4,407,301	\$817,590
Amount outstanding December 31	\$4,580,297	\$808,339

The personnel of the Industrial Advisory Committee for the Twelfth Federal Reserve District remained the same throughout 1935 except that Mr. H. L. Terwilliger was succeeded in February by Mr. William G. Volkmann of A. Schilling and Company, San Francisco. At the

end of the year the membership included Ralph H. Burnside, Pacific Spruce Corporation, Portland, Oregon; Shannon Crandall, California Hardware Company, Los Angeles, California; Henry D. Nichols, Tubbs

VOLUME OF OPERATIONS

	1935	1934	1933
Number of Pieces Handled—(In thousands)			
Bills discounted .....	..	1	10
Notes received as collateral	2	13	54
Bills purchased for own account.....	..	..	5
Currency received and counted.....	145,370	132,043	126,920
Coins received and counted.....	140,356	130,186	130,013
Shipments of coin and currency to out-of-town banks	60	54	48
Payments of coin and currency to city banks	11	10	11
Checks handled for collection—			
United States Government	6,916	9,816	5,464
All other	47,823	39,700	37,804
Collection items handled—			
United States Government coupons paid	803	1,240	1,108
All other drafts, notes, coupons...	537	690	768
United States Government securities issued, redeemed, or exchanged*..	332	215	150
Transfers of funds	94	106	120
Amounts Handled—(In thousands of dollars)			
Bills discounted	8,756	29,488	1,045,057
Bills purchased for own account.....	2,201	7,219	80,570
Currency received and counted.....	770,221	726,615	811,817
Coins received and counted.....	34,293	35,204	66,047
Shipments of coin and currency to out-of-town banks	281,427	215,396	299,969
Payments of coin and currency to city banks	517,354	460,596	536,898
Checks handled for collection—			
United States Government.....	1,598,453	1,702,635	1,372,692
All other	10,115,123	8,625,425	7,270,234
Collection items handled—			
United States Government coupons paid	22,953	27,356	22,757
All other drafts, notes, coupons....	350,009	368,053	299,707
United States Government Securities issued, redeemed, or exchanged*..	740,006	654,299	598,764
Transfers of funds.....	8,008,610	8,093,289	8,417,474

* Figures for 1933 and 1934 include Federal Intermediate Credit Bank Debentures and Federal Farm Loan Bonds. Data for 1935 exclude obligations of United States Government agencies. In that year, volume of securities of various Government agencies handled amounted to 213,000 pieces, with a value of \$98,684,000.

Cordage Company, San Francisco, California; Stuart L. Rawlings, Calaveras Cement Company, San Francisco, California; William G. Volkmann, A. Schilling and Company, San Francisco, California.

The number and dollar value of checks handled for collection during 1935 were greater than in any year since 1931. Excluding Government checks, the number of items handled was 20 percent larger than in 1934 and the aggregate amount involved increased 17 percent. Although both physical volume and amount of Government checks paid declined in comparison with 1934, the amounts handled were above those for other years. In the first half of 1934 a large number of Government checks were paid in connection with funds disbursed through the Civil Works Administration. Drafts, notes, and coupons other than Government coupons collected during 1935 were smaller in number and value than in the previous year. Payments of coupons from direct obligations of the United States Government declined but there was a substantial increase in the volume of coupons from securities of other Government agencies, such as the Home Owners' Loan Corporation and Federal Farm Mortgage Corporation.

Statistics on funds transferred showed a decrease in comparison with 1934. The decrease is largely explained by the fact that transfers for account of the United States Treasurer have been eliminated from the 1935 figures. There was little change in the volume of transfers made for member banks. A factor which tended to decrease such transactions was the discontinuance of transfers from national banks to the Treasurer of the United States to replenish the 5 percent redemption fund maintained against national bank note circulation.

Coin and currency operations showed a marked increase during 1935. Expansion in the volume of coin handled took place principally in coins of small sizes and reflected the improvement in general business conditions, as well as the increased demand for minor coin for sales tax purposes. This same trend was apparent in currency figures, inasmuch as the rise in dollar value was not so large as the increase in the number of pieces of currency received and counted. Both shipments of coin and currency to country banks and payments to city banks were well above those of 1934. On December 31, 1935 Federal Reserve notes of this bank in actual circulation amounted to \$279,623,040 compared with \$211,367,495 on December 31, 1934. This expansion resulted in large part from the demand for currency to replace retired national bank notes subsequent to August 1, and also from increased requirements for business purposes. Since that date all national bank notes deposited at the bank have been cancelled and forwarded to the Treasury for redemption. During 1935 all gold coin and bullion held by the bank in custody for the Treasurer of the United States was transferred to the Denver Mint in accordance with the Federal Government's policy of concentrating the gold reserves of the nation at interior points.

