ANNUAL REPORT

OF THE

COMPTROLLER OF THE CURRENCY

The year 1955 was a very active one for commercial banks which were supplying a major portion of the credit necessary to enable business production and expansion, and individual buying, to reach record levels in all sectors of the economy, with the exception of agriculture, and in providing banking services in the form of new branches or banks to areas favored by population shifts and growth.

The most significant development in banking during 1955 was the sharp increase in loans amounting to $12 billion in the nation's commercial banks. While loans were increasing, investments were reduced by $7 billion so that the increase in loans and investments of all commercial banks during 1955 was $5 billion, a smaller expansion than in 1954 when the net increase in both types of assets aggregated $10.2 billion. Commercial bank holdings of United States obligations were reduced by $7.4 billion during 1955 to enable banks to meet loan demands, and the buyers, to an important extent, were business corporations which acquired the obligations for temporary investment. The $7.4 billion of liquidated United States obligations were largely short term issues. Loans and investments, other than United States obligations, increased $12.4 billion, the largest growth of any year since 1950.

Status of Dual Banking System

At the end of 1955, approximately 47 percent of the banking resources in the commercial and savings banks of the nation, and 54 percent of the commercial banking resources, were held by 4,700 national banks. State-chartered mutual savings banks numbering 528 had total resources of $31.3 billion. State-chartered commercial banks and trust companies, 9,037 in number, held total resources of $98.1 billion, or about 46 percent of all commercial bank assets. The dual banking system of the United States held total resources of $243.1 billion and was comprised of the following types and categories of banks:

[Figures in millions of dollars]

Type of bank	Members of both the Federal Reserve System and Federal Deposit Insurance Corporation		Members of Federal Deposit Insurance Corporation only		Not members of Federal Reserve or Federal Deposit Insurance Corporation	
	Number	Total resources	Number	Total resources	Number	Total resources
National banks	4,692	[1] 113,412	[2] 7	[1] 130	[2] 1	[1] 208
State commercial banks	1,848	[3] 65,975	6,691	[4] 29,628	498	[5] 2,478
Mutual savings banks	3	[3] 27	217	[4] 23,431	308	[5] 7,816
Total	6,543	179,414	6,915	53,189	807	10,502

Recapitulation

	Number	Branches	Total resources
National banks	4,700	3,224	113,750
State commercial banks	9,037	3,600	98,081
Mutual savings banks	528	330	31,274
Head offices	14,265	7,154	243,105
Branches	7,154		
Total banking offices	21,419		

[1] Supervised by Comptroller of the Currency.
[2] Outside continental United States.
[3] Supervised by State banking departments and the Federal Reserve System.
[4] Supervised by State banking departments and the Federal Deposit Insurance Corporation.
[5] Supervised by State banking departments only.

Growth of Financial Institutions

The growth of financial institutions, including savings and loan associations, during the past 10 years has been at a rapid rate, but the commercial banks have been less favored owing to higher liquidity requirements and a less favorable tax status than mutual-type associations. Commercial banks have not found it possible to offer fully competitive interest rates in seeking time deposits. Relative growth is revealed by the following tabulation of 1945 and 1955 year-end figures:

Financial institutions

[Total resources]

	Dec. 31, 1945 (In billions of dollars)	Dec. 31, 1955 (In billions of dollars)	Percentage of increase
Commercial banks	161	212	31.6
Mutual savings banks	17	31	82.3
Savings and loan associations	9	38	322.2

Status of National Banks

The number of national banks comprising the national banking system was reduced from 4,796 to 4,700 during the year as a result of consolidations, mergers, sales, and a few conversions. The 4,700 national banks, with a small number of relatively unimportant exceptions, are in excellent condition when appraised by the basic tests of management competency, asset soundness, capital adequacy, and earning capacity. At the end of 1955, the total assets of national banks amounted to $113.7 billion, a reduction of $2.4 billion during the year. Five large national banks consolidated or merged with State-chartered banks under the charters of the latter during the year, and at the end of 1954 these 5 banks had total resources of $6.7 billion. Thus the 4,700 national banks continuing in the system at the end of 1955 increased their resources $4.3 billion. To make an accurate analysis of the annual progress or trend of the 4,700 banks continuing in the national banking system, the figures of the 5 banks above mentioned have been deleted from the December 31, 1954, totals of resources and liabilities in comparisons in the following paragraphs with similar totals at the end of 1955.

Deposits

The total deposits of national banks amounted to $104.2 billion, an increase of $3.9 billion for the year. The comparable increase in 1954 amounted to $5 billion. Time and savings deposits of $25.1 billion are included in this figure and reflect an increase of only $832 million over the 12-month period. This is the result, in part, of the difficulty on the part of commercial banks to compete effectively for time money against mutual-type associations that are able to offer higher rates because of tax and other advantages.

Loans

The loans of national banks, net of $672 million of reserves for bad debts and valuation reserves, amounted to $43.5 billion, up $6.4 billion during the year. The increase in loans to business and industry was of outstanding importance during 1955, and such credits increased $3.7 billion to a total of $18.3 billion, or 41 percent of the aggregate loans held by national banks.

The residential (1 to 4 family) mortgage debt of the Nation increased $12.7 billion in 1955 and at the end of the year amounted to $88.4 billion. An increase of $16.4 billion was recorded for all types of mortgage loans. There were 1,300,000 starts of nonfarm housing, the dollar value of new building in 1955 amounting to $42.2 billion. Construction increased 25 percent over 1954. Real estate mortgage loans held by all types of investors have increased from $36 billion to $130 billion in 10 years. Farm-mortgage debt amounted to about $9 billion, up 10 percent from the end of 1954. National banks held real estate mortgage loans at the end of 1954 and 1955 as follows:

[Figures in millions of dollars]

Type	Dec. 31, 1954	Dec. 31, 1955	Dollar increase
Conventional—residential	3,081	3,500	419
Conventional—other properties	1,691	1,986	295
Conventional—farm	441	505	64
Insured—FHA	2,444	2,787	343
Insured or guaranteed—VA	2,065	2,242	177
	9,722	11,020	1,298

The $11 billion of mortgage loans held by national banks amount to nearly 25 percent of their total loans. The $1.3 billion increase during the year is equal to 8 percent of the $16.4 billion increase recorded for all types of mortgage loans during 1955. National banks must restrict their total investment in real estate mortgage loans, exclusive of mortgage loans guaranteed or insured by the Veterans' Administration to the extent of 20 percent or more of the amount of the loan, to 60 percent of time and savings deposits or 100 percent of capital and surplus, whichever is the greater. The $8.8 billion of mortgage loans which are subject to the provisions of this statute are equal to 35 percent of the $25.1 billion of time and savings deposits held by national banks.

Consumer debt of the Nation rose by more than $6 billion in 1955 to a total of about $36 billion of which $12.7 billion was held by national and State commercial banks. Nearly $28 billion of installment credit is included in this figure and reflects an increase since the end of World War II from $2.1 billion. Consumer loans of the installment type and cash installment loans held by national banks at the end of the year amounted to $6.7 billion or 15 percent of their total loans, and reflected an increase of $1 billion from the end of 1954. Automobile installment loans were $3.2 billion, up $821 million for the year, and equal to 48 percent of all installment loans held by national banks.

There are various well-known and valid reasons for the large increase in consumer and installment credit during the past 10 years. The extent to which this growth has been fostered during the past 12 months by unsound liberalization of downpayment and maturity terms on the part of some lenders is difficult to assess. Based on the policies being followed by a large majority of national banks, it should not be a major adverse factor. The importance of the present total of consumer debt increases or diminishes, in a credit sense, in direct relation to the relative soundness of the individual loans, and soundness, in turn, depends heavily on reasonably conservative downpayment and maturity requirements on loans to people who are not and will not become committed to pay out so heavy a percentage of their incomes for the liquidation of their debts that the necessary margin for error is too thin. The principle that the borrower should by means of his downpayment have a reasonable equity in the property pledged as security should not be neglected. It follows that the maturity of the loan should be sufficiently short so that the monthly payments will protect the initial equity. It became apparent toward the middle of 1955 that some national banks had initiated practices which might not meet these fundamental safeguards, and the Comptroller sent the following letter to national banks on July 18, 1955:

In view of recent developments in the field of consumer financing, we are adding to the examination report forms used by national bank examiners a section dealing with consumer credit and installment credit. The Board of Governors of the Federal Reserve System is making a similar addition to its reports. This is designed to develop better information as to terms and conditions of loans in this field, and also to make readily available to bank officers and directors a summary of what the examiner finds in this respect as he makes his examination.

It is not intended to imply a criticism of this form of loan, or to suggest a tightening of credit which would prevent the transaction of soundly financed and desirable business. It is our view that the activities of national banks during recent years in developing this form of credit have been valuable to the banks as a source of earnings, and beneficial to bank customers and to the economy generally in facilitating the distribution of consumer durable goods. However, recent surveys indicate that in some areas there is a tendency to loosen terms under which this type of credit is granted, particularly in the automobile-financing field, by extending maturities, and accepting downpayments which, measured in terms of actual value, are lower than previously had been considered standard. Well managed banks and finance companies alike will wish to avoid such a development and will use their influence to keep the business on a sound basis.

The purpose of this letter is to bring to your attention this new means of covering consumer loans in examination reports.

Commencing on September 1, 1955, national bank examiners were asked to incorporate the new and more comprehensive data on installment loans in the examination reports of all national and district banks. A recent survey of these reports covering 2,317 national banks, large and small, reveals that the required downpayment percentage and the maturity policies being observed on a "general rule" basis appear to be, in the great majority of cases, soundly conceived. However, downpayment requirements that appear conservative on the surface do not prove necessarily that the policy in this respect is sound. Overallowance on trade-ins and the inflation of sales prices by padding or packing devices have taken much of the meaning, in some cases, out of downpayment percentages. The amounts of loans and the downpayment percentages should be based on sound prices which may be measured by the wholesale or dealer's cost, unless exceptions to such a policy are adequately merited. The following schedules reveal the findings of the recent survey made of 2,317 national banks:

Recapitulation—percent of downpayment and monthly payment terms on installment automobile loans required by 2,317 representative national banks

Term (number of months)	Percent of downpayment					Total number of banks
	20	25	30	33⅓	Over	
NEW AUTOS						
18 and under	1	10	8	160	4	183
24	3	38	26	1,195	19	1,281
30		35	43	563	11	652
36		11	7	180	3	201
Total	4	94	84	2,098	37	2,317
USED AUTOS—LESS THAN 1 YEAR OLD						
18 and under	1	1	4	161	46	213
24	1	9	3	376	25	414
30		2	3	107	5	117
36				13	1	14
Total	2	12	10	657	77	758
USED AUTOS—1 TO 2 YEARS OLD						
18 and under	3	8	9	799	149	968
24		20	22	1,020	65	1,127
30		1	8	53	2	64
36		1	1	5		7
Total	3	30	40	1,877	216	2,166

Recapitulation—percent of downpayment and monthly payment terms on installment automobile loans required by 2,317 representative national banks—Continued

USED AUTOS—2 TO 3 YEARS OLD

Term (number of months)	Percent of downpayment: 20	25	30	33⅓	Over	Total number of banks
18 and under	2	12	12	1,235	278	1,539
24		6	16	504	45	571
30		1	1	11	3	16
36				1		1
Total	2	19	29	1,751	326	2,127

USED AUTOS 3 TO 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	2	13	16	1,337	375	1,743
24		3	8	192	24	227
30		1		4	2	7
36						
Total	2	17	24	1,533	401	1,977

USED AUTOS—OVER 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	2	9	11	970	406	1,398
24		1	1	75	12	89
30				1		1
36						
Total	2	10	12	1,046	418	1,488

Liquidity

The large increase in loan volume during 1955 reduced the liquidity of national banks to some extent. At the end of 1954, 82½ percent of demand deposits and 61½ percent of total deposit liabilities were covered by cash, balances due on demand from correspondent banks, including reserve balances, and United States Government obligations. At the end of 1955, 77 percent of demand deposits and 57 percent of total deposit liabilities were covered by such assets.

Investment Accounts

The investment accounts of national banks in the aggregate amount of $42.8 billion were, for the first time in many years, less than the total amount of outstanding loans. $33.7 billion of the investments were in obligations of the United States Government, $6 billion in the general obligations of States and their political subdivisions, $2.9 billion of other bonds, largely special revenue, Federal Corporation, and corporate obligations, and $187 million of Federal Reserve Bank stock. Obligations of the United States Government were reduced $4.1 billion and municipal and other bonds were increased $309 million. The following recapitulation by maturities and categories of issues shows the position of national bank investment accounts at the end of the year. (Figures on all bonds other than United States Government issues are taken from most recent reports of examination.)

The range in maturities of United States Bonds, municipal, and other investment securities held by national banks is of particular interest in view of the substantial liquidation that occurred in obligations of the United States during 1955 to accommodate increased loan demands.

Recapitulation by maturities

[United States bonds as of Dec. 31, 1955; municipal and other bonds as of most recent examination reports]
[In millions of dollars]

	United States bonds	General obligation municipal bonds	Special revenue municipal authority and corporate bonds	Total
Short term (maturing up to 5 years)	[1] 18,981	2,962	1,983	23,926
Medium term (maturing between 5 and 10 years)	11,951	1,820	477	14,248
Long term (maturing after 10 years)	2,758	1,271	435	4,464
Total	33,690	[2] 6,053	[3] 2,895	42,638

[1] Includes $1,285 million of nonmarketable United States bonds.
[2] Includes $1,239 million of general obligations of States and $600 million of housing authority obligations.
[3] Includes $940 million of special revenue municipal authority obligations and $1,150 million of Federal Corporation (not guaranteed) bonds.

During the past 2 years there has not been a major change in the holdings or maturities of general obligation municipal bonds, special revenue municipal authority obligations, nonguaranteed Federal Corporation obligations, or corporate bonds, but there has been in the maturities of United States obligations as is revealed in the following figures.

[In millions of dollars]

	United States bonds	
	Dec. 31, 1953	Dec. 31, 1955
Short term	26,833	18,981
Medium term	5,888	11,951
Long term	2,867	2,758
Total	35,588	33,690

Capital Structure

During 1955 the sale of additional capital stock to further strengthen capital structures was undertaken and consummated by the managements and shareholders of 215 national banks. These 215 banks sold new shares of common stock which yielded $151 million of additional funds to augment their capital structures. The shareholders of 367 national banks, with the approval of the Comptroller, approved dividends payable in common stock having a total par value of $96 million during the year. During the 10-year period commencing with the year 1946, 1,544 national banks have completed new capital sale programs which added $933 million to their capital funds.

At the end of 1955, the capital structures of the 4,700 national banks amounted to $7,936 million, and their reserves for bad debts and other valuation reserves to $672 million, or an aggregate total of capital structure and reserves of $8.6 billion. The national banking system's $8.6 billion of capital funds and reserves is the equivalent of $1 of capital protection to cover the potential risks involved in each $5.80 ($5.27 at the close of 1954, $5.43 at the close of 1953) of loans, municipal and corporate bonds, and other assets remaining after deducting from its $114.4 billion of total assets, $64.5 billion of cash or its equivalent, United States Government obligations, and loans or portions of loans guaranteed or insured by Federal Government agencies. The upward swing to $5.80 per $1 of capital funds and reserves is accounted for by the large increase in loans during 1955.

The volume of assets in the national banking system considered by national bank examiners to contain substantial or unwarranted elements of risk continues to be nominal in relation to the protection offered by capital structures and reserves.

Earnings

The earnings of national banks for the year 1955 were satisfactory. Net profits after taxes and before dividends amounted to $643.1 million, exclusive of net additions to reserves for bad debts and valuation reserves made from the year's earnings amounting to $88.3 million. Dividends of $309.7 million were paid to shareholders, and net retained earnings and additions to reserves amounted to $421.7 million.

Net earnings from operations amounted to $1.332 million, equivalent to 1.28 percent of year-end deposits of $104.2 billion, as compared with 1.16 percent for the year 1954.

After allowing for actual recoveries on assets previously charged off of $78.1 million, and profits on securities sold of $35.8 million, actual losses on securities sold of $152.8 million, actual loan losses of $69 million, and actual losses on other assets of $46 million, the national banking system had net profits of $1,178 million. After deducting net additions to reserves for bad debts and valuation reserves of $88.3 million, net profits before taxes amounted to $1,089 million. Income taxes paid amounted to $446.2 million, equal to 33⅛ percent of net earnings from operations and 41 percent of net profits before taxes. Net profits after taxes, exclusive of $88.3 million net additions to reserves, as above noted, amounted to $643.1 million.

While national banks had greater net earnings from operations in 1955 ($1,332 million) than in 1954 ($1,230 million), their net earnings before taxes, including net additions to reserves, were $202 million less in 1955, and after taxes were $116 million less in 1955, than in 1954. Net asset *losses*, after allowing for all bond profits and recoveries, amounted to $153.9 million in 1955, whereas net asset *recoveries*, including bond profits and allowing for all asset losses, amounted to $149 million in 1954. This accounts for the poorer net results in 1955.

The schedule set forth below incorporates further details on this subject. (An additional detailed commentary on 1955 earnings appears elsewhere in this report.)

