

1958

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(For Immediate Release)

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MEMBER BANK EARNINGS, FIRST HALF OF 1958

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A preliminary tabulation of member bank earnings indicates that net profits after taxes and profit and loss adjustments amounted to \$838 million for the first half of 1958. This was an increase of \$269 million over the corresponding period of 1957 and it reflects, for the most part, larger profits on sales of securities. On an annual basis the ratio of net profits to the average of total capital accounts was 11.3 per cent compared with 8.2 per cent for the first six months of 1957.

A rise of \$254 million in gross operating earnings was largely offset by a concurrent rise in operating expenses of \$218 million. Net current earnings before income taxes were \$1,275 million in the first half of the year, up \$36 million over the comparable period in 1957. Earnings on loans and earnings on U. S. Government securities advanced \$106 million and \$62 million, respectively, from the first half of 1957 levels as a result of larger average holdings and higher average rates of return on both. However, the average rates of return on both categories were slightly lower than in the second half of 1957.

The net effect of security transactions, other profit and loss adjustments and changes in valuation reserves resulted in an addition to member bank profits of \$255 million in contrast to a loss of \$179 million in the first half of last year. The last time member banks reported a net gain from this source was in the first half of 1954 when they amounted to \$104 million.

The larger profits resulted in larger provisions for income taxes which amounted to \$692 million, \$200 million higher than in the corresponding period last year.

Cash dividends declared amounted to \$306 million in the first half of 1958, representing a distribution of 37 per cent of net profits after taxes and an approximate yield of 4.1 per cent on average total capital accounts on an annual basis.

(Over)

MEMBER BANK EARNINGS, BY CLASS OF BANK, FIRST AND SECOND HALVES OF 1957 AND FIRST HALF OF 1958
(In millions of dollars; preliminary)

Item	All Member Banks			Central Reserve City Banks						Reserve City Banks			Country Banks		
				New York			Chicago								
	First Half 1957	Second Half 1957	First Half 1958	First Half 1957	Second Half 1957	First Half 1958	First Half 1957	Second Half 1957	First Half 1958	First Half 1957	Second Half 1957	First Half 1958	First Half 1957	Second Half 1957	First Half 1958
Earnings:	3,262	3,509	3,516	551	585	585	131	143	138	1,279	1,385	1,392	1,301	1,396	1,401
On U. S. Government securities	571	597	633	68	69	81	23	23	28	207	219	236	273	286	289
On loans ^{1/}	2,022	2,186	2,127	349	378	353	81	91	81	816	877	864	775	840	829
All other	669	726	756	134	138	151	26	29	30	256	288	292	253	271	283
Expenses	2,022	2,200	2,241	289	303	318	67	69	72	806	860	892	860	967	959
Net current earnings before income taxes	1,240	1,309	1,275	262	282	267	64	73	66	473	525	500	440	429	442
Recoveries, profits, and transfers from valuation reserves ^{2/}	58	112	604	7	14	87	3	13	41	21	51	285	27	34	192
Losses, charge-offs, and transfers to valuation reserves ^{3/}	236	419	349	38	86	26	28	31	27	77	143	180	93	158	117
Profits before income taxes	1,061	1,002	1,530	232	210	329	39	55	80	417	433	604	374	305	517
Taxes on net income	492	403	692	114	95	156	17	23	42	193	192	285	168	92	209
Net profits	569	600	838	118	115	173	21	32	38	224	240	320	206	213	308
Cash dividends declared	281	323	306	70	82	77	15	9	15	115	127	123	81	105	90
Ratios - annual basis (in per cent):															
Net current earnings before income taxes to average total capital accounts	17.9	18.2	17.2	18.1	18.4	16.8	19.4	21.7	18.9	18.5	19.9	18.3	17.1	6.0	16.2
Net profits to average total capital accounts	8.2	8.3	11.3	8.2	7.5	10.9	6.4	9.3	11.0	8.7	9.1	11.7	8.0	8.0	11.3
Average return on U. S. Govt. securities	2.47	2.60	2.56	2.41	2.50	2.41	2.31	2.42	2.38	2.45	2.62	2.53	2.51	2.64	2.64
Average return on loans	5.19	5.47	5.31	4.37	4.71	4.39	4.41	4.70	4.53	5.18	5.44	5.37	5.78	6.04	5.86

- ^{1/} Includes charges on loans other than interest.
^{2/} Does not include recoveries credited to valuation reserves.
^{3/} Does not include losses charged to valuation reserves.