A further increase took place during 1935 in the volume of work performed by the Federal Reserve Bank of San Francisco as Fiscal Agent of the United States. New securities totaling \$398,214,850 were allotted in the Twelfth District, compared with \$381,189,800 in 1934 and \$353,956,300 in 1933. Although the greater part of the dollar value of new securities allotted represented Treasury bonds and notes,

75 of the 90 issues of securities were in the form of Treasury bills, sold on a discount basis. There were no issues of certificates of indebtedness. Redemptions of matured and called Government obligations aggregated \$236,160,899, compared with \$134,384,902 in 1934 and \$118,261,236 in 1933. First Liberty Loan bonds and the remainder of Fourth Liberty Loan bonds were called for payment by the Secretary of the Treasury during the year. Obligations amounting to \$203,117,300 were taken in exchange for new securities issued during 1935.

The bank continued to perform various services as custodian and fiscal agent for other Government agencies, such as the Reconstruction Finance Corporation, Federal Farm Mortgage Corporation, Home Owners' Loan Corporation, and the Federal Administration of Public Works. The work involved includes acting as custodian for collateral held by these agencies, as well as activity connected with the issue, exchange, and redemption of their securities.

INCOME AND DISBURSEMENTS

Earnings	1935	1934
On Loans	\$ 52,031.82	\$ 30,759.51
On Acceptances Purchased	2,511.00	15,991.03
On United States Government Obligations Owned	3,074,175.11	3,086,621.31
Other Earnings	123,136.48	89,048.60
<i>Total Earnings</i>	<i>\$3,251,854.41</i>	<i>\$3,222,420.45</i>
Additions to Earnings	\$ 503,628.99	\$ 597,427.43
Deductions from Earnings		
For Current Bank Operations	\$2,580,213.31	\$2,369,716.51
For Assessments of Board of Governors of the Federal Reserve System for:		
General Expenses	96,761.26	98,150.72
Expenses attributable to building to be erected for Board's occupancy	70,121.00	.....
For Federal Reserve Currency, mainly the cost of printing new notes to replace worn notes in circulation, and to replenish the stock unissued and on hand	103,224.51	42,473.76
For Furniture and Equipment	10,650.99	12,098.56
For Depreciation on Bank Premises	289,172.93	219,879.79
For Reserves for Losses .....	.....	433,323.07
All Other	1,707.80	3,631.78
<i>Total Deductions from Earnings</i>	<i>\$3,151,851.80</i>	<i>\$3,179,274.19</i>
Net Income available for dividends and additions to surplus	\$ 603,631.60	\$ 640,573.69
Distribution of Net Income		
Dividends Paid to Member Banks, at the rate of 6 percent on paid-in capital	\$ 636,866.27	\$ 643,242.08
Excess of Dividends over Net Income	\$ 33,234.67	\$ 2,668.39
Deductions from Surplus Account		
Excess of Dividends over Net Income	\$ 33,234.67	\$ 2,668.39

Earnings and Expenses

Total earnings of the Federal Reserve Bank of San Francisco were slightly larger in 1935 than in 1934. United States Government securities continued to provide the principal source of income. Additions to earnings included \$432,185 net profit on transactions in Government obligations.

Current operating expenses were \$210,497 larger in 1935 than in 1934. Although there was little change in the aggregate amount of salaries paid, contributions to the Retirement System of the Federal Reserve banks were \$165,665 above the 1934 figures. This increase resulted largely from an added contribution to the Retirement System on December 31, 1935 representing accrued liability of the bank for prior service of employees. It was originally planned that such payments were to be spread over a twenty-year period, but subsequently it was decided to complete the accumulation by December 31, 1939. The only other material change in items of operating expenses was an increase of \$38,507 in expenditures for postage.

Deductions from earnings included an assessment of \$70,121 for the new building to be erected in Washington, D. C. for the Board of Governors of the Federal Reserve System. Charges for depreciation on bank premises were \$69,293 larger than in 1934 because of a change in the basis of writing down buildings and vaults. There was an increase of \$60,751 in the cost of Federal Reserve currency.

Net earnings were \$33,235 less than dividends paid to member banks on their holdings of Federal Reserve bank stock. This amount was withdrawn from surplus set up under provisions of section 13b of the Federal Reserve Act, since income from industrial advances made under that section was smaller than expenses involved in handling such loans. An increase during the year in surplus under section 13b resulted from advances by the Secretary of the Treasury amounting to \$469,195.

CHANGES IN DIRECTORS, OFFICERS, AND EMPLOYEES

At the regular annual election held in 1935, T. H. Ramsay, President and General Manager, Pacific National Agricultural Credit Corporation, Fresno and San Francisco, was reelected a Class A director for a three-year term ending December 31, 1938, by banks in Group 2 (those having a combined capital and surplus in excess of \$150,000 and less than \$1,000,000). A. B. C. Dohrmann, Chairman of the Board, The Emporium Capwell Corporation, San Francisco, California, was reelected a Class B director for a similar three-year term by banks in Group 1 (those having a combined capital and surplus of \$1,000,000 and over).