Earnings, expenses, etc., of national banks for the years ended Dec. 31, 1928, 1953, 1954, and 1955

[*Indicates amounts in millions of dollars]

	1928	1953	1954	1955
*Total assets at close of year	30,259	110,117	116,151	113,750
*Total capital accounts at close of year	3,684	7,410	8,104	7,936
*Gross earnings	1,351	3,068	3,226	3,437
Per $100 of assets	$4.47	$2.79	$2.78	$3.02
Per $100 of capital funds	$36.69	$41.41	$39.81	$43.31
*Gross expenses	988	1,845	1,996	2,105
Per $100 of assets	$3.27	$1.68	$1.72	$1.85
Per $100 of capital funds	$26.83	$24.90	$24.63	$26.53
*Net earnings from operations	363	1,223	1,230	1,332
Per $100 of assets	$1.20	$1.11	$1.06	$1.17
Per $100 of capital funds	$9.86	$16.51	$15.18	$16.78
*Net asset losses or recoveries (including bond profits, etc.)[1]	−72	−151	+149	−154
Per $100 of assets	−$0.24	−$0.14	+$0.13	−$0.14
Per $100 of capital funds	−$1.96	−$2.05	+$1.84	−$1.94
*Taxes (income)	(2)	466	532	446
Per $100 of assets		$0.42	$0.46	$0.39
Per $100 of capital funds		$6.28	$6.56	$5.62
*Net profits before dividends	291	606	847	732
Per $100 of assets	$0.96	$0.55	$0.73	$0.64
Per $100 of capital funds	$7.90	$8.18	$10.46	$9.22
*Cash dividends	195	275	300	310
Per $100 of assets	$0.64	$0.25	$0.26	$0.27
Per $100 of capital funds	$5.30	$3.71	$3.70	$3.90
*Retained earnings	96	[3] 331	[3] 547	[3] 422
Per $100 of assets	$0.32	$0.30	$0.47	$0.37
Per $100 of capital funds	$2.60	$4.47	$6.76	$5.32

[1] Exclusive of transfers to and from reserve for bad debts and other valuation reserves on loans and securities but including net losses charged to these reserves.

[2] Total taxes included with gross expenses. Income taxes not called for separately.

[3] Includes funds transferred to reserve for bad debts and valuation reserves less the amount of assets charged off against such reserve accounts. Includes $33 million in 1953, $106 million in 1954, and $89 million in 1955 transferred to effect a net increase in reserves for bad debts and valuation reserves. (Taxes would have absorbed a fair portion of these amounts had the transfers not been made.)

Reserve for Bad Debts

At the end of 1955, 2,654 national banks were maintaining reserves for bad debts totaling $618 million, an increase of $69 million for the year. These banks held gross loans aggregating $40.3 billion, or 91 percent of all loans of the 4,700 banks in the national banking system. The total of reserves for bad debts amounted to 1.5 percent of the gross loans of the 2,654 banks maintaining such reserves.

As pointed out in the Comptroller's annual report for 1954, the existing formula approved by the Internal Revenue Service for computing the allowable amounts of reserves for bad debts requires each bank to limit its reserve for bad debts to a percentage based on its own loan loss experience for any consecutive 20 years' period commencing January 1, 1928. This permits the largest reserves in relation to gross loans outstanding to be established by those banks which suffered the greatest loan losses in the past. This results in undesirable inequities between banks since the bank that may most need such reserves, based on its present condition and the caliber of its management, may be one that is permitted to establish only a relatively small percentage of reserves in relation to its outstanding loans because of a favorable loss history years ago. There is a need for a bad debt reserve formula, not limited to the loss history of the individual bank or group of banks, but based upon the sound premise that a normal proportion of loss must be expected in the business of lending, and such losses should be regarded as a banking hazard against which a reasonable initially tax-free reserve should be established. A suitable and soundly based formula should be adopted to permit banks to create and maintain reserves by transfers from earnings at a reasonable rate in relation to total loans until a suitable ceiling is reached, without reference to or as an alternative to a ceiling based on current or past loss experience. It is believed that this will require legislative action.

Branch Banking

A record number of applications for de novo branches were filed with the Comptroller by national banks during 1955. The applications numbered 532 and were dealt with as follows:

	Number	Percent
Applications approved	339	63.7
Applications denied	130	24.4
Applications withdrawn	26	4.9
Applications pending	37	7.0
Total	532	100.0

On December 31, 1955, 6,824 branch offices were being operated by 1,677 national and State-chartered commercial banks located in 35 States, which permit branch banking, 6 States where branch banking is no longer permitted, and in territories and possessions. Over the 14-year period since December 31, 1941, 3,146 new branch offices have been established by national and State-chartered banks, and 1,989 of these new branches (63 percent) have come into being during the last 5 years. The 6,824 branch offices now in operation are operated by 12 percent of all commercial banks, State and national; 547 national banks (11.7 percent) are operating 3,224 branch offices, and 1,130 State-chartered commercial banks (12.4 percent) are operating 3,600 branches. During the last 3½ years, the number of national banks operating branches has increased from 369 to 547, and during this same period national banks established 912 new branches.

Reasons for the large number of new branches being established are the shift of population to suburban areas and to rapidly growing States, and the general population growth of the country. Census Bureau figures reveal that in the last 5 years the total population growth in the United States was 11.8 million, and this included a population growth in suburban areas of 9.6 million. Where branch banking is permitted, the banking needs of growing suburban communities are being served largely through the establishment of branch offices by banks situated in nearby cities that wish to continue their business relationships with customers who have moved to the suburbs, obtain new business, and to further their general policy of entering more fully into the field of retail banking. The growth of consumer lending has been a factor of considerable importance in the expansion of branch banking, and if it were to contract in any important degree, some branch offices might become unprofitable units.

Branch banking under varying types of limitations is now permitted in 35 of the 48 States. Developments in certain of the non-branch bank and limited branch bank States reveal at least a small degree of restiveness over branch bank prohibitions and limitations. As a means of coping with the problem, the attorneys general of several such States have issued interpretations or rulings that a separate banking office connected with the main banking office of a bank by a tunnel, or a pneumatic tube, or even closed-circuit television, may be regarded as a part of the main banking house and, therefore, will not be considered or construed to constitute a branch banking office in violation of specific statutes prohibiting or limiting branch banking or of banking codes that are silent on the subject of branch banking. A review of these opinions is of interest.

State	*Summary of opinion rendered by the attorney general of the State*
Alabama (limited branch banking authorized by statute).	The attorney general of Alabama, in an opinion dated Apr. 12, 1954, has ruled that it would not be a violation of Alabama banking laws for a bank to construct a drive-in depository across a 20 feet wide alleyway from the banking house and connected thereto by an overhead passage-way and an underground conveyor system.
Arkansas (limited branch banking authorized by statute).	The attorney general of Arkansas, in an opinion dated Mar. 7, 1955, has ruled that it would be legal under Arkansas law for a bank to place a window on a lot across the street and approximately 80 feet from the lot occupied by the banking house, the window to be connected by a pneumatic tube through which deposits, checks, etc., would be transmitted to a teller inside the bank for handling, so that all banking business would be transacted inside the bank.
Colorado (branch banking prohibited by statute).	The attorney general of Colorado, in an opinion dated Apr. 15, 1953, has ruled that it would not be in violation of Colorado banking laws for a bank to install a consumer credit department across the alley from its banking quarters and connected thereto by a tunnel underneath the alley.
Indiana (limited branch banking authorized by statute).	The director of the department of financial institutions of Indiana, with the approval of the attorney general of Indiana, in an opinion dated Feb. 16, 1953, has ruled that the operation of a banking facility office located across an alley from the main banking premises, and connected thereto by a tunnel, would not be considered a branch operation under Indiana law.
Iowa (limited branch banking authorized by statute).	The State banking board of Iowa, with the approval of the attorney general of Iowa, in an opinion dated Mar. 12, 1954, has ruled that a bank may establish a station located half a block plus the width of 2 streets from the banking house, and connected thereto by a pneumatic tube, the station to be manned by an attendant who would not make change, cash checks, or issue drafts or cashiers' checks, but would only perform the mechanical task of receiving money, checks, papers, and documents from the customer and placing them in the pneumatic tube for delivery to the bank premises proper.

State	*Summary of opinion rendered by the attorney general of the State*
Kansas (branch banking prohibited by statute).	The attorney general of Kansas, in an opinion dated Mar. 31, 1954, has ruled that it would not be a violation of the Kansas banking laws for a bank to operate a teller window at a location separate from the bank's immediate premises provided that each window is in close and immediate proximity to and connected with the banking office or premises by a tunnel, corridor or passageway, and such window enclosure and corridor or passageway are under the exclusive use and control of the bank and its employees and not accessible to the general public; and the business conducted at such window is limited in scope to the same types of transactions which are conducted at other teller windows of the bank.
Minnesota (branch banking prohibited by statute).	he attorney general of Minnesota, in an opinion dated Dec. 14, 1951, has ruled that it would not be a violation of the Minnesota laws prohibiting the maintenance of a branch bank for a bank to operate drive-in-tellers' windows located in a building directly across the street from the banking house, and permanently and structurally attached thereto by a tunnel suitable for foot passage under the street.
Missouri (branch banking prohibited by statute).	The attorney general of Missouri, in an opinion dated Mar. 30, 1949, has ruled that it would not be branch banking for a bank to install a pneumatic tube on a parking lot directly across from the bank, where the bank's customers will be able to place their deposits in the tube for passage into the bank. Subsequently, in an opinion dated Aug. 24, 1954, the attorney general stated that a factual situation involving placing an attendant at the drive-in facility to assist the bank's customers did not differ materially from that upon which the opinion of Mar. 30, 1949, was based, and, therefore, that type of operation would not be branch banking.
Nebraska (branch banking prohibited by statute).	The attorney general of Nebraska, in an opinion dated June 3, 1954, has ruled that a bank may install and operate a drive-in teller's cage across the alley from the main banking quarters on property owned by the bank where deposits may be delivered and checks delivered for payment and be transmitted to the bank through a pneumatic tube system where the deposits are entered in the bank and a record is made and the deposit slip or money for the payment of the check returned to the drive-in teller's cage and then to the customers.
Oklahoma (State statutes silent on subject of branch banking).	The attorney general of Oklahoma, in opinions dated Nov. 18, 1953, Apr. 14, 1955, Oct. 12, 1955, and Dec. 29, 1955, has ruled that a bank may establish and operate within the city or town in which it is located 1 or more tellers' windows directly connected to the main banking house by pneumatic tubes; and that such drive-in facilities may be established within the same municipality some 4,000 feet from the bank's regular banking house but connected thereto by closed circuit or private wire television and a direct wire communication system, without such drive-in facilities constituting branch banks.

State	*Summary of opinion rendered by the attorney general of the State*
South Dakota (limited branch banking authorized by statute).	The attorney general of South Dakota, in an opinion dated Aug. 2, 1954, has ruled that a small building staffed with 1 or 2 tellers but no officers, located diagonally across the street and an alley from the banking house, and connected thereto by a tunnel would not constitute a branch bank or branch office, but would be an enlargement of the present bank building; however, if the building were connected to the banking house only by a pneumatic tube, it could not be regarded as constituting an extension or enlargement of the banking house.
Texas (branch banking prohibited by constitution of State).	The attorney general of Texas, in an opinion dated Apr. 26, 1950, has rules that it would not contravene the provisions of Texas law for a bank to construct a garage building containing a drive-in deposit window or windows directly across the street from its banking house, and connected thereto by a tunnel suitable for passage back and forth, but that the 2 structures will in reality be 1 and will constitute the banking house.
Wyoming (State statutes silent on subject of branch banking).	The attorney general of Wyoming, in an opinion dated May 12, 1955, has ruled that a bank may be permitted to operate an office for the purpose of cashing checks, receiving deposits, and issuing travelers' checks in another locality within the corporate limits of the city or town in which it is chartered to do a banking business even though there is no physical connection between the 2 offices.

National banks operating in the States noted above, with the exception of Wyoming, have been permitted to establish offices similar to those permitted State-chartered banks under the respective opinions of the attorneys general; these offices have been considered by the Comptroller to be integral parts of the banks' main offices and not branch offices. Up to the present time, the office of the Comptroller has not seen its way clear to permit national banks to take advantage of the opinion of the attorney general of Wyoming, nor that portion of the opinion of the attorney general of Oklahoma approving offices connected only by closed-circuit television, because of a doubt that such action would be in compliance with the requirements of the Federal branch banking statutes.

In one State, Michigan, the attorney general has issued an opinion at variance with those set out above.

Michigan-------------	The attorney general of Michigan, in an opinion dated Nov. 25, 1955, has ruled that it would constitute branch banking under Michigan law for a bank to establish a structure for the purposes of performing banking activities usually ascribed to branch banks, if the structure would be separated from the banking house by a physical barrier such as a street or public alley or business building located on property not owned by the bank and devoted to other commerce, even though such structure was connected to the main bank building by a tunnel or by a tube.

In addition to the rulings by the various attorneys general, the legislatures of 2 States which prohibit branch banking and 1 State having limited branch banking have enacted legislation permitting the operation of separate facilities in close proximity to the banking house.

Florida (branch banking prohibited by statute).	The legislation adopted in Florida provides that a bank may operate a drive-in facility to serve patrons in motor vehicles provided that the facility is a part of or adjacent to the main banking room, that there is a physical connection with the main banking room and the facility, and that there will be a private connecting doorway or private enclosed secure passageway connecting the main banking room and the facility enabling tellers to pass between the facility and main banking room without coming in contact with the public.
Illinois (branch banking prohibited by statute).	The legislation adopted in Illinois provides that a separate place at which a bank's business is conducted shall not be deemed to be a branch if such place is adjacent to and connected with the main banking premises, or if it is separated from such main banking premises by not more than an alley; provided that if the place is separated by an alley from the main banking premises there must be a connection between the two by public or private way or by subterranean or overhead passage, and if the place is in a building not wholly occupied by the bank, it must not be within any office or room in which any business other than that of the bank is conducted or carried on.
New Jersey (limited branch banking authorized by statute).	The legislation adopted in New Jersey provides that a bank may establish one auxiliary office which shall not be deemed a branch office as an adjunct to each of its banking offices, that no auxiliary office shall be established or maintained at a location which is more than 1,500 feet from the office of the bank, and that no business shall be transacted at an auxiliary office other than the receipt of deposits of currency, checks and other items, the payment of withdrawals, the cashing of checks, drafts, and other items, the receipt of monies due to the bank, and the issuance of cashier's checks, travelers' checks, and money orders.

In Florida and New Jersey national banks have been permitted to establish offices similar to those permitted State-chartered banks. In Illinois the legislation will not become effective until it has been approved by a referendum of the people in November 1956.

Bank Consolidations, Mergers, Sales

A variety of causes, as outlined in detail in the 1954 annual report, have resulted in an increased number of bank consolidations and mergers since the end of World War II and particularly during the last 6 years. This trend continued in 1955 and resulted in the absorption of (1) 74 national and 52 State banks by 118 national banks, (2) 47 national banks by 46 State banks, and (3) 52 State banks by about the same number of other State banks, by means of consolidation, merger, and purchase. The following schedule contains pertinent details of these transactions.

Consolidations, mergers, purchases—1955

Number of banks	Type	Total deposits	Total capital structure
		Millions of dollars	
49	National banks consolidated or merged with and into 41 national banks	1,112	192
24	State banks consolidated or merged with and into 24 national banks	248	20
25	National banks purchased by 25 national banks	202	17
28	State banks purchased by 28 national banks	155	10
126	Approved by Comptroller of Currency	1,717	239
36	National banks consolidated or merged with and into 35 State banks	6,032	536
11	National banks purchased by 11 State banks	197	19
52	State banks consolidated, merged or purchased with or by about the same number of State banks	[1] 437	(?)
99	Approved by State banking departments	6,666	555
225	Grand total	8,383	794

[1] Total resources.

Conversions—1955

	Number	Deposits (in millions of dollars)	Capital structure (in millions of dollars)
State banks converted into national banks.	8	60.2	4.7—converted into 8 national banks.
National banks converted into State banks.	4	19.5	2.0—converted into 4 State banks.
Total	12	79.7	6.7

The shareholders of the 73 banks consolidated or merged with and into 65 national banks received cash and book value stock of the continuing banks aggregating $218,086,266 or $5,886,266 in excess of the aggregate book value of the assets which those banks contributed to the mergers or consolidations. This excess amounted, on the average, to 0.43 percent of the aggregate deposits acquired by the continuing banks. On an estimated or fair-valuation basis, the shareholders of the 73 absorbed banks contributed assets having an estimated value, in excess of liability to creditors, of $228,031,266 and received cash and fair-value stock of the continuing banks aggregating $240,722,755 or $12,691,489 in excess of the aggregate fair value of the assets which those banks contributed to the mergers or consolidations. This difference is accounted for through an estimated or fair-value appraisal of fixed assets (bank premises—furniture and fixtures), bond appreciation or depreciation, allowances for pension fund adjustments, excess reserve for taxes, etc. This excess amounted, on the average, to approximately 0.93 percent of the aggregate deposits acquired by the continuing banks.

The shareholders of the 53 national and State banks that were purchased by 53 national banks received $35,034,828 in cash, or $7,399,901 in excess of the book value of the selling banks' aggregate capital structures. This amounts, on the average, to 2.07 of the selling banks' deposit liabilities.

Over the 6-year period from January 1, 1950, to December 31, 1955, the Comptroller's Office approved the acquisition by national banks of 231 other national banks and 229 State-chartered banks through consolidation, merger, or sale, and saw 153 national banks absorbed by State-chartered banks after approval by the governing State banking department. The latter also approved consolidations, mergers, and sales involving the absorption of 217 State banks by other State banks. The following table shows the number of banks which have been absorbed since 1950, and their total resources.