The office of Chairman of the Board and Federal Reserve Agent remained vacant during the year. The Board of Governors of the Federal Reserve System redesignated Walton N. Moore, President of Walton N. Moore Company, San Francisco, Deputy Chairman of the Board of Directors for 1936.

At the beginning of 1936, vacancies existed in the directorates of each of the five branches of this bank. These vacancies followed ex-

piration of terms of directors appointed by the Board of Governors of the Federal Reserve System.

M. A. Arnold, President, Seattle-First National Bank, Seattle, Washington, was reappointed to represent the Twelfth Federal Reserve District in the Federal Advisory Council during 1936.

There were no changes in the official staff of the bank during 1935. The number of employees engaged directly in the service of the bank on January 1, 1936 was considerably smaller than a year earlier, but there was a substantial increase in the number of employees whose salaries are reimbursed to the bank. Most of these employees were assigned to the Work Relief Checks Division. That department was organized during 1935 for the purpose of paying checks drawn on the Treasurer of the United States which are issued for work performed on various relief projects.

PERSONNEL AND SALARIES

(Including branches)

	Number		Annual Salaries	
	Jan. 1 1936	Jan. 1 1935	Jan. 1 1936	Jan. 1 1935
OFFICERS	31	31	\$ 242,900	\$ 242,600
EMPLOYEES BY DEPARTMENTS:				
Banking Department	715	757	1,172,164	1,232,415
Federal Reserve Agent's Department	37	42	92,100	104,820
Auditing Department	9	13	18,180	23,820
Fiscal Agency Department	11	27	18,060	41,700
TOTAL	803	870	\$1,543,404	\$1,645,355
EMPLOYEES WHOSE SALARIES ARE REIMBURSED TO BANK:				
Fiscal Agency Department	14	21	24,720	35,760
Other Employees	132	97	189,716	144,105
GRAND TOTAL	949	988	\$1,757,840	\$1,825,220

NOTE

Statistics appearing in this report will be supplemented by additional statistical data pertaining to the Twelfth Federal Reserve District and the Federal Reserve Bank of San Francisco, in the Annual Report of the Board of Governors of the Federal Reserve System. Copies of the Board's report may be obtained, when published, from the Board of Governors of the Federal Reserve System at Washington, D. C.

This bank's statement of condition at the end of 1935 and 1934 appears upon the following two pages.

STATEMENT OF CONDITION

RESOURCES

	December 31, 1935	December 31, 1934
Cash Reserves held by this bank against its deposits and note circulation:		
Gold Certificates on Hand and Due from United States Treasury —Represents gold holdings of the bank lodged in the Inter-district Settlement Fund, held by the Federal Reserve Agent as collateral to Federal Reserve notes, or held in own vault	\$401,044,265.39	\$310,252,132.68
Redemption Fund in the hands of the Treasurer of the United States to be used to redeem such Federal Reserve notes as are presented to the Treasury for redemption.....	2,891,213.46	3,632,028.83
Other Cash — United States notes, Treasury notes of 1890, silver certificates, national bank notes, Federal Reserve bank notes, standard silver dollars, subsidiary silver and nickels and cents (Excludes Federal Reserve notes issued by this bank)	16,230,425.65	16,878,993.70
Total Cash Reserves	\$420,165,904.50	\$330,763,155.21

Loans and Investments

Loans:

Against pledge of obligations of the United States, direct and/or fully guaranteed.....	\$	95,000.00
Against eligible commercial, industrial, and agricultural paper, or acceptances discounted or pledged, or the pledge of other collateral	\$	24,500.00
Acceptances bought in the open market.....	328,178.46	390,537.83
Industrial advances	1,110,948.65	587,600.00
United States Government Bonds, Notes, etc.	199,330,500.00	166,330,500.00
Total Loans and Investments (or Earning Assets)	\$200,794,127.11	\$167,441,228.33

Uncollected Items

Checks and Other Items not yet collected....	\$ 29,417,419.38	\$ 20,987,081.05
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Miscellaneous Resources