Data on consolidations, mergers, purchases and sales, and conversions—1950 to Dec. 31, 1955

Number of banks	Type	Total resources (in millions of dollars)
85	National banks consolidated with and into other national banks	1,285
29	National banks merged with other national banks	1,021
117	National banks purchased by other national banks	1,186
231	Total	3,492
80	State-chartered banks consolidated with and into national banks	1,642
13	State-chartered banks merged with national banks	213
136	State-chartered banks purchased by national banks	730
229	Total	2,585
460	Approved by Comptroller of the Currency	6,077
78	National banks consolidated or merged with State-chartered banks	8,119
75	National banks purchased by State-chartered banks	822
217	State banks merged, consolidated, or purchased with or by other State-chartered banks	3,590
370	Approved by State banking departments	12,531
830	Total for absorbed banks	18,608

Conversions—1950 to Dec. 31, 1955

15	National banks converted into State-chartered banks	154
30	State-chartered banks converted into national banks	297

The Nation's commercial banking needs, apart from mutual savings banks, are served by 13,737 national and State commercial banks that operate 6,824 branches, or a total of 20,561 banking offices. The 13,737 commercial banks serve the banking needs of over 165 million people. This means that on an average there is 1 commercial bank for each 12,000 of population, and, if branch offices are added, there is 1 banking office for each 8,025 of population. The population of the United States at the time of the 1950 census was 64 percent urban and 36 percent rural. During the last 5 years the population growth of 11.8 million included a population growth of 9.6 million in suburban areas of large cities. This growth has been taken care of largely by the establishment of branch banks. Over the 14-year period since December 31, 1941, 3,146 new branches were established, and 63 percent of these new branches (1,989 of them) have come into being during the last 5 years.

On December 31, 1941, there were 14,423 national and State commercial banks. Fourteen years later, at the end of 1955, this figure had been reduced by 686 banks to the present total of 13,737, but the number of banking offices had increased from 18,055 to 20,561. At the end of 1941, the 100 largest commercial banks held 55.3 percent of the deposits held by all commercial banks. At the end of 1955, the 100 largest commercial banks held 46.8 percent of the total deposits held by all commercial banks. Using a different type of comparison, and including only national banks, at the end of 1940 there were only 90 national banks out of 5,150 such banks that had total resources in excess of $50 million and these 90 banks held 63 percent of all the resources in the national banking system. At the end of 1955 there were 280 national banks out of 4,700 such banks with resources in excess of $50 million and these 280 banks held 69 percent of all the resources in the national banking system. It is apparent from these figures that the group of 100 largest commercial banks hold a smaller percentage of the Nation's banking resources today than was the case 14 years ago, and that there is a greatly increased number of fairly large banks to compete effectively against the top group composed of the 100 largest banks. Competition in banking is as keen or keener today than at any time in our history.

The increased number of bank consolidations and mergers has given rise to some apprehension that desirable levels of competition in banking might not be maintained unless legislation were enacted requiring that full consideration be given to the competitive aspects of such transactions prior to their being approved by the Federal official having jurisdiction. The President of the United States in his January 1956 economic report to Congress (p. 79) recommended that legislation be enacted which would extend Federal regulation to all mergers of banking institutions.

The consolidation and merger of banks or the absorption of banks by the purchase of their assets and the concurrent assumption of their deposit liabilities by other banks are in the form of asset acquisitions rather than stock acquisitions and do not come within the prohibitions and limitations of section 7 of the Clayton Act (15 U. S. C. 18). That statute prohibits corporate mergers where there may be a substantial lessening of competition or a tendency to create a monopoly and applies to the acquisition of bank stocks but not to the acquisition of bank assets. Insofar as that statute is applicable to banks (bank holding companies frequently use the stock acquisition method to expand) it is administered by the Board of Governors of the Federal Reserve System with concurrent jurisdiction in the Department of Justice.

Even though that statute does not apply to bank asset acquisitions it has been the practice of the Comptroller in passing upon proposed transactions requiring his approval to consider their competitive aspects. When approval is requested for any of these transactions, the proposal is examined in the light of what is regarded as the Comptroller's primary duty—to exercise the responsibilities placed upon him in such a way as to promote a strong and sound national banking system, and one which will grow with American business and industry so that it can provide the financial services necessary for the continued growth of our economy. Among the things which are first considered in connection with such proposals is the effect upon the soundness of the national banking system, the effect upon the convenience and needs of the community concerned, the effect upon the particular banks involved, whether the resulting institution will be capably managed, soundly capitalized and in a sound asset condition, and whether the plan is fair and equitable to the stockholders of each of the banks. If it is decided that the proposal may be approved on the basis of these factors, consideration is then given to the effect which its consummation will have upon competition in the area; i. e., whether the effect thereof in any section of the country may be harmful through lessening of competition unduly. In making this determination the more important factors considered would include the following:

1. The number, and the capital structure, deposits, and loans, of banks operating in the city and area served. A comparison of the projected percentage of total banking resources in the field of operations to be held by the merged bank with those of competing banks provides one basis for determining the possible effect of the merger on banking competition.
2. The lending activities of the merging banks. A comparison of the lending policies and a comparison of the character and volume of loans to manufacturers, commercial enterprises, farmers, brokers, home owners and consumers, and the extent to which the banks have common borrowers provide an insight into the extent to which the merger might lessen competition in the loan field.
3. The deposit structure of the banks involved. The relative volume of demand, savings and public fund deposits; the character of those deposits such as deposits of banks, corporations, small business enterprises, farmers, and individuals, the amount of the average deposit; and the number of common depositors, aid in disclosing the extent to which the merger might lessen competition in the deposit field.
4. The geographic distribution of any branch offices of the merging banks as related to the extent of existing competition between those branches and the competition that would be provided by other banks if the merger were to be approved.
5. The extent of the activities of the banks in trust department business. The comparative volume of the assets of the trust departments of the merging banks, the relative volume of their fiduciary activities in the various fields such as pension and profit sharing, agency, court, testamentary, corporate, and other fiduciary activities, and the number of accounts in common, give an insight into the extent to which the merger might lessen competition in the trust field.
6. A comparison of interest rates on loans and deposits and service charges of the merging banks, and also a comparison in these respects with competing banks which would remain if the merger were to be approved.
7. The extent to which lending institutions other than banks are a factor of importance in supplying the credit needs of the section and as such may be considered as providing competition to banks.

In varying degrees each of the above factors relating to competition has a bearing on whether a proposed acquisition of assets might substantially lessen competition or tend to create a monopoly. If the competitive factors might appear unduly to lessen competition, these factors would need to be balanced against the elements of desirability or need that may be present in the banking factors in arriving at a final decision. If the proposed asset acquisition fails to meet reasonable banking standards, the Comptroller's approval would be withheld on that point alone.

Several bills have been introduced in Congress designed to prohibit asset acquisitions in the form of bank consolidations, mergers, or purchases if there might result a substantial reduction in competition or a tendency to create a monoply. At least 2 of these bills, H. R. 2115 and H. R. 6405, would achieve this goal through an amendment to the banking statutes with jurisdiction being placed in the 3 Federal bank supervisory agencies. Two of the bills, H. R. 5948 and H. R. 9424, would achieve this goal by amending section 7 of the Clayton Act to bring asset acquisitions by banks within its scope. H. R. 9424 would also require that 90 days' notice of a proposed acquisition of bank stock or bank assets be given to the Board of Governors of the Federal Reserve System and the Attorney General where the combined capital, surplus, and undivided profits of the acquiring and acquired corporations are in excess of $10 million. H. R. 5948 and H. R. 9424 have both been passed by the House of Representatives, but neither has yet been acted upon by the Senate. Under these bills the Board of Governors of the Federal Reserve System would have jurisdiction to determine whether in any proposed bank consolidation, merger, or purchase there might result a substantial lessening of competition or a tendency to create a monoply. There would be concurrent jurisdiction in the Department of Justice.

The Comptroller does not favor the technical method of H. R. 5948 and H. R. 9424, nor the jurisdictional scope that would be achieved by their enactment. Banking is a supervised and regulated industry, and our dual banking system is one composed of well designed checks and balances that have been the outgrowth of long and, at certain periods in our history, unhappy experience. They may seem complicated but these checks and balances that comprise our dual banking system in the form of (1) a national banking system under the Comptroller of the Currency, but with the requirement that all national banks located in the continental United States must be members of the Federal Reserve System and of the Federal Deposit Insurance Corporation, and (2) 48 separate and distinct State banking systems under the supervision of State officials, and whose banks may or may not choose to apply for membership in the Federal Reserve System and the Federal Deposit Insurance Corporation, assure an aggressive and progressive climate for banking which rebounds to the benefit of the public. State banks which are accepted for membership in the Federal Reserve System must be insured by the Federal Deposit Insurance Corporation and are examined and supervised by the Federal Reserve Banks in addition to the primary supervision given by the respective State government officials. State banks which are not members of the Federal Reserve System but are members of the Federal Deposit Insurance Corporation are examined and supervised by that corporation in addition to the primary supervision of the State government officials. Only the State banks that are neither members of the Federal Reserve System nor the Federal Deposit Insurance Corporation, and there are only 498 of such institutions in the United States with less than 1½ percent of the country's commercial banking resources, have no form of Federal bank supervision.

It will be appreciated that the powers of the 3 Federal bank supervisory agencies as between themselves, and the powers of the Federal Reserve System and the Federal Deposit Insurance Corporation in relation to those of the 48 State banking departments, require delicate balance plus a large measure of cooperative good will to function with complete effectiveness. That is the present status.

Under existing statutes, the Comptroller of the Currency is required to approve or deny all consolidations, mergers, and purchases where the continuing or acquiring bank is a national bank. The 48 State banking departments occupy a similar position where the continuing or acquiring bank is a State-chartered institution. However, if the continuing or acquiring State-chartered bank is a member of the Federal Reserve System, and a diminution is to occur in the combined total of the merging banks' capital or surplus, the approval of the transaction by the Board of Governors of the Federal Reserve System is also required. If the continuing or acquiring State-chartered bank is not a member of the Federal Reserve System, but is insured by the Federal Deposit Insurance Corporation, and the combined total of the merging banks' capital or surplus will be reduced, the approval of the Federal Deposit Insurance Corporation is also required to the transaction.

H. R. 5948 and H. R. 9424 would cut across all of these fields of authority without distinction and vest in the Board of Governors of the Federal Reserve System, with concurrent jurisdiction in the Department of Justice, the entire responsibility of determining in every type of bank consolidation, merger or purchase whether the competitive aspects are such that it must be disapproved. We do not believe that this can fail to have injurious and far-reaching effects on our dual banking system. It gives the Federal Reserve System complete dominance in this part of the field of banking supervision, a position it has publicly stated it does not desire, and adds the Department of Justice as an additional Federal agency with which the 48 State banking departments would have to coordinate in their supervisory duties. Moreover, in effect, it would require merging banks to secure the approval in every case of at least 2, and in some cases of 3 or even 4 Federal agencies.

It is the view of the Comptroller that it is desirable that there should be Federal banking legislation which would formalize the consideration of competitive factors in bank mergers now given by the supervisory agencies. While, as stated above, the Comptroller does consider competitive factors in national bank mergers and has rejected some proposals on this basis, it is preferable to have authority in this respect made statutory. If legislation is enacted which would require Federal consideration of competitive factors in bank mergers, the consideration of those factors should be placed in the banking agencies which have an expert knowledge of the banking industry, and which have, it is believed, worked out satisfactory methods of coordinating their activities with those of State banking officials. It is the view of the Comptroller that healthy competition is important in banking and should be maintained and encouraged. However, it is believed that it is in the best interests of the public as well as that of banking that competitive factors alone should not necessarily be conclusive as would be the case if H. R. 5948 or H. R. 9424 were adopted, but that those factors should be weighed in conjunction with banking factors in order to arrive at sound decisions. The banking supervisory agencies, whose officials are intimately familiar with banking in all its phases, including competition, throughout the United States, are in a position to do this. Accordingly, it is recommended that any legislation enacted by Congress to require consideration of competitive aspects of bank mergers be in the form of an amendment to the banking statutes and not an amendment to the Clayton Act.

It is recommended also that Clayton Act language should not be used with respect to banks, as greater flexibility is needed in the case of banks than in the case of industrial corporations generally, and that any legislation enacted should require the approving bank supervisory agency to take into consideration whether the effect of a particular merger or other form of asset acquisition might be to lessen competition "unduly" or to tend "unduly" to create a monopoly. The use of the word "unduly" is desirable because its interpretation is slightly broader than that of the word "substantially" and its use would give the banking agencies needed flexibility. There will be circumstances in which a bank merger may be desirable in the entire public interest even though it might incidentally result in a "substantial" but not an "undue" lessening of competition.

New Charters to Organize National Banks

Seventy-one applications to organize new national banks were filed during 1955. Approval was given to 38 applications, 23 cases were denied, 2 were abandoned, and 8 were pending. The 38 approved cases have resulted or will result in the organization of new national banks in the following States.

State:	*Number of new banks*	*State:*	*Number of new banks*
California	1	Oklahoma	1
Florida	13	Pennsylvania	1
Georgia	1	South Dakota	1
Illinois	5	Texas	9
Missouri	1	Washington	2
Montana	1		
New York	1	Total	38
Ohio	1		

Outmoded Articles of Association

During the summer of 1954 it was thought desirable to write to those national banks operating under outmoded and obsolete articles of association and suggest that a set of modern articles, approved by the Comptroller, be presented to their shareholders at an annual or special meeting for their required statutory approval. Of the 466 national banks so notified, 321 of the banks had taken the required steps at the end of 1955 to provide modern articles; 42 additional banks have indicated their intention to take such action at a reasonably early date.

Legislation Proposed

During the past year there were several legislative proposals which would amend the national banking laws but which have not thus far been enacted.

The Comptroller has recommended to the Congress legislation (S. 3629) which would permit national banks to make 18-month construction loans to finance the construction of commercial or industrial properties, provided that there is a firm take-out commitment from a financially responsible lender. This legislation would also increase the aggregate limit on construction loans which are not regarded as real-estate loans but are classed as ordinary commercial loans, from 50 percent of capital to 50 percent of capital and surplus. It is the purpose of the proposed changes to enable national banks to make safe and desirable loans on the basis of security which they are now unable to accept and to enable them better to compete with State banks in this field of financing. A proposal to this effect was adopted by the Senate during 1955 as an amendment to other legislation, but was not accepted by the House of Representatives.

The proposed legislation would also liberalize the powers of national banks to lend on the security of real property leaseholds. The present law permits national banks to lend on a leasehold (1) under a lease for not less than 99 years which is renewable, or (2) under a lease having a period of not less than 50 years to run from the date the loan is made or acquired. It is proposed to permit national banks to lend on the security of a leasehold under a lease having not less than 10 years to run beyond the maturity date of the loan. The present restrictions on lending on leaseholds are unduly restrictive.

The Comptroller has also recommended to the Congress legislation (S. 2996) which will eliminate the requirement that national banks notify this office of declarations of dividends. These reports no longer serve a useful purpose and it is desirable to relieve national banks of the unnecessary burden of furnishing them. This proposed legislation would also change from 5 to 10 days the period allowed national banks in which to furnish call reports to the Comptroller of the Currency. Five days is usually too short a period for banks to compile the necessary data in the proper form.

There has been introduced in Congress legislation (S. 256) which would eliminate mandatory cumulative voting in the election of directors of national banks. This legislation would, however, permit cumulative voting if provided for in a bank's articles of association. The experience of the Comptroller's office has been that a national bank can best be operated when there is a high degree of unity in the directorate, and that the successful operation of any bank depends upon confidence—confidence of stockholders in the management, confidence of different members of the management body in each other, and confidence of the depositors and the community in the bank as an organization. Confidence is not engendered by having a minority group force itself on the directorate of a bank by the use of the cumulative voting provision, thereby lessening the mutual confidence of the directorate, and, in some cases, the confidence of the community in the bank. For this reason the Comptroller favors the proposed legislation. This proposed legislation has been passed by the Senate but has not been acted upon by the House of Representatives.

Several bills have been introduced in Congress which would permit national banks to underwrite eligible revenue bonds up to their 10 percent limit. No position has been taken on this proposed legislation.

Legislation Enacted

Public Law 266 of the 84th Congress, approved August 9, 1955, amended section 5221 of the Revised Statutes to eliminate the requirement that national banks going into voluntary liquidation must publish notice of that fact in a newspaper published in the city of New York. This legislation was enacted at the recommendation of the Comptroller of the Currency.

Public Law 343 of the 84th Congress, approved August 11, 1955, amended section 24 of the Federal Reserve Act (1) to permit national banks to make amortized mortgage loans having a maturity in excess of 10 years but not in excess of 20 years, provided that the terms are such that the installment payments are sufficient to amortize 100 percent of the principal of the loan within a term of 20 years; (2) to permit national banks to make amortized mortgage loans in amounts up to 66⅔ percent of the appraised value of the real estate offered as security rather than the former 60 percent; and, (3) to extend the maximum duration of residential and farm construction loans which are not to be regarded as real estate loans from 6 to 9 months. The Comptroller of the Currency recommended legislation to extend the maximum duration of amortized mortgage loans to 20 years, and to extend from 6 to 9 months the maximum duration of residential and farm construction loans. The increase in percentage of appraised value was not objected to by the Comptroller of the Currency although that change was not included in his initial recommendations.