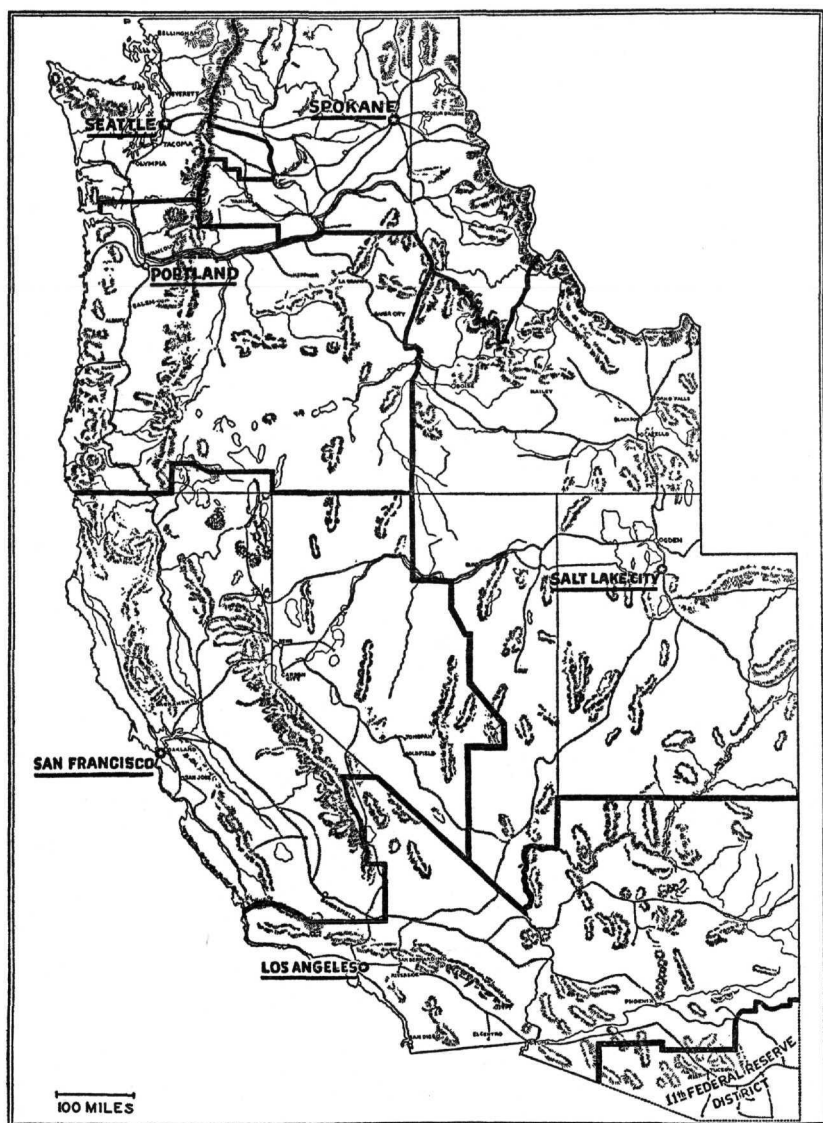
Bank Premises	\$ 3,579,660.17	\$ 3,868,833.10
All Other Miscellaneous Resources	\$ 3,043,713.85	\$ 3,168,960.99
Total Miscellaneous Resources	6,623,374.02	7,037,794.09
TOTAL RESOURCES	\$657,000,825.01	\$526,229,258.68

LIABILITIES

	December 31, 1935	December 31, 1934
Currency in Circulation		
Federal Reserve Notes in actual circulation, payable on demand. These notes are fully secured. The security may be gold, discounted or purchased paper, or direct obligations of the United States.....	\$279,623,040.00	\$211,367,495.00
Deposits		
Reserve Deposits maintained by member banks as legal reserves against the deposits of their customers	\$287,367,049.32	\$255,377,043.56
United States Government Deposits	24,182,687.01	3,198,541.31
Other Deposits , including deposits of non-member clearing banks, foreign deposits, etc.	16,082,183.05	12,641,869.96
<i>Total Deposits</i>	<u>\$327,631,919.38</u>	<u>\$271,217,454.83</u>
Deferred Availability Items		
Deferred Items , composed mostly of uncollected checks on banks in all parts of the country..	\$ 26,678,393.12	\$ 20,450,838.89
Miscellaneous Liabilities		
Reserves and All Other Miscellaneous Liabilities	\$ 2,204,081.41	\$ 2,204,189.20
Capital and Surplus		
Capital Paid In , equal to 3 percent of the capital and surplus of member banks.....	\$ 10,197,700.00	\$ 10,759,550.00
Surplus (Section 7, Federal Reserve Act).....	9,644,799.15	9,644,799.15
Surplus (Section 13b, Federal Reserve Act)...	1,020,891.95	584,931.61
<i>Total Capital and Surplus</i>	<u>\$ 20,863,391.10</u>	<u>\$ 20,989,280.76</u>
TOTAL LIABILITIES	<u><u>\$657,000,825.01</u></u>	<u><u>\$526,229,258.68</u></u>
Memorandum:		
Commitments to make Industrial Advances \$	4,580,297.10	\$ 808,339.36

TWELFTH FEDERAL RESERVE DISTRICT

Includes the States of Arizona, except the five southeastern counties, California, Idaho, Nevada, Oregon, Utah, and Washington



Map showing territory of Head Office and Branches of the
Federal Reserve Bank of San Francisco