Public Law 496 of the 84th Congress, approved April 27, 1956, amended section 5146 of the Revised Statutes to require that two-thirds, instead of the former three-fourths, of the directors of national banks must reside, and must have resided for at least 1 year preceding their election, within the State in which the bank is located or within 100 miles, instead of the former 50 miles, of the bank. This legislation was enacted at the recommendation of the Comptroller of the Currency.

Public Law 502 of the 84th Congress, approved April 30, 1956, amended section 5240 of the Revised Statutes, which requires the Comptroller of the Currency to examine every national bank twice in each calendar year, to permit the Comptroller to waive 1 of the required 2 examinations. The Comptroller may not, however, waive an examination with respect to any particular bank more frequently than once in any 2-year period. The legislation also permits assessments for examinations to be made upon the banks in proportion to their assets and resources on dates to be determined by the Comptroller rather than at the dates of examinations, and permits the Comptroller to assess against national banks having trust departments the expense of examinations of those departments. This legislation was enacted at the recommendation of the Comptroller of the Currency.

Amendment, Section 10 (c), Regulation F

During the year 1955 the Board of Governors of the Federal Reserve System amended section 10 (c) of Regulation F governing the exercise of trust powers by national banks so as to permit the commingling or collective investment of trust funds of pension, profit-sharing or stock bonus plans held by the national bank as fiduciary, where such commingling or collective investment is authorized by the provisions of the governing trust instrument.

Under the provisions of section 17 of Regulation F, national banks are authorized to establish common trust funds for the collective investment of funds of individual trust accounts. Participation in common-trust funds by any one individual fiduciary account is limited to $100,000. As this limit was not considered sufficient or desirable for the administration of pension, profit-sharing, or employee-benefit trusts, section 10 (c) was amended to permit the collective investment for these accounts without requiring the use of a common-trust fund under the provisions of section 17.

Several national banks have by resolution of their board of directors established commingled trusts under section 10 (c), as amended, for the collective investment of funds of pension, profit-sharing, and employee-benefit trusts. The plans thus established may be joined by various corporations within the provisions and requirements of the initial plans as adopted. To join such a commingled plan, a bank or other corporation, by resolution of its own board of directors, adopts a pension or welfare plan with specific provision for joining the trust already established and in operation in the trustee bank.

Statistics have not been sought as to the number of such plans currently in operation in the trust departments of national banks or the number of participating pension and welfare accounts in such plans. It is believed that the commingled plans for collective investment under section 10 (c) of Regulation F, as amended, constitute only a very small proportion of the pension, profit-sharing, or welfare accounts under administration in national bank trust departments at the present time. By a contemplated revision in the report of examination of trust departments, the volume of commingled pension trusts in each national bank will be reported to our office.

Bank Holding Company Legislation

Public Law 511 of the 84th Congress, approved May 9, 1956, enacted into law the Bank Holding Company Act of 1956. Thus bank holding company legislation, which has been under consideration by Congress for many years, and which has been favored in general by the Comptroller of the Currency, has been adopted.

The act defines bank-holding company to include any company which owns or controls 25 percent or more of the voting stock of each of 2 or more banks, or of a bank-holding company, and it requires all bank-holding companies to register with the Board of Governors of the Federal Reserve System within 180 days after enactment of the legislation or within 180 days after becoming a bank-holding company.

Under the act, without the prior approval of the Board, no company may (1) acquire direct or indirect ownership or control of any voting shares of any bank which will make its ownership of such shares exceed 5 percent of the voting shares of the bank; (2) acquire all or substantially all of the assets of a bank unless the bank-holding company is itself a bank; or (3) merge or consolidate with any other bank-holding company; nor may a subsidiary of a bank-holding company other than a bank acquire all or substantially all of the assets of a bank, without the prior approval of the Board. Upon the receipt of an application for approval of any such transaction, the Board is required to give notice to the Comptroller of the Currency if a national bank is involved, or to the appropriate supervisory authority of the interested State if a State bank is involved, and to allow 30 days within which the views and recommendations of the Comptroller of the Currency or the State supervisory authority may be submitted. If either of these officials disapproves the application the Board is then required to hold a hearing, and to grant or deny the application on the basis of the record made at the hearing. No application may be approved by the Board which will permit any bank-holding company or any subsidiary thereof to acquire any voting shares of, interest in, or substantially all the assets of any additional bank located outside the State in which the holding company maintains its principal office and place of business or in which it conducts its principal operations unless the acquisition of the shares or assets of a State bank by an out-of-State holding company would be specifically authorized by the statute laws of the State in which the bank is located.

In determining whether or not to approve any acquisition of assets or merger or consolidation for which its approval is required by the act, the Board must take into consideration the following factors: (1) The financial history and condition of the company or companies and the banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of such acquisition or merger or consolidation would be to expand the size or extent of the bank-holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

No bank-holding company may, under the provisions of the act, acquire direct or indirect ownership of any voting shares of any company which is not a bank, nor may it retain after 2 years from the date of enactment of the act direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank-holding company, nor may it engage in any business other than that of banking or managing or controlling banks or furnishing services to or performing services for its subsidiary banks. There are some exceptions to this prohibition.

Under the act no bank may invest any of its funds in the capital stock or obligations of its parent bank-holding company or any subsidiary thereof, nor accept such shares or obligations as collateral security, nor make any extension of credit to its parent bank-holding company or any other subsidiary of the parent bank-holding company.

The act amends the Internal Revenue Code of 1954 to permit a bank-holding company to distribute to its stockholders the property required to be disposed of, or the property by reason of the ownership of which the company is a bank-holding company, without recognition of gain to the stockholders. This distribution may be either direct or by means of transferring the assets to a newly created corporation and distributing the stock of that corporation to the stockholders of the bank-holding company.

The Board is authorized to issue such regulations and orders as may be necessary to enable it to administer and carry out the purposes of the act and to prevent evasions thereof.

Any party aggrieved by any order of the Board under the act may obtain judicial review by the appropriate United States Court of Appeals.

Any company which willfully violates any provision of the act or any regulation or order issued by the Board pursuant to the act may be fined not more than $1,000 for each day during which the violation continues, and any individual who willfully participates in a violation of any provision of the act may be fined not more than $10,000 or imprisoned not more than 1 year or both.

Litigation

During the past year there were court decisions in two cases in which the Comptroller of the Currency was involved. The first of these was *Overby* v. *United States Fidelity & Guaranty Company* (5th Cir. 1955), 224 F. 2d 158. In this case reports of examinations made by the Comptroller's examiners and furnished to the First National Bank of Auburn, Ala., for the use of its directors, together with all correspondence between the Comptroller's office and the bank over a period of years, were subpoenaed. In keeping with the traditional position of the Comptroller of the Currency that these documents are confidential papers of the Treasury Department, and that they are privileged against disclosure, there was filed in this litigation an assertion of interest and claim of privilege made by Acting Secretary of the Treasury A. N. Overby. This assertion of interest and claim of privilege was denied by the United States District Court, and an appeal was taken to the United States Court of Appeals for the Fifth Circuit. That court did not discuss the subject of governmental privilege against disclosure of official information as it held the order to produce was in such broad terms as to require reversal of the lower court decision. The court pointed out that much of the matter claimed to be privileged and which would have to be produced under the order bore no possible relevance to the litigation, and there was no necessity for requiring its production. The court suggested that there should be prepared detailed written interrogatories or requests calling for the production of such parts only of the documents as might be pertinent to the litigation, describing the same as accurately as could be done, and that the Secretary of the Treasury might be willing to furnish such information without claiming privilege. Subsequent to this decision the litigation between the bank and the surety company was settled.

The second case was that of *Michigan National Bank* v. *Gidney* (D. C. Cir. 1956), decided April 5, 1956. This suit was one brought by the Michigan National Bank of Lansing, Mich., against the Comptroller of the Currency seeking a declaratory judgment that the Comptroller was not precluded by Michigan law from approving the establishment by the bank of an additional branch in Saginaw, Mich., where it already had one branch. The Comptroller had declined to approve the branch on the grounds that under the applicable statutes the branch could not legally be established. The Comptroller's decision in this matter was in accord with opinions rendered on the legal questions involved by the attorney general of the State of Michigan, by counsel for the Comptroller's office, and the general counsel of the Treasury Department. Cross motions for summary judgment was granted. An appeal from this decision was taken to the United States Court of Appeals for the District of Columbia. That court held that the Comptroller's action in denying the branch was based upon a proper construction of applicable law, and affirmed the district court decision.

Fiduciary Activities of National Banks

As of December 31, 1955, there were 1,727 national banks which had been authorized by the Board of Governors of the Federal Reserve System to administer fiduciary accounts, either full or limited. Under these authorizations there were also 64 trust departments in branches of national banks. There were 247 banks not acting under any of their granted powers. During the year 1955 there were 1,439 head office trust department examinations conducted and 60 branch examinations, making a total of 1,499 examinations of trust departments in national banks. Trust department assets totaled $37,187,830,514 at the end of 1955, including $24,185,779,339 in agency, escrow, custodianship, and corporate accounts held in the trust department. Various comparative statistical data concerning fiduciary activities of national banks are presented in tables in the appendix of this report.

While carrying values for trust department assets have not been standardized throughout the country, there have been relatively few changes of system within individual organizations. Some substantial changes have been occasioned by the conversion of banks both into and out of the national banking system, but otherwise, because of the relatively few changes of system, the figures presented herein are fairly comparable, even though they do not reflect total current market values. Fiduciary accounting by corporate fiduciaries does not permit the maintenance or tabulation of statistics based upon current market values. Therefore, accurate information as to aggregate market values cannot be obtained without requiring special reports imposing a substantial burden upon the banks.

In corporate financing national banks were acting as trustee for bond and debenture issues totaling $17,358,441,198 in 8,056 accounts as of December 31, 1955. They were also acting as registrar in 3,060 accounts and as transfer agent in 3,153 accounts.

Of the total liabilities for all activities of the trust departments of national banks, 22 percent was in living trusts, 13 percent in court accounts, 54 percent in agency, escrow, custodianship type accounts, and 11 percent in all other accounts.

Of the total liabilities of the trust departments of national banks in all Federal Reserve districts, 33.1 percent was in the 7th district, 7.3 percent in the 6th district, Atlanta; 6.1 percent in the 2d district, New York; 5.2 percent in the 10th district, Kansas City, and the remaining 5 districts had less than 5 percent each.

Gross trust department earnings for national banks during 1955 totaled $103,033,000.

Stock of the trustee banks held in their own trust departments by national banks is presenting an increasing problem, although not one of serious proportions. Very little of the stock is acquired by purchase, because Regulation F, issued by the Board of Governors of the Federal Reserve System governing the fiduciary activities of national banks, prohibits the purchase of such stock except when expressly required by the provisions of the trust instrument, or specifically authorized by order of the court, and in such cases the bank normally may exercise no discretion as to the retention or disposition of the stock. Most of the stock of the trustee bank held in fiduciary accounts is acquired from a decedent or trustor as a part of the original inventory of a trust or estate and is held subject to the discretion of the bank. In the discretionary retention of its own stock by a national bank as fiduciary there exists a strong possibility of a conflict of interest under which it is difficult, if not impossible, for the bank to exercise an unbiased discretion. Additional problems are occasionally presented in capital increases, primarily due to the above-mentioned regulations prohibiting puchase of such stock, and in voting the stock, due to statutory restrictions. National banks are advised that emphasis should be placed, not on ways and means of retaining the stock without liability, but on ways and means of reducing the amount of the bank's stock held in fiduciary capacities without conflicting with the provisions and objectives of the trust instruments.

Under authority of Regulation F, there were 105 common trust funds in operation in 94 national banks at the end of 1955. These common trust funds have been established to make collective investments of trust funds primarily in the smaller fiduciary accounts, thereby resulting in wider diversification of investment and less risk of loss to the individual accounts. Assets in common trust funds aggregated $542,378,548 as of December 31, 1955, at ledger carrying values.

Pension, profit-sharing, and other employee benefit trusts created by banks and by other employers are becoming a substantial part of the fiduciary business of national banks. While statistics are not yet maintained as to the number of such accounts or market value of their assets under administration in the national banks, a survey made by contacting several major trust departments indicates that probably 15 percent of all fiduciary business of national banks at the present time consists of employee welfare or benefit accounts. The form for reporting examinations of the trust departments of national banks is therefore being revised to include specific information on pension, profit-sharing and other employee benefit trusts held by the national banks and the information so obtained will substantially parallel information currently being collected by the Board of Governors of the Federal Reserve System from their reports of examination of State member banks.

The pension, profit-sharing, and other employee benefit accounts in the national bank trust departments fall generally into three categories: (1) Those accounts wherein the bank as trustee has full responsibility for administration, including investment of the funds and disbursement of benefits, (2) those accounts wherein the bank, although designated as trustee, may act only upon written directions of a committee, generally composed of employees of the employer corporation, and (3) those accounts for which the bank acts solely as agent or custodian.

In the administration of any fiduciary account a national bank is governed by the terms of the trust instrument by which it was appointed, the provisions of Regulation F issued by the Board of Governors of the Federal Reserve System, and by the statutes of the State in which the bank is located. In addition, the bank as fiduciary must observe certain requirements of the Internal Revenue Code which includes special provisions concerning pension, profit-sharing, stock bonus, and annuity plans. In the supervision of national banks our examiners review the various fiduciary accounts to determine adherence to law, regulation and sound fiduciary practice, the primary purposes being to protect the rights of beneficiaries and the solvency of the banks.

In the investment of funds of pension, profit-sharing and other employee benefit trust accounts, the national banks with very few exceptions follow recognized sound policies and somewhat standard investment procedures. The funds are usually invested in bonds and stocks of good investment quality. Bonds are usually a higher percentage of total investments, with stocks generally between 25 and 50 percent of the total. Common stocks are purchased in higher percentages than preferred stocks.

Opinion seems to be divided as to the advisability of the purchase of stock or obligations of the employer company as an investment for pension, profit sharing, or other employee welfare accounts. In such accounts created by a national bank for its own employees and administered in its trust department, Regulation F prohibits the purchase of stock of the bank unless such investment is expressly required by the provisions of the trust instrument. Fundamentally, this office is opposed to placing stock of the employer national bank in a pension trust for its employees, other than to a limited extent, the theory being that an employee's retirement should not be dependent upon the continued success of his employer.

Legislation currently pending (S. 3873) will involve all employee benefit accounts whether or not they are administered by banks. This act proposes that all employee welfare or benefit plans will be registered with the Securities and Exchange Commission for the purpose of protecting the revenue of the United States and the rights of the beneficiaries of the various plans. Comprehensive annual reports are also to be filed with the Securities and Exchange Commission. These reports will reflect investments in securities or properties of all parties in interest, including stock of the employer bank, and investment concentrations. Copies of the annual reports are to be furnished to the employees beneficiaries.

All national banks which are exercising fiduciary powers are endeavoring to supervise and administer their trust departments in full accordance with the provisions of law and sound fiduciary practice. The interests of the various beneficiaries are given prime consideration and the loss in national banks due to faulty administration of fiduciary accounts continues to be almost negligible.

General comparative figures of fiduciary activities

Dec. 31—	Number of banks exercising trust powers	Aggregate trust department liabilities	Outstanding bonds and debentures	Gross trust department earnings	Common trust funds		Number of accounts			
					Number	Amount	Fiduciary	Agency, etc.	Corporate trust, bond and debenture issues	Other accounts
1928	1,585	$3,297,310,000	$7,978,389,000	$16,165,000	----------	----------	[1] 53,853	([2])	9,923	([2])
1951	1,512	36,136,628,000	14,550,564,000	75,130,000	([2])	([2])	171,589	78,171	([2])	([2])
1952	1,513	39,665,972,000	16,051,953,000	80,627,000	60	$187,392,016	184,125	72,725	7,217	33,893
1953	1,513	43,150,202,000	17,625,838,000	85,990,000	71	213,929,020	194,231	77,473	7,611	37,370
1954	1,503	47,938,669,000	19,485,675,000	100,761,000	88	276,970,954	207,157	82,032	8,011	38,396
1955	1,480	37,187,831,000	17,358,441,000	103,033,000	105	542,378,548	214,383	74,832	8,056	34,543

[1] Includes agency accounts in 1928.
[2] These figures were not developed at that time.

Organization and Staff

On December 31, 1955, the Office of the Comptroller of the Currency had in its employ 1,137 persons. Of these 199 were assigned to the Washington office, including 33 in the Federal Reserve Issue and Redemption Division, which is an expense of the Federal Reserve banks. During the year the total personnel in the Washington office was increased by 1 and the total field force was increased by 25 persons.

Twenty-two national bank examiners and 81 assistant national bank examiners left the service during the year. In the same period 29 assistants were commissioned national bank examiners, 1 former national bank examiner was reappointed, and 126 new assistants were appointed. Four assistant examiners returned from military furlough, leaving a total of 258 examiners and 567 assistants in the service at the end of the year.

Chief National Bank Examiner William P. Folger retired on June 30, 1955, after many years of distinguished service with the Comptroller's office. District Chief National Bank Examiner Hollis S. Haggard was transferred from the Boston district to succeed Mr. Folger and National Bank Examiner Aloysius W. Green was promoted to succeed Mr. Haggard.

District Chief National Bank Examiner Louis H. Sedlacek, in charge of the Cleveland office, resigned on April 17, 1955, and was succeeded by Clarence B. Redman, who had been serving as an Assistant Chief National Bank Examiner in the Washington office. National Bank Examiner Marshall Abrahamson was promoted to Assistant Chief National Bank Examiner to succeed Mr. Redman.

District Chief National Bank Examiner Irwin D. Wright retired from his position in charge of the Chicago office, on April 30, 1955. He was succeeded by Mr. James F. Rush, who had served for many years as an assistant examiner and examiner in the Chicago district.

In the last annual report it was stated that conferences were being had with the Civil Service Commission with respect to the continued recruitment of assistant national bank examiners on an excepted basis under long-established existing procedures and that it appeared continuance of the exception under schedule B of the civil-service regulations, instead of schedule A as formerly, would be approved. During the year an agreement was reached with the Civil Service Commission in this matter and all positions on the national bank examining staff were placed in schedule B, on an excepted basis, effective January 1, 1956. The change of the positions from schedule A to schedule B involves no major changes in recruitment procedures, the principal distinction being that an applicant for appointment as assistant national bank examiner must, under schedule B, qualify in a formal, noncompetitive examination whereas no such formal examination was required under schedule A.

The educational program conducted for members of the examining staff, referred to in previous reports, was continued during the year, this program being designed to improve training procedures for newly appointed assistant examiners and the efficiency of the entire examining staff. As of December 31, 1955, 255 members of the examining staff had completed the extension courses of the American Institute of Banking, and 189 were still enrolled; 39 had completed the graduate-school courses conducted by the American Bankers Association at Rutgers University, the University of Wisconsin, the University of Washington, and the University of Louisiana, and 23 were still enrolled in these courses; and 113 had completed the prescribed courses in the interagency training school established in 1952 by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.

The Office of the Comptroller of the Currency, as previously noted, had 1,137 persons in its employ at the end of 1955. The following data show how these people are utilized, and the various divisions that comprise the working organization of the office.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretarial, typists, clerical	Total
I. EXECUTIVE ORGANIZATION			
(Policy and general supervision, all located in Washington, D. C.)			
Comptroller of the Currency	1	[1] 2	3
Deputy Comptrollers	3	[1] 3	6
Chief National Bank Examiner	1	[1] 1	2
	5	6	11
II. FIELD ORGANIZATION			
(Located in 12 Federal Reserve districts)			
District Chief National Bank Examiners Policy and supervision, subject to I above, of all field activities.	12	[1 2 3] 113	125
National bank examiners Perform examinations of 4,700 national banks and investigations of new branch and charter applications.	246		246
Assistant national bank examiners Assist national bank examiners.		567	567
	258	680	938
III. WASHINGTON STAFF ORGANIZATION			
(*a*) Examining Division Assistant Chief National Bank Examiners. Receive and analyze all reports of examination of national and District banks, and investigation reports on new branches and charters. Make recommendations to I as to disposition of cases, and prepare letters to banks, District Chiefs, and others. Confer with bankers, executive and staff representatives of the Federal Reserve System and the Federal Deposit Insurance Corporation, and District Chief National Bank Examiners, regarding banking and supervisory matters. One Assistant Chief also serves as head of the Personnel and Administrative Division, and one also serves as head of the field organization educational programs.	8	[1 2 3 4] 25	33
(*b*) Organization Division Supervises activities of all national and District banks as to corporate and organization matters; i. e., new charters, branches, consolidations, mergers, purchase and assumption cases, sale of new capital stock, stock dividends, articles of association, etc. Final decisions made by I after review with recommendations by Assistant Chief National Bank Examiners, and usually with the benefit of facts and recommendations furnished by District Chief National Bank Examiners and National Bank Examiners.	4	[1 2 3 4] 17	21

See footnotes at end of table.

1955

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretarial, typists, clerical	Total
III. WASHINGTON STAFF ORGANIZATION—continued			
(c) Legal Division Serves as counsel for the Comptroller of the Currency. Considers all legal matters arising in the organization, operation, merging, and discontinuance of national and district banks. Prepares opinions, rulings, and correspondence on legal questions. Assists on all legislative matters. Exercises general supervision over conduct of litigation.	2	[5] 3 [1] 4	9
(d) Personnel and Administrative Division Performs functions relating to recruitment, transfer, promotion, separation, retirement, time and leave. Supervises and includes personnel in mail and files section, supply and duplicating section, stenographic pool, and messenger pool.	1	[1,2,3,6] 25	26
(e) Reports and Precedents Division Maintains all legal and policy precedents; receives reports of examination of all national and district banks from District Chief National Bank Examiners for binding, recording, and distribution; receives all checks in payment of fees for examinations and makes deposits to the Comptroller's Treasury account. Supervises and places orders for printing work that pertains to examining division and the field organization.	1	[1,2,3] 4	5
(f) Statistical Division Compiles data indicative of banking trends for the information of the Comptroller and his staff, Congress, other banking agencies, bankers, economists, and others through examination and tabulation of data incorporated in call reports of condition and reports of earnings and dividends of national and district banks.	2	[1,2,3] 24	26
(g) Auditor for the Comptroller Accountable to the Comptroller of the Currency only. Maintains audits for the Comptroller of all accounts covering funds under control of the Disbursing Office and the Division of Insolvent National Banks, including detailed audits of all collections and disbursements of funds; prepares and submits periodic audit reports to Comptroller; tabulates information and statistics on special subjects.	2	[1,7] 7	9
(h) Disbursing Division Maintains accounts covering funds of Examining Division and of Federal Reserve Issue and Redemption Division and makes all disbursements from these accounts covering payrolls, travel vouchers, and miscellaneous expenses. Makes all purchases of equipment and supplies from Examining Division funds.	2	[1,2,3] 20	22
(i) Federal Reserve Issue and Redemption Division All expenses of this division paid by Federal Reserve banks. Handles the issuance and redemption of Federal Reserve currency as provided under the Federal Reserve Act. Maintains detailed records of all shipments of original currency issues and of unfit currency notes destroyed.	2	[1,2,3,8] 31	33
(j) Insolvent Division Handles correspondence, necessary expenditures of funds, and maintains records relating to national banks liquidated through receivership.	1	[1,3] 3	4
Grand total	288	849	1,137

[1] Secretarial.
[2] Typists.
[3] Clerical.
[4] Administrative.
[5] Assistant counsel.
[6] Messengers.
[7] Accountants.
[8] Money counters.

Expenses of the Bureau

The following is a summary of the operating expenses of the Bureau for the year ended December 31, 1955.

	Bank supervision	Currency issue and redemption	Total
Salaries	$6,366,460.91	$135,341.32	$6,501,802.23
Per diem	1,197,642.79		1,197,642.79
Transportation	448,181.94		448,181.94
Supplies	20,061.89	483.20	20,545.09
Printing, books and periodicals	52,326.06	554.05	52,880.11
Rent	131,792.63		131,792.63
Furniture and fixtures	23,479.95		23,479.95
Communications	55,600.97	672.90	56,273.87
Fixed charges		14,592.26	14,592.26
Maintenance		984.31	984.31
Employer's FICA and insurance fund contributions	21,162.90	443.38	21,606.28
Miscellaneous	39,537.98	2,436.55	41,974.53
Total	8,356,248.02	155,507.97	8,511,755.99

Funds used in payment of the bank supervision costs are derived from assessments against the banks supervised. The cost of operating the Division which handles the currency issue and redemption functions is paid by the Federal Reserve banks.

A comparison of the assets and liabilities of the banks in the national banking system as of December 31, 1954, April 11, June 30, October 5, and December 31, 1955, reported pursuant to calls for condition statements by the Comptroller of the Currency, is shown in the following table.

Assets and liabilities of national banks on dates indicated

[In thousands of dollars]

	Dec. 31, 1954 (4,796 banks)	Apr. 11, 1955 (4,759 banks)	June 30, 1955 (4,751 banks)	Oct. 5, 1955 (4,721 banks)	Dec. 31, 1955 (4,700 banks)
ASSETS					
Loans and discounts, including overdrafts	39,827,678	37,779,821	39,543,504	41,083,563	43,559,726
U. S. Government securities, direct obligations	39,500,738	36,459,789	34,778,270	34,106,314	33,686,583
Obligations guaranteed by U. S. Government	6,261	2,473	2,755	4,037	4,223
Obligations of States and political subdivisions	7,246,304	7,117,452	7,026,071	7,145,936	6,993,984
Other bonds, notes, and debentures	1,956,124	2,036,213	2,002,463	1,986,499	1,955,466
Corporate stocks, including stocks of Federal Reserve banks	222,831	204,406	211,795	212,872	217,074
Total loans and securities	*88,759,936*	*83,600,154*	*83,564,858*	*84,539,221*	*86,417,056*
Cash, balances with other banks, including reserve balances, and cash items in process of collection	25,721,897	23,078,639	22,955,455	22,776,906	25,763,440
Bank premises owned, furniture and fixtures	904,037	896,278	908,286	928,273	962,111
Real estate owned other than bank premises	16,607	21,589	18,249	21,029	23,709
Investments and other assets indirectly representing bank premises or other real estate	56,009	59,112	67,183	72,955	78,839
Customers' liability on acceptances	291,881	193,998	145,901	144,791	125,671
Income accrued but not yet collected	227,699	237,969	232,001	227,085	225,712
Other assets	172,503	165,496	167,414	172,235	153,749
Total assets	116,150,569	108,253,235	108,059,347	108,882,495	113,750,287
LIABILITIES					
Demand deposits of individuals, partnerships, and corporations	59,005,232	54,336,811	53,711,457	54,590,107	58,192,878
Time deposits of individuals, partnerships, and corporations	24,676,853	24,627,252	24,963,347	25,077,012	25,151,538
Deposits of U. S. Government and postal savings	2,837,034	2,984,669	3,155,520	2,366,476	2,364,385
Deposits of States and political subdivisions	7,174,667	6,825,739	7,287,142	6,699,178	7,341,424
Deposits of banks	10,717,647	8,501,034	8,316,961	8,661,764	9,320,515
Other deposits (certified and cashiers' checks, etc.)	1,734,380	1,386,525	1,498,499	1,395,499	1,847,249
Total deposits	106,145,813	98,662,030	98,932,926	98,790,036	104,217,989
Demand deposits	*79,016,305*	*71,814,325*	*71,697,623*	*71,483,201*	*76,894,569*
Time deposits	*27,129,508*	*26,847,705*	*27,235,303*	*27,306,835*	*27,323,420*
Bills payable, rediscounts, and other liabilities for borrowed money	11,098	489,086	71,600	702,719	107,796
Mortgages or other liens on bank premises and other real estate	563	464	494	721	1,015
Acceptances outstanding	305,950	198,423	150,628	151,653	136,657
Income collected but not yet earned	323,979	345,789	373,487	409,889	424,991
Expenses accrued and unpaid	571,189	461,849	327,572	460,649	439,535
Other liabilities	687,735	449,292	468,653	458,962	486,375
Total liabilities	108,046,327	100,606,933	100,325,360	100,974,629	105,814,358

Assets and liabilities of national banks on dates indicated—Continued

[In thousands of dollars]

	Dec. 31, 1954 (4,796 banks)	Apr. 11, 1955 (4,759 banks)	June 30, 1955 (4,751 banks)	Oct. 5, 1955 (4,721 banks)	Dec. 31, 1955 (4,700 banks)
CAPITAL ACCOUNTS					
Capital stock (see memoranda below)	2,485,844	2,393,027	2,423,396	2,440,497	2,472,624
Surplus	3,950,552	3,643,227	3,698,464	3,709,659	3,828,335
Undivided profits	1,377,282	1,341,456	1,347,797	1,489,989	1,368,808
Reserves and retirement account for preferred stock	290,564	268,592	264,330	267,721	266,162
Total capital accounts	8,104,242	7,646,302	7,733,987	7,907,866	7,935,929
Total liabilities and capital accounts	116,150,569	108,253,235	108,059,347	108,882,495	113,750,287
MEMORANDA					
Par value of capital stock:					
Class A preferred stock	4,181	3,756	3,696	3,926	3,916
Class B preferred stock	208	200	250	250	250
Common stock	2,481,455	2,389,071	2,419,450	2,436,321	2,468,458
Total	2,485,844	2,393,027	2,423,396	2,440,497	2,472,624
Retirable value of preferred capital stock:					
Class A preferred stock	6,631	4,723	4,622	4,181	4,161
Class B preferred stock	233	225	275	275	275
Total	6,864	4,948	4,897	4,456	4,436
Assets pledged or assigned to secure liabilities and for other purposes (including notes and bills rediscounted and securities sold with agreement to repurchase)	14,090,744	14,615,738	14,107,201	13,908,213	13,914,353

TRENDS IN BANKING

The following table shows the changes that have occurred in recent years in the relationships of the major asset and liability accounts of national banks to the aggregate of assets and liabilities.

Distribution of assets and liabilities of national banks, Dec. 31, 1952–55

	1952	1953	1954	1955
ASSETS				
Securities:	*Percent*	*Percent*	*Percent*	*Percent*
U. S. Government, direct and guaranteed	33.24	32.32	34.01	29.62
Obligations of States and political subdivisions	5.53	5.75	6.24	6.15
Stock of Federal Reserve banks	.15	.16	.17	.17
Other bonds and securities	2.04	1.92	1.71	1.74
Total securities	40.96	40.15	42.13	37.68
Loans and discounts	33.41	34.46	34.29	38.29
Cash and balances with other banks, excluding reserves	12.43	12.18	11.43	12.68
Reserve with Reserve banks	11.98	11.92	10.72	9.97
Bank premises, furniture and fixtures	.69	.73	.78	.85
Other real estate owned	.02	.03	.01	.02
All other assets	.51	.53	.64	.51
Total assets	100.00	100.00	100.00	100.00
LIABILITIES				
Deposits:				
Demand of individuals, partnerships, and corporations	52.42	51.41	50.80	51.16
Time of individuals, partnerships, and corporations	19.90	20.76	21.25	22.11
U. S. Government	2.99	2.56	2.43	2.07
States and political subdivisions	5.80	6.17	6.18	6.45
Banks	9.17	9.22	9.23	8.19
Other deposits (including postal savings)	1.51	1.55	1.50	1.64
Total deposits	91.79	91.67	91.39	91.62
Demand deposits	*70.41*	*69.19*	*68.03*	*67.60*
Time deposits	*21.38*	*22.48*	*23.36*	*24.02*
Other liabilities	1.68	1.60	1.63	1.40
Capital funds:				
Capital stock	2.06	2.09	2.14	2.17
Surplus	3.08	3.20	3.40	3.37
Undivided profits and reserves	1.39	1.44	1.44	1.44
Total capital funds	6.53	6.73	6.98	6.98
Total liabilities and capital funds	100.00	100.00	100.00	100.00

EARNINGS, EXPENSES, AND DIVIDENDS OF NATIONAL BANKS FOR YEAR ENDED DECEMBER 31, 1955

The net profits of national banks before dividends for the calendar year 1955 were $643,000,000, which amounted to 8.12 percent of average capital funds. Net profits for the previous year were $741,000,000, or 9.58 percent of average capital funds. Cash dividends declared on common and preferred stock in 1955 totaled $310,000,000, in comparison with $300,000,000 in the previous year. The rate was 3.91 percent of average capital funds. These dividends were 48 percent of net profits available for the year. The remaining 52 percent of net profits, or $333,000,000, was retained by the banks in their capital funds.

Net earnings from operations of $1,332,000,000 showed an increase of $101,000,000 over the year 1954. Adding to net earnings from operations profits on securities sold of $36,000,000 and recoveries on loans and investments, etc. (including adjustments in valuation reserves) of $99,000,000 and deducting losses and chargeoffs (including current additions to valuation reserves) of $378,000,000 and taxes on net income of $446,000,000, the net profits of the banks before dividends for the year 1955, were $98,000,000 less than for the year 1954.

Gross earnings were $3,437,000,000, an increase of $210,000,000 over 1954. Principal items of operating earnings in 1955 were $1,955,000,000 from interest and discount on loans, an increase of $153,000,000 over 1954, and $757,000,000 from interest on United States Government obligations, an increase of $23,000,000. Other principal operating earnings were $195,000,000 from interest and dividends on securities other than United States Government, and $189,000,000 from service charges on deposit accounts. Operating expenses, excluding taxes on net income, were $2,105,000,000 as against $1,996,000,000 in 1954. Principal operating expenses were $1,008,000,000 for salaries and wages of officers and employees and fees paid to directors, an increase of $36,000,000 over 1954, and $374,000,000 expended for interest on time deposits, an increase of $30,000,000.

Interest and discount on loans accounted for 57 percent of the bank's earnings, varying from 51 percent in the 7th Federal Reserve District to 62 percent in the 11th district. Interest and dividends on securities represented 28 percent of gross earnings for the year, with the banks in the 1st district showing the lowest ratio of 22 percent, while banks in the 7th district showed 35 percent, the highest ratio. Salaries, wages, and fees took 29 percent of gross earnings, ranging from 27.7 percent in the 4th district to 30.9 percent in the 9th and 10th districts. Current operating earnings before income taxes were 39 percent of gross earnings, ranging from 37 percent in the 12th district to 41.5 percent in the 4th district.

The rate of interest and discount on the average loans and discounts for the year varied from 4.21 percent in the 2d district to 5.19 percent in the 6th district. The national average was 4.77 percent. The rate of interest and dividends received on the average securities held was 2.10 percent, and varied from 1.99 percent at the banks in the 1st district to 2.20 percent for the banks in the 3d district.

Current operating earnings before income taxes were 17 percent on the average total capital accounts, varying from 13 percent in the 3d district to 22.3 percent in the 12th district. Net profits after income taxes but before dividiends were, as noted above, 8.12 percent on the average capital accounts, ranging from 6.53 percent in the 3d district to 10.43 percent in the 12th district.

Summaries of the earnings, expenses, and dividends of national banks for the years ended December 31, 1954 and 1955, are shown in the following table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1954 and 1955

[In millions of dollars]

	1955	1954	Change since 1954
Number of banks [1]	4,700	4,796	−96
Capital stock (par value) [2]	2,460.6	2,386.2	+74.4
Capital accounts [2]	7,924.7	7,739.6	+185.1
Earnings from current operations:			
Interest and dividends on—			
U. S. Government obligations	757.3	733.9	+23.4
Other securities	195.4	189.5	+5.9
Interest and discount on loans	1,954.5	1,801.7	+152.8
Service charges on deposit accounts	188.9	174.9	+14.0
Other current earnings	340.5	326.3	+14.2
Total	3,436.7	3,226.3	+210.4
Current operating expenses:			
Salaries, wages and fees	1,008.4	972.3	+36.1
Interest on time deposits (including savings deposits)	374.0	343.7	+30.3
Taxes other than on net income	101.5	96.8	+4.7
Recurring depreciation on banking house, furniture and fixtures	59.7	53.6	+6.1
Other current operating expenses	561.6	529.7	+31.9
Total	2,105.1	1,996.1	+109.0
Net earnings from current operations	1,331.6	1,230.2	+101.4
Recoveries, transfers from valuation reserves, and profits:			
On securities:			
Recoveries	13.7	8.4	+5.3
Transfers from valuation reserves	29.2	25.0	+4.2
Profits on securities sold or redeemed	35.9	244.9	−209.0
On loans:			
Recoveries	14.6	14.2	+.4
Transfers from valuation reserves	18.9	40.2	−21.3
All other	22.9	31.0	−8.1
Total	135.2	363.8	−228.6
Losses, chargeoffs, and transfers to valuation reserves:			
On securities:			
Losses and chargeoffs	122.1	41.4	+80.7
Transfers to valuation reserves	36.3	71.5	−35.2
On loans:			
Losses and chargeoffs	14.3	13.3	+1.0
Transfers to valuation reserves	158.7	134.1	+24.6
All other	46.0	61.1	−15.1
Total	377.4	321.3	+56.1
Profits before income taxes	1,089.4	1,272.6	−183.2
Taxes on net income:			
Federal	428.6	508.5	−79.9
State	17.6	23.0	−5.4
Total	446.2	531.6	−85.4
Net profits before dividends	643.1	741.1	−98.0
Cash dividends declared:			
On preferred stock	.2	.3	−.1
On common stock	309.5	299.8	+9.7
Total	309.7	300.1	+9.6

See footnotes at end of table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1954 and 1955—Continued

[In millions of dollars]

	1955	1954	Change since 1954
Memoranda items:			
Recoveries credited to valuation reserves (not included in recoveries above):			
On securities	2.1	.9	+1.2
On loans	24.8	27.3	−2.5
Losses charged to valuation reserves (not included in losses above):			
On securities	30.8	8.1	+22.7
On loans	54.7	53.9	+.8
Stock dividends (increases in capital stock)	95.8	79.9	+15.9
Ratios:	*Percent*	*Percent*	*Percent*
Expenses to gross earnings	61.25	61.87	−.62
Net profits before dividends to capital accounts	8.12	9.58	−1.46
Cash dividends to capital stock	12.59	12.58	+.01
Cash dividends to capital accounts	3.91	3.88	+.03

[1] Number at end of period. Remaining figures include earnings, expenses, etc., of those banks which were in operation a part of the year but were inactive at the close of the year.
[2] Figures are averages of amounts reported for the June and December call dates in the current year and the December call date in the previous year.

NOTE.—Figures are rounded to the nearest tenth of a million and may not equal totals.

STRUCTURAL CHANGES IN THE NATIONAL BANKING SYSTEM

The authorized capital stock of the 4,700 national banks in existence on December 31, 1955, consisted of common capital stock aggregating $2,470,416,703, a net decrease during the year of $13,085,560, and preferred capital stock of $4,165,670, a net decrease during the year of $222,250. These figures include one bank recently chartered but not yet open for business at the end of the year and excludes one bank which furnished a report of condition in response to the call, although it was merged with another national bank at the close of business on December 31. The capital stock adjustment relative to the merger is reflected in these figures but not in the reports of condition.

In addition to 48 applications with proposed common capital stock of $12,020,000 and $50,000 preferred capital stock carried over from the previous year, 78 applications were received to organize national banks and to convert State banks into national banking associations with proposed common capital stock of $24,212,500. Of these applications, 50 with proposed common capital stock of $16,920,000 and preferred capital stock of $50,000 were approved; 25 with proposed common capital stock of $5,837,500 were rejected; and the remainder had been abandoned or were still pending on December 31. From the applications carried over from the previous year and those approved during 1955, 37 national banking associations with common capital stock of $9,680,000 and preferred capital stock of $50,000 were authorized to commence business. Of the charters issued, 8 with common capital stock of $2,040,000 and preferred capital stock of $50,000 resulted from the conversions of State banks.

Changes in the number and capital stock of national banks during the year ended December 31, 1955, are shown in the following summary.

Organization, capital stock changes, and national banks closed as reported during the year ended Dec. 31, 1955

	Number of banks	Capital stock	
		Common	Preferred
Increases:			
Banks newly chartered:			
Primary organizations	28	$7,540,000	
Reorganizations	1	100,000	
Conversions of State banks	8	2,040,000	$50,000
Capital stock:			
Common:			
215 cases by statutory sale		57,476,710	
367 cases by statutory stock dividend		95,790,326	
4 cases by stock dividend under articles of association		55,500	
34 cases by statutory consolidation		10,233,489	
5 cases by statutory merger		930,890	
Preferred:			
1 case by new issue			500,000
1 case by increase of par value			12,600
Total increases	37	174,166,915	562,600
Decreases:			
Banks ceasing operations:			
Voluntary liquidations:			
Succeeded by national banks	25	5,855,000	
Succeeded by State banks	11	6,150,000	
No successor	1	25,000	
Statutory consolidations	35		
Statutory mergers	14		
Conversions into State banks	4	715,000	
Merged or consolidated with State banks (Public Law 706)	36	142,336,200	15,050
Receiverships	2	75,000	
Capital stock:			
10 cases by retirement			412,300
4 cases by statutory reduction		271,150	
7 cases by statutory consolidation		30,320,125	357,500
7 cases by statutory merger		1,505,000	
Total decreases	128	187,252,475	784,850
Net change	−91	−13,085,560	−222,250
Charters in force Dec. 31, 1954, and authorized capital stock	4,791	2,483,502,263	4,387,920
Charters in force Dec. 31, 1955, and authorized capital stock	4,700	2,470,416,703	4,165,670

NATIONAL BANK NOTES OUTSTANDING

There were, as of December 31, 1955, $66,192,249 of national bank notes outstanding.

ASSETS AND LIABILITIES OF ALL BANKS IN THE UNITED STATES AND POSSESSIONS

The total assets of all classes of active banks in the United States and possessions on December 31, 1955, amounted to $243,105,000,000, an increase of $10,420,000,000 since December 31, 1954.

The total deposits at the end of 1955 amounted to $221,392,000,000, an increase of $9,362,000,000 over 1954. Included in the latter aggregate are deposits of individuals, partnerships, and corporations of $183,879,000,000, an increase of $8,989,000,000 in the year. Deposits of the United States Government, including postal savings deposits, were $4,161,000,000, a decrease of $472,000,000; deposits of States and political subdivisions amounting to $12,768,000,000 showed an increase of $305,000,000, and deposits of banks of $16,661,000,000 were $165,000,000 less than in 1954.

Loans and discounts amounted to $100,575,000,000 in December 1955 after deducting reserves of $1,484,000,000 for possible future losses. The net loans were $14,516,000,000 over the amount reported as of the end of 1954. Commercial and industrial loans of $33,456,000,000 were $6,396,000,000 more than the 1954 figure; real-estate loans of $38,461,000,000 were up $4,880,000,000, and all other loans of $30,142,000,000 increased $3,458,000,000.

The banks held obligations of the United States Government, direct and guaranteed, of $70,310,000,000 in December 1955, a decrease of $7,694,000,000 in the year. Obligations of States and political subdivisions held amounted to $13,396,000,000, an increase of $152,000,000, and other securities held amounted to $7,358,000,000, an increase of $82,000,000. The total of all securities held at the end of 1955 was $91,064,000,000, and represented 37 percent of the banks' total assets. At the end of the previous year the ratio was 42 percent.

Cash and balances with other banks, including reserve balances, in 1955 were $47,979,000,000, an increase of $3,225,000,000 since the previous year.

Total capital accounts were $18,210,000,000, compared to $17,364,000,000 at the end of 1954, an increase of 5 percent.

A statement of the assets and liabilities of all classes of active banks at the end of December 1954 and 1955 follows.

Assets and liabilities of all banks in the United States and possessions, 1954 and 1955

[In millions of dollars]

	Dec. 31, 1955	Dec. 31, 1954	Change since 1954
Number of banks	14,265	14,388	−123
ASSETS			
Commercial and industrial loans (including open-market paper)	33,456	27,060	+6,396
Loans to farmers directly guaranteed by the Commodity Credit Corporation	1,169	2,269	−1,100
Other loans to farmers	3,326	2,957	+369
Loans to brokers and dealers in securities and other loans for the purpose of purchasing or carrying securities	5,078	4,481	+597
Real estate loans	38,461	33,581	+4,880
Other loans to individuals	17,403	14,942	+2,461
Loans to banks	575	240	+335
All other loans (including overdrafts)	2,591	1,795	+796
Total gross loans	102,059	87,325	+14,734
Less valuation reserves	1,484	1,266	+218
Net loans	100,575	86,059	+14,516
U. S. Government obligations, direct and guaranteed	70,310	78,004	−7,694
Obligations of States and political subdivisions	13,396	13,244	+152
Other bonds, notes, and debentures	6,234	6,266	−32
Corporate stocks, including stocks of Federal Reserve banks	1,124	1,010	+114
Total securities	91,064	98,524	−7,460
Currency and coin	2,873	2,657	+216
Balances with other banks, including reserve balances, and cash items in process of collection	45,016	42,097	+3,009
Bank premises owned, furniture and fixtures	1,898	1,706	+192
Real estate owned other than bank premises	47	36	+11
Investments and other assets indirectly representing bank premises or other real estate	124	104	+20
Customers' liability on acceptances outstanding	441	597	−156
Other assets	977	905	+72
Total assets	243,105	232,685	+10,420

See footnote at end of table.

Assets and liabilities of all banks in the United States and possessions, 1954 and 1955—Continued

[In millions of dollars]

	Dec. 31, 1955	Dec. 31, 1954	Change since 1954
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	109,435	103,859	+5,576
Time deposits of individuals, partnerships, and corporations	74,444	71,031	+3,413
U. S. Government and postal savings deposits	4,161	4,633	−472
Deposits of States and political subdivisions	12,768	12,463	+305
Deposits of banks	16,661	16,826	−165
Other deposits (certified and cashiers' checks, etc.)	3,923	3,218	+705
Total deposits	221,392	212,030	+9,362
Demand deposits	142,564	136,373	+6,191
Time deposits	78,828	75,657	+3,171
Bills payable, rediscounts, and other liabilities for borrowed money	174	33	+141
Acceptances executed by or for account of reporting banks and outstanding	472	628	−156
Other liabilities	2,857	2,630	+227
Total liabilities	224,895	215,321	+9,574
CAPITAL ACCOUNTS			
Capital notes and debentures	51	46	+5
Preferred stock	20	24	−4
Common stock	4,636	4,358	+278
Surplus	9,327	8,895	+432
Undivided profits	3,541	3,400	+141
Reserves and retirement account for preferred stock and capital notes and debentures	635	641	−6
Total capital accounts	18,210	17,364	+846
Total liabilities and capital accounts	243,105	232,685	+10,420

NOTE.—Figures for nonnational banks obtained from the Federal Deposit Insurance Corporation.

REPORTS FROM BANKS

National banks in the continental United States, Alaska, the Territory of Hawaii, and the Virgin Islands of the United States were, in accordance with the provisions of section 5211 of the Revised Statutes, called upon to submit 4 reports of condition during the year ended December 31, 1955. Reports were required as of April 11, June 30, October 5, and December 31. Summaries from all condition reports, by States, are published in pamphlet form. National banks were also required by statute to obtain reports, unless waived by the Comptroller, of their affiliates and holding company affiliates other than member banks as of the 4 dates for which condition reports of the banks were obtained and to submit such reports to the Comptroller.

Under the general powers conferred upon him by law, the Comptroller obtained from each national bank during the period indicated semiannual reports of earnings, expenses, and dividends; also reports of condition of foreign branches as of December 31, 1955.

National banking associations authorized to act in a fiduciary capacity were called upon to submit reports of their trust departments as of the close of business on December 31, 1955.

In accordance with section 298 of the code of law for the District of Columbia, banks other than national in the district were required to make to the Comptroller condition reports and reports of earnings, expenses, and dividends identical with those obtained from national banks during the year.

Detailed figures from reports of condition and earnings and dividends will be found in the appendix of this report.

AFFILIATES AND HOLDING COMPANY AFFILIATES OF NATIONAL BANKS

The Federal statute requires each national bank to obtain and submit to the Comptroller periodically reports of its affiliates, as defined in sections 2 (b) and (c) of the Banking Act of 1933, as amended. However, section 21 of the Federal Reserve Act, as amended, provides in part that the Comptroller may waive the requirement for the submission of the report of an affiliate if in his judgment such a report is not necessary to disclose fully the relations between an affiliate and a bank and the effect thereof upon the affairs of the bank. Pursuant to this latter section the Comptroller's waiver of requirement for reports of affiliates provides principally that reports of affiliates (other than holding company affiliates) need not be submitted and published in a newspaper unless the affiliate is indebted to the national bank or the bank owns obligations of the affiliate and the aggregate of such indebtedness and/or investment is carried as an asset on the bank's books at a value in excess of $5,000, or 1 percent of the bank's capital and surplus, whichever is the greater.

At the end of December 1955, 296 member national banks in the United States submitted 333 reports of affiliates. Included in these figures are 180 banks in 22 States which are members of 20 holding company groups. The number of banks in each holding company group varied from 1 to 50. The actual number of reporting affiliates and holding company affiliates was 172.

In addition there were 2 nonnational banks in the District of Columbia which are members of the Federal Reserve System that reported 3 affiliates to the Comptroller pursuant to the provisions of the code of law for the District of Columbia.

LIQUIDATION OF INSOLVENT NATIONAL BANKS

During the year ended December 31, 1955, the Federal Deposit Insurance Corporation was appointed by the Comptroller of the Currency as receiver of 2 insolvent national banks, the First National Bank of Lewisville, Tex., and the Joshua Monument National Bank of Twentynine Palms, Calif. Both receiverships were the outgrowth of large defalcations that absorbed normal surety bond protection that was maintained and an amount in excess of the entire capital structure of each bank. Pursuant to the Federal Deposit Insurance Act of 1950 (Public Law 797), approved September 21, 1950, the liquidation of these 2 banks has not been subject to the supervision of the Comptroller of the Currency.

The one insolvent national bank in process of liquidation under the supervision of the Comptroller of the Currency as of December 31, 1954, was still in process of liquidation as of December 31, 1955. The liquidation of this receivership has been continued because of pending litigation but it presently appears that an early adjudication may be expected.

ISSUE AND REDEMPTION OF NOTES

Six hundred and forty-four shipments of Federal Reserve currency were made from Washington, D. C., during the year ended December 31, 1955, to Federal Reserve agents and Federal Reserve branch banks, aggregating $5,697,560,000, and in addition, 18 deliveries were made to the Treasurer of the United States aggregating $103,000,000.

Four thousand four hundred and sixty-nine lots of unfit Federal Reserve currency were received for verification and certification for destruction consisting of 452,667,258 notes aggregating $5,510,947,355.

There were received 30 lots of national bank notes for verification and certification for retirement and destruction consisting of 184,433 notes aggregating $2,996,415.

One hundred and sixty thousand three hundred and forty-one fragments or charred Federal Reserve and national bank notes aggregating $2,800,210 were presented by the Treasurer of the United States for identification and approval.

EXAMINATION OF NATIONAL BANKS

The National Bank Act requires that each national bank be examined at least twice each year in order that the Comptroller may be kept currently informed of its condition and require such corrections as are deemed necessary with a view to maintaining each bank in sound condition. In addition to the regular examinations, special examinations are conducted of banks the condition of which is regarded as unsatisfactory.

During the year ended December 31, 1955, 8,178 examinations of banks 5,321 examinations of branches, 1,499 examinations of trust departments, and 16 examinations of affiliates were conducted. Twenty-two State banks were examined in connection with conversions to or consolidations with national banks. Investigations were also conducted in connection with applications for 65 new charters and 447 new branches.

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ANNUAL REPORT

OF THE

COMPTROLLER OF THE CURRENCY

STATUS OF NATIONAL BANKING SYSTEM

The 4,659 national banks with total assets of $117,701,982,000 at December 31, 1956, maintained their relative position in the Nation's banking. They held approximately 47 percent of the banking assets in the commercial and savings banks of the Nation, and 54 percent of the commercial banking assets, while State-chartered commercial banks and trust companies, numbering 9,001, held assets of $101 billion, and 528 State-chartered mutual savings banks had assets of $33.3 billion. For all banks, assets were $252 billion, an increase of $8.8 billion for the year, which were held in the following types and categories of banks:

[Figures in millions of dollars]

Type of bank	Members of both the Federal Reserve System and Federal Deposit Insurance Corporation		Members of Federal Deposit Insurance Corporation only		Not members of Federal Reserve or Federal Deposit Insurance Corporation	
	Number	Total assets	Number	Total assets	Number	Total assets
National banks	4,651	[1] 117,344	[2] 7	[1] 144	[2] 1	[1] 214
State commercial banks	1,808	[3] 67,502	6,753	[4] 31,156	440	[5] 2,294
Mutual savings banks	3	[3] 28	220	[4] 25,255	305	[5] 8,028
Total	6,462	184,874	6,980	56,555	746	10,536

Recapitulation

	Number	Branches	Total assets	Increase for 1956
National banks	4,659	3,655	117,702	3,952
State commercial banks	9,001	3,844	100,952	2,871
Mutual savings banks	528	366	33,311	2,037
Head offices	14,188	7,865	251,965	8,860
Branches	7,865			
Total banking offices	22,053			

[1] Supervised by Comptroller of the Currency.
[2] Outside continental United States.
[3] Supervised by State banking departments and the Federal Reserve System.
[4] Supervised by State banking departments and Federal Deposit Insurance Corporation.
[5] Supervised by State banking departments only.

Growth of Financial Institutions

Commercial bank assets increased $6.8 billion over 1955. The 3.2 percent increase was below the average annual growth of 4.5 percent during the past decade. The most rapid growth has occurred in savings and loan associations and mutual savings banks which have been in position to offer more attractive savings interest rates because of their favorable tax status and lower liquidity requirements. Effective January 1, 1957, most of the Nation's commercial banks were permitted to make upward revisions in savings interest rates. Whether this will enable the commercial banks to compete more effectively with the mutual type organizations remains to be seen. Relative growth by classes during the past ten-year period is presented in the following table:

Financial Institutions

[Total assets]

	Dec. 31, 1946	Dec. 31, 1956	Percentage of increase
	(In billions of dollars)		
Commercial banks	151	219	45.0
Mutual savings banks	19	33	73.7
Savings and loan associations	10	43	330.0

Status of National Banks

A reduction in the number of national banks in the national banking system from 4,700 to 4,659 is accounted for through consolidations, mergers, sales, and a few conversions which occurred during 1956. The total assets held by the system at the year end amounted to $117.7 billion reflecting a gain of nearly $4 billion during the year. Of this gain $326 million came through assets acquired in the absorption of State banks by national banks by consolidations, mergers, and purchases, and the conversion of 10 State banks into national banks, and represents the net gain in excess of the aggregate assets of national banks which flowed into the various State banking systems through similar transactions. With a few exceptions, the national banks continue to maintain an excellent condition as measured by the basic tests of competency of management, soundness of assets, capital adequacy, and earning capacity.

Deposits

During 1956, the total deposits of all national banks increased $3.3 billion thereby raising the year end total to $107.5 billion as compared to $104.2 billion at the end of 1955. The increase for the year 1955 was $3.9 billion.

The need for a higher interest rate to permit commercial banks to achieve a better measure of competitive equality in the field of savings and time deposits became more critical during 1956. Late in the year the Board of Governors of the Federal Reserve System issued a supplement to Regulation Q, effective January 1, 1957, which raised from

2½ percent to 3 percent the maximum rate of interest a member bank may pay on time and savings deposits and similar action was taken by the Federal Deposit Insurance Corporation for nonmember insured banks. This departure from the 2½ percent maximum rate in effect since February 1, 1935, was in recognition of the general rise which had been taking place in interest rates. Many national banks promptly revised their savings interest rates upward, some to the maximum permitted by the Regulation. At this time it is too early to determine whether the increased rates will result in commercial banks obtaining an importantly larger proportion of available savings and time deposits. Mutual-type associations enjoy tax advantages over commercial banks, maintain loan positions (with attendant earnings advantages) that the liquidity requirements of commercial banks will not permit, and have also been able to place in effect higher rates of interest for deposits or share accounts.

Loans

After deducting Reserves for Bad Debts and valuation reserves of $833.5 million, national banks held net loans of $48.2 billion at the end of 1956, an increase of $4.6 billion over the net total of $43.6 billion reported at the close of the previous year. Loans to commercial and industrial type borrowers increased $2.8 billion to a total of $21.1 billion at the year end. This category of loans now constitutes 43 percent of national system portfolios, up 2 percent from the prior year end.

Nonfarm housing units on which construction was started in 1956 numbered 1,120,000, approximately 209,000 less than those started in 1955. The value of all types of new construction activity in 1956 has been estimated at $44.3 billion with business construction accounting for most of the gain of $1.3 billion during the year.

That portion of the real estate mortgage debt of the nation secured by residential properties (1 to 4 family houses) totalled $99.1 billion at the close of 1956 reflecting an increase of $10.9 billion for the year as compared to a gain of $12.5 billion for the prior year. The 1956 increase in the total of all types of real estate mortgage loans was $14.7 billion whereas the gain reported for 1955 was $16.2 billion. Farm mortgage debt reported at $9.7 billion was up less than 8 percent from the close of 1955. National banks held real estate mortgage loans at the end of 1955 and 1956 as follows:

[Figures in millions of dollars]

Type	Dec. 31, 1955	Dec. 31, 1956	Dollar increase
Conventional—residence	3,500	3,931	431
Conventional—other properties	1,986	2,264	278
Conventional—farm	505	516	11
Insured—FHA	2,787	3,022	235
Insured or guaranteed—VA	2,242	2,330	88
Total	11,020	12,063	1,043

The $12 billion of real estate mortgage loans held by national banks at the end of 1956 constituted approximately 25 percent of their net loans and discounts. The $1 billion by which national banks increased their holdings of real estate mortgage loans constitutes about 7 percent of the $14.7 billion reported increase for all types of such loans in the Nation in the year 1956. National banks acquired about 8 percent of the Nation's increase in such loans in 1955.

Each national bank is required by law to restrict its total investment in real estate mortgage loans, excepting those loans which are insured or guaranteed to the extent of 20 percent or more by the Veterans Administration, to an amount not exceeding 60 percent of its time and savings deposits or 100 percent of capital and surplus, whichever is the greater. The $9.7 billion in real estate mortgage loans which are subject to this limitation equals 36.9 percent of the $26.3 billion of time and savings deposits held by the national banking system.

The Nation's consumer debt continues to rise and reached an estimated $41.9 billion at the year end as compared to $38.6 billion at the end of 1955, an increase of $3.3 billion.* Instalment credit at the close of 1956 is estimated at $31.6 billion of which $14.4 billion or 45.6 percent is represented by automobile paper, nearly 1 percent less than the proportion which existed at the end of 1955.

The total amount of instalment type personal and consumer loans held by the national banking system at the year end was $7.5 billion, up $777.5 million from the end of 1955. The holdings of these types of instalment loans by national banks represented 23.7 percent of such loans held by all financial institutions and retail outlets of the Nation. Automobile loans held by national banks totalled $3.5 billion, up $293.7 million for the year, and constituted 46.7 percent of all instalment loans held by such banks.

Generally, national banks have maintained sound standards of down payment and maturity terms for automobile paper accepted during 1956. On the basis of information assembled from 1956 reports of examination of 3,856 national banks which segregate instalment paper in their loan portfolios or hold such paper in an aggregate amount equal to 10 percent or more of their loan accounts, only 14 banks were offering automobile loan terms or accepting dealer paper upon terms which appeared subject to criticism. Subsequent to the examinations, some of these banks have revised their terms to more conservative limits or have such a revision under consideration. The new examination report forms dealing with instalment credit which have been in use since August 16, 1955 are thought to have been beneficial and helpful from a supervisory standpoint, and also because bank management has the opportunity to consider graphic presentation of policy weakness if it exists and adopt suitable strengthening measures. The following schedule provides details on the down payment and maturity policies of the 3,856 national banks abovementioned divided into three size groups.

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*Consumer Credit Statistics have been revised on the basis of data which became available recently. The revision raised the estimate of total consumer credit outstanding as of December 31, 1955, by about 7 percent or $2.4 billion. Comments relating to these statistics contained herein take into account the revised data which were not available at the time the 93rd Annual Report of the Comptroller of the Currency—1955 was prepared

Recapitulation—percent of down payment and monthly payment terms on instalment automobile loans required by 3,856 representative national banks in 1956

GROUP I BANKS

(Resources under $10MM)

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
NEW AUTOS						
18 and under		13	8	227	10	258
24	1	56	19	1, 413	22	1, 511
30	1	27	17	543	6	594
36		5	5	234	3	247
Total	2	101	49	2, 417	41	2, 610
USED AUTOS—LESS THAN 1 YEAR OLD						
18 and under		5	4	202	51	262
24		22	8	558	16	604
30		7	4	142	2	155
36				11	1	12
Total		34	16	913	70	1, 033
USED AUTOS—1 TO 2 YEARS OLD						
18 and under		15	13	992	206	1, 226
24	1	25	15	1, 042	57	1, 140
30		2	7	54		63
36				5		5
Total	1	42	35	2, 093	263	2, 434
USED AUTOS—2 TO 3 YEARS OLD						
18 and under	1	16	21	1, 447	379	1, 864
24	1	8	9	442	32	492
30		1	1	11	1	14
36						
Total	2	25	31	1, 900	412	2, 370
USED AUTOS—3 TO 4 YEARS OLD						
18 and under	1	18	20	1, 481	465	1, 985
24	2	3	4	178	18	205
30			1	6		7
36				1		1
Total	3	21	25	1, 666	483	2, 198
USED AUTOS—OVER 4 YEARS OLD						
18 and under	1	12	17	1, 060	430	1, 520
24		1		69	10	80
30						
36						
Total	1	13	17	1, 129	440	1, 600

Recapitulation—percent of down payment and monthly payment terms on instalment automobile loans required by 3,856 representative national banks in 1956—Continued

GROUP II BANKS

(Resources between $10MM and $50MM)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under			1	18	4	23
24		17	4	431	5	457
30	2	11	14	330	5	362
36		10		140	2	152
Total	2	38	19	919	16	994

USED AUTOS—LESS THAN 1 YEAR OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under				44	6	50
24		3	1	177	3	184
30	1	3	3	79		86
36				8		8
Total	1	6	4	308	9	328

USED AUTOS—1 TO 2 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under		1	2	268	55	326
24	1	4	8	500	26	539
30		1	1	39	1	42
36	1			4		5
Total	2	6	11	811	82	912

USED AUTOS—2 TO 3 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	2	1	499	105	608
24		1	5	287	11	304
30			4	2	1	7
36						
Total	1	3	10	788	117	919

USED AUTOS—3 TO 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	2	6	613	142	764
24			3	98	5	106
30				1		1
36						
Total	1	2	9	712	147	871

USED AUTOS—OVER 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under		2	4	441	146	593
24	1		1	27	1	30
30						
36						
Total	1	2	5	468	147	623

Recapitulaton—percent of down payment and monthly payment terms on instalment automobile loans required by 3,856 representative national banks in 1956—Continued

GROUP III BANKS

(Resources $50MM and over)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under				2	1	3
24		6	1	53	1	61
30	1	8	20	99	3	131
36	1	7	3	41	5	57
Total	2	21	24	195	10	252

USED AUTOS—LESS THAN 1 YEAR OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under				2	1	3
24		1		27	1	29
30			7	37		44
36				4		4
Total		1	7	70	2	80

USED AUTOS—1 TO 2 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under		1		34	11	46
24		7	6	140	15	168
30			7	18		25
36						
Total		8	13	192	26	239

USED AUTOS—2 TO 3 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under		1	2	95	24	122
24		5	6	95	4	110
30			1			1
36						
Total		6	9	190	28	233

USED AUTOS—3 TO 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under		2	4	161	36	203
24		2	1	21	2	26
30						
36						
Total		4	5	182	38	229

USED AUTOS—OVER 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under		2	3	121	56	182
24		1		1		2
30						
36						
Total		3	3	122	56	184

Liquidity

A continuing increase in loan volume in 1956 affected the liquidity of national banks less than in either 1954 or 1955. Demand deposits at the end of 1956 were 74 percent covered and total deposits 54.7 percent covered by cash, balances due on demand from correspondent and reserve banks, and United States Government securities, as opposed to 77 percent and 57 percent, respectively, at the 1955 year end. At the close of 1954 such liquid assets covered 82.3 percent of demand deposits and 61.3 percent of total deposit liabilities.

Investment Accounts

Total investment accounts of national banks continued to decline in 1956 and amounted to $40.5 billion at the end of the year, a reduction of $2.3 billion of which $2 billion were in obligations of the United States. During the last half of the year there was an increase of $1 billion in holdings of United States obligations and the rate of addition to these holdings appeared to have accelerated in the last quarter. The reduction of investments provided an important source of funds to satisfy the demand for loans which increased $4.6 billion to $48.2 billion. Deposits of individuals, partnerships and corporations increased $2.5 billion to furnish the difference.

A significant change has taken place in the distribution of maturities in the holdings of United States obligations. In the year 1955 a decrease of $5.8 billion occurrred in U. S. Government holdings but the percentage of short term holdings remained relatively constant at slightly over 56 percent. At the end of 1956, short maturities had increased to over 70 percent of all holdings of United States obligations by national banks. While there has been some addition to long term United States issues, they represent less than 8 percent of the total investment account. During 1956 no important change took place in the distribution of maturities of municipal and other bonds.

[In millions of dollars]

	United States bonds		
	Dec. 31, 1954	Dec. 31, 1955	Dec. 31, 1956
Short term	22,261	18,982	22,363
Medium term	13,880	11,951	6,321
Long term	3,359	2,754	2,992
Total	39,500	33,687	31,676

Recapitulation by Maturities

(United States Bonds as of Dec. 31, 1956; municipal and other bonds as of most recent examination reports)

[In millions of dollars]

	United States bonds	General obligation municipal bonds	Special revenue municipal authority and corporate bonds	Total
Short term (maturing up to 5 years)	[1] 22,363	2,982	1,676	27,021
Medium term (maturing between 5 and 10 years)	6,321	1,905	417	8,643
Long term (maturing after 10 years)	2,992	1,215	395	4,602
Total	31,676	[2] 6,102	[3] 2,488	40,266

[1] Includes $978 million of nonmarketable United States Bonds.
[2] Includes $1,108 million of general obligations of States and $676 million of housing authority obligations.
[3] Includes $924 million of special revenue municipal authority obligations and $992 million of Federal Corporation (not guaranteed) bonds.

Capital Structure

The adequate capitalization of all national banks continues to be an important objective of the Comptroller's office. During 1956 the sale of additional capital stock to further strengthen capital structures was undertaken and consummated by the managements and shareholders of 232 national banks. These 232 banks sold new shares of common stock which yielded $192 million of additional funds to augment their capital structures. The shareholders of 329 national banks, with the approval of the Comptroller, approved dividends payable in common stock having a total par value of $83 million during the year. During the 10-year period 1947 to 1956, 1,639 national banks have completed new capital sale programs which added $1,074 million to their capital funds.

At the end of 1956, the capital structures of the 4,659 national banks amounted to $8,472 million, and their reserves for bad debts and other loan valuation reserves to $833.5 million, or an aggregate total of capital funds and reserves of $9.3 billion. This is the equivalent of $1 of capital protection to cover the potential risks involved in each $5.88 ($5.80 at the close of 1955, $5.27 at the close of 1954, $5.43 at the close of 1953) of loans, municipal and corporate bonds, and other assets remaining after deducting from its $118.5 billion of total assets, $63.8 billion of cash or its equivalent, United States Government obligations, and loans or portions of loans guaranteed or insured by Federal Government agencies.

The volume of assets in the national banking system considered by national bank examiners to contain substantial or unwarranted elements of risk continues to be very small in relation to the protection offered by capital structures and reserves.

Earnings and Net Additions to Reserves

Net profits of national banks after taxes but before dividends in the year ended December 31, 1956 were $647.1 million, exclusive of $142.9 million added to bad debt and valuation reserves. Comparable figures for the year 1955 were $643.1 million and $88.3 million, respectively. Such net profits and additions to reserves for the year 1956 were equal to 9.32 percent of year end capital funds, up from 9.22 percent for the year 1955. Dividends of $329.9 million were paid to shareholders, and net retained earnings and additions to reserves amounted to $460.1 million.

Net earnings from current operations amounted to $1,497 million, equivalent to 1.39 percent of year end deposits of $107.5 billion, as compared with 1.28 percent for the year 1955. Adding to the net operating earnings profits on securities sold of $11.4 million, recoveries on assets previously charged off of $79 million, and deducting therefrom actual losses on securities sold and charge-offs against book values of $238.9 million, actual loan losses of $78.3 million, and charge-offs on other assets of $48.2 million, the aggregate net profits of all national banks equaled $1,221.8 million. Deducting therefrom net additions to bad debt reserves and valuation reserves of $142.9 million, net profits before income taxes amounted to $1,078.9 million. Total taxes paid were $431.7 million (29 percent of net earnings from operations and 40 percent of net profits before taxes), leaving net profits, as above stated, of $647.1 million.

Set forth below is a schedule of earnings, expenses, etc., per $100 (1) of assets and (2) capital funds, showing the trend in each of the past 4 years.

Earnings, expenses, etc., of national banks for the years ended December 31, 1953, 1954, 1955, and 1956

[*Indicates amounts in millions of dollars]

	1953	1954	1955	1956
*Total assets at close of year	110,117	116,151	113,750	117,702
*Total capital accounts at close of year	7,410	8,104	7,936	8,472
*Gross earnings	3,068	3,226	3,437	3,833
Per $100 of assets	$2.79	$2.78	$3.02	$3.26
Per $100 of capital funds	$41.41	$39.81	$43.31	$45.24
*Gross expenses	1,845	1,996	2,105	2,336
Per $100 of assets	$1.68	$1.72	$1.85	$1.99
Per $100 of capital funds	$24.90	$24.63	$26.53	$27.57
*Net earnings from operations	1,223	1,230	1,332	1,497
Per $100 of assets	$1.11	$1.06	$1.17	$1.27
Per $100 of capital funds	$16.51	$15.18	$16.78	$17.67
*Net asset losses or recoveries (Including bond profits, etc.) [1]	−151	+149	−154	−275
Per $100 of assets	−$.14	+$.13	−$.14	−$.23
Per $100 of capital funds	−$2.05	+$1.84	−$1.94	−$3.25
*Taxes (income)	466	532	446	432
Per $100 of assets	$.42	$.46	$.39	$.37
Per $100 of capital funds	$6.28	$6.56	$5.62	$5.10
*Net profits before dividends	606	847	732	790
Per $100 of assets	$.55	$.73	$.64	$.67
Per $100 of capital funds	$8.18	$10.46	$9.22	$9.32
*Cash dividends	275	300	310	330
Per $100 of assets	$.25	$.26	$.27	$.28
Per $100 of capital funds	$3.71	$3.70	$3.90	$3.89
*Retained earnings	[2] 331	[2] 547	[2] 422	[2] 460
Per $100 of assets	$.30	$.47	$.37	$.39
Per $100 of capital funds	$4.47	$6.76	$5.32	$5.43

[1] Exclusive of transfers to and from reserve for bad debts and other valuation reserves on loans and securities but including net losses charged to these reserves.

[2] Includes funds transferred to reserve for bad debts and valuation reserves less the amount of assets charged off against such reserve accounts. Includes $33 million in 1953, $106 million in 1954, $89 million in 1955 and $143 million in 1956 transferred to effect a net increase in reserves for bad debts and valuation reserves. (Taxes would have absorbed a portion of these amounts had the transfers not been made.)

Reserve for Bad Debts

During the calendar year 1956, the upward trend continued in the number of national banks maintaining reserves for bad debts and in the dollar volume of such reserves. At year end, 2,721 national banks (58.4 percent of all national banks) having gross loans of $45.2 billion (92.27 percent of gross loans in all national banks) were maintaining reserves for bad debts of $792.7 million, an increase of $174 million over 1955. At the end of 1955, 2,654 national banks maintained such reserves. The total amount of bad debt reserves amounted to 1.75 percent of gross loans in those banks maintaining such reserves. A large number of banks have reached or are approaching the ceiling established for such reserves by the Internal Revenue Service.

As pointed out in the Comptroller's annual reports for 1954 and 1955, the existing formula approved by the Internal Revenue Service for computing the allowable amounts of reserves for bad debts requires each bank to limit its reserve for bad debts to a percentage based on its own loan loss experience for any consecutive 20 years' period commencing January 1, 1928. This permits the largest reserves in relation to gross loans outstanding to be established by those banks which suffered relatively the greatest loan losses in the past. This results in undesirable inequities between banks since the banks that may most need such reserves, based on their condition present and prospective, may be those that are permitted to establish a small percentage of reserves in relation to outstanding loans because of their favorable loss history. There is a need for a bad debt reserve formula, not limited to the loss history of the individual bank or group of banks, but based upon the premise that loan losses must be expected in the long run which may become abnormally large under unfavorable conditions and such losses should be regarded as a banking hazard against which a reasonable initially tax-free reserve should be established. A soundly based formula should be adopted to permit banks to create and maintain reserves by transfers from earnings at a reasonable rate in relation to total loans until a suitable ceiling is reached, without reference to or as an alternative to a ceiling based on current or past loss experience. It is believed that this will require legislative action.

Pension Plans

During 1954 the examination report form was revised to include pertinent information regarding the pension plans of national banks. Recently the Office of the Comptroller of the Currency compiled data based on the information thus obtained.

Of 4,521 [1] banks surveyed, 34.6 percent or 1,567 national banks, employing 202,058 or 80.3 percent of all national bank personnel, have pension plans. A total of 49,577 or 19.7 percent of the officers and employees of national banks are not covered by some type of formal retirement program.

Pension programs in the banking field have gained increased prominence within the past 10 years. Many small and medium-sized insti-

[1] Not included are 138 banks which have plans of some type but for which information is not complete.

tutions have adopted plans during this period. Generally speaking the larger banks of the country have had pension plans for longer periods. Their adoption has come about largely through the desire of banks to provide economic security for their employees and recognition that formal retirement plans covering old age and disability have become increasingly important in the general wage structure. Thus it has become correspondingly more difficult for banks to obtain and retain desirable personnel if such plans are not available.

Among the considerations which have influenced banks to adopt pension plans are the following:

(1) Increased efficiency of employees who enjoy good prospects for future economic security.

(2) Reduction in employee turnover.

(3) Greater selectivity possible in obtaining new employees.

(4) Improved opportunity for advancement of younger workers afforded by the systematic retirement of older employees.

(5) Promotion of employee satisfaction and good will.

An important advantage of pension plans is that these programs assist in furnishing continuity of management, particularly in the small and medium-sized banks. The problem of management succession in these institutions has become more difficult in the past few years and, in many instances, has been a motivating factor in the consolidation or merger of smaller banks with larger institutions.

Costs of the retirement programs surveyed, which are fully deductible for Federal Income Tax purposes contingent upon approval of the plan by the Internal Revenue Service, average approximately 7 percent of net profits before taxes and dividends. The net cost would appear to be within the earnings capacity of almost all banks and the value received is adequate to justify the expense. The average annual cost to the banks surveyed per employee is approximately $280. The largest banks have a higher average annual cost per employee, caused in part by the greater proportion of these institutions which bear the entire cost of the plans without employee contributions.

The following table reflects some of the important factors in connection with pension programs of national banks. Data is classified according to size of bank based on total deposits.

National banks with Pension Plans

Size of bank based on total deposits	Number of banks: Without plans	Number of banks: With plans	Average number of officers and employees per bank with plans	Average annual cost of plan per bank	Average annual cost of plan per staff member	Cost of plan per bank as a percentage of net profits before taxes and dividends
To $500,000	23	0				
$500,000 to $750,000	65	0				
$750,000 to $1,000,000	94	2	4.0	$2,000	$500	21.0
$1,000,000 to $2,000,000	592	43	6.0	1,700	281	8.7
$2,000,000 to $5,000,000	1,228	331	11.2	3,100	280	7.6
$5,000,000 to $10,000,000	592	364	23.5	5,800	280	7.3
$10,000,000 to $25,000,000	280	416	45.4	12,100	266	7.6
$25,000,000 to $50,000,000	54	188	97.0	27,300	282	7.3
$50,000,000 to $100,000,000	17	98	193.5	52,600	229	7.0
$100,000,000 to $500,000,000	9	104	577.2	164,700	285	6.8
Over $500,000,000	0	21	3,537.6	1,445,500	409	6.7
Total	2,954	1,567				

		Percent
Total salaried staff—officers and employees—of 2,954 banks without plans (65.4 percent)	49,577	19.7
Total salaried staff—officers and employees—of 1,567 banks with plans (34.6 percent)	202,058	80.3
Total	251,635	100.0

The following table presents a geographical distribution according to Federal Reserve districts of national banks with pension plans. In all Federal Reserve districts a majority of the larger banks have pension plans while only 22 percent of the national banks with deposits under $10 million have programs. Most of the smaller banks without plans are located in agricultural areas which do not have to compete directly with industries offering such plans. National banks with pension plans range from a high of 58 percent in the First Federal Reserve district to a low of 18 percent in the Tenth Federal Reserve district.

Federal Reserve district	Banks with deposits under 10 million: Number of banks: Without plans	Banks with deposits under 10 million: Number of banks: With plans	Banks with deposits under 10 million: Percentage with plans	Banks with deposits over 10 million: Number of banks: Without plans	Banks with deposits over 10 million: Number of banks: With plans	Banks with deposits over 10 million: Percentage with plans	Grand total percentage with plans
1. Boston	91	94	51	12	51	81	58
2. New York	144	112	44	32	95	75	54
3. Philadelphia	239	128	35	27	68	72	42
4. Cleveland	231	57	20	23	68	75	33
5. Richmond	185	60	24	29	65	69	37
6. Atlanta	152	28	16	39	82	68	37
7. Chicago	283	57	17	70	147	68	37
8. St. Louis	234	21	8	22	39	64	19
9. Minneapolis	180	81	31	2	63	97	44
10. Kansas City	457	52	10	47	55	54	18
11. Dallas	349	37	10	46	54	54	19
12. San Francisco	49	13	21	11	40	78	47
Total	2,594	740	22	360	827	70	36

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Branch Banking

The apparent need of banks for new branches continued during 1956, as evidenced by the near-record number of applications for *de novo* branches filed by national banks. The 524 applications received were acted upon as indicated below:

	Number	Percent
Approved	299	57
Denied	125	24
Withdrawn	46	9
In process of investigation and study	54	10
Total	524	100

Pressure for new branch facilities continues in direct relation to the growth in population of suburban areas and the increasing traffic congestion and parking problems in downtown business sections. It is also fostered by competitive banking factors.

On December 31, 1956, 631 national banks out of a total of 4,659 were operating 3,655 branches in 35 States, the District of Columbia, Alaska, Hawaii and the Virgin Islands. This compares with 3,224 branches of 547 national banks at the previous year end.

The Financial Institutions Act of 1957, which was passed by the Senate in March, and is awaiting action in the House of Representatives, in Section 39 contains two changes in the provisions dealing with branches that are of interest. Subsections (a), (c), (d), (e) and (g) of this section are the same as Title 12, United States Code, Section 36. Subsection (b) of this section is the same as subsection (b) of Title 12, United States Code, Section 36, to the effect that if a State bank is merged with a national bank, or if two or more national banks are merged, then the merged banks may retain and operate any of their branches in lawful operation on February 25, 1927. It adds a new provision to the effect that as to any banks so merged or consolidated, any branches of the continuing bank may continue to be retained and operated if they were in lawful operation immediately prior to the effective time of the merger or consolidation. The purpose of the existing law is to prevent a bank from acquiring branches by taking over other banks where such branches could not legally be established under State law. However, this purpose does not apply to branches of the continuing bank, and no public interest is served by requiring the continuing bank to obtain anew the approval of the Comptroller of the Currency for continued operation of its legally established branches already in existence.

Subsection (f) of this section continues the definition of the term "branch," but adds a proviso that acceptance of deposits in furtherance of a school thrift or savings plan by a national bank at any school located within its trade area and within the same State shall not be considered to be the operation of a branch. The public interest in encouraging school children in habits of thrift is ample justification for this departure from the general rule that the acceptance of deposits by a national bank agent at any place other than the bank's main office constitutes branch banking.

Applications to Organize National Banks

Fifty-nine applications to organize new national banks were filed in 1956. Approval was given to 23 applications, 20 cases were denied, 11 were abandoned and 5 were pending. The 23 approved cases have resulted or will result in the organization of new national banks in 14 States. Thirty banks were chartered during the year and opened for business in 13 States.

State	Number of approvals	Number of banks opened	Approvals total capital structure	Banks opened total capital structure
			Thousands	*Thousands*
Arkansas	1		612	
California	1		1,050	
Florida	1	11	600	6,800
Georgia		1		350
Illinois	2	2	1,300	1,500
Indiana	1		300	
Iowa	2		625	
Michigan		1		600
Minnesota	2	1	500	250
New Mexico	1	1	400	400
New York	1	2	1,050	2,050
Ohio		1		5,000
Pennsylvania		1		350
South Dakota		1		200
Tennessee	1		300	
Texas	6	6	2,970	2,800
Virginia	1	1	900	300
Washington		1		285
West Virginia	1		560	
Wisconsin	2		900	
Total	*23	**30	12,067	20,885

*Approvals include three that also opened during 1956. The remaining 20 had not completed their organization.

**Opened banks include 27 that were originally approved in 1955 or 1954 but did not open for business until 1956.

Bank Consolidations, Mergers, Sales

During 1956 the Comptroller approved the absorption of 105 State and national banks by 101 national banks as compared to 126 such absorptions by 118 national banks in 1955. Twenty-six national banks were absorbed by 25 State banks during 1956 as compared to 47 such absorptions by 46 State banks in 1955. Fifty-five State banks were absorbed by other State banks in 1956 as compared to 52 in 1955. The following schedule contains details of the absorptions which occurred during 1956.

Consolidations, mergers, purchases—1956

Number of banks	Type	Total deposits	Total capital structure
		Millions of dollars	
36	National banks consolidated or merged with and into 35 national banks	1,724	134
33	State banks consolidated or merged with and into 30 national banks	234	23
14	National banks purchased by 14 national banks	113	9
22	State banks purchased by 22 national banks	112	12
105	Approved by Comptroller of Currency	2,183	178
19	National banks consolidated or merged with and into 18 State banks	140	11
7	National banks purchased by 7 State banks	25	2
55	State banks consolidated, merged, or purchased with or about the same number of State banks	*403	----------
81	Approved by State banking departments	568	13
186	Grand total	2,751	191

*Total resources.

Conversions

	Number	Deposits (in millions of dollars)	Capital structure (in millions of dollars)
State banks converted into national banks.	10	110.2	3.7—converted into 10 national banks.
National banks converted into State banks.	3	3.3	.4—converted into 3 State banks.
Total	13	113.5	4.1

The shareholders of the 69 banks consolidated or merged with and into 65 national banks received cash and book value stock of the continuing banks aggregating $177,339,698 or $8,186,229 in excess of the aggregate book value of assets which those banks contributed to the mergers or consolidations. This excess amounted, on the average, to 0.42 percent of the aggregate deposits acquired by the continuing banks. On an estimated or fair valuation basis, the shareholders of the 69 absorbed banks contributed assets having an estimated fair value, in excess of liability to creditors, of $177,307,888 and received cash and fair value stock of the continuing banks aggregating $186,309,454 or $9,001,566 in excess of the aggregate fair value of assets which those banks contributed to the mergers or consolidations. This difference is accounted for through an estimated or fair value appraisal of fixed assets (bank premises—furniture and fixtures), bond appreciation or depreciation, allowances for pension fund adjustments, excess reserve for taxes, etc., and amounted, on the average, to approximately 0.46 percent of the aggregate deposits acquired by the continuing banks.

The shareholders of the 14 national and 22 State banks that were purchased by the 36 national banks received $26,426,576 in cash, or $5,093,707 in excess of the book value of the selling banks' aggregate capital structures. This amounted, on the average, to 2.26 percent of the selling banks' deposit liabilities.

Over the 7-year period from January 1, 1950, to December 31, 1956, the Comptroller's Office approved the acquisition by national banks of 281 other national banks and 284 State-chartered banks through consolidation, merger, or sale, and saw 179 national banks absorbed by State-chartered banks after approval by the governing State banking department. The latter also approved consolidations, mergers, and sales involving the absorption of 272 State banks by other State banks. The following table shows the number of banks which have been absorbed since 1950 and their total resources.

Data on consolidations, mergers, purchases and sales, and conversions—1950 to Dec. 31, 1956

Number of banks	Type	Total resources (in millions of dollars)
108	National banks consolidated with and into other national banks	2,691
42	National banks merged with other national banks	1,489
131	National banks purchased by other national banks	1,308
281	Total	5,488
94	State-chartered banks consolidated with and into national banks	1,732
32	State-chartered banks merged with national banks	384
158	State-chartered banks purchased by national banks	854
284	Total	2,970
565	Approved by Comptroller of the Currency	8,458
97	National banks consolidated or merged with State-chartered banks	8,270
82	National banks purchased by State-chartered banks	850
272	State banks merged, consolidated, or purchased with or by other State-chartered banks	3,993
451	Approved by State banking departments	13,113
1,016	Total for absorbed banks	21,571

Conversions—1950 to Dec. 31, 1956

18	National banks converted into State-chartered banks	158
40	State-chartered banks converted into national banks	417

Much study has been given to the competitive position of banking in the United States to determine whether the 1,016 absorptions during the past 7 years have had the effect of depriving the public of adequate banking competition. It is the conclusion of the Comptroller's Office that this has not occurred.

Banking has unique safeguards against monopoly or inadequate competition which are not present in industry or trade. Banks may not establish offices across State lines. Their operations within individual States are either limited to one head office (in nonbranch bank States, such as Illinois, Texas, Florida, etc.) or to the establishment of branch offices within the State where the bank's head office is located as may be approved by the bank supervisory authorities within areas defined in State statutes authorizing branch banking. A majority of the branch bank States restrict such activities to county limits, while some States permit it on a trade area basis, a contiguous county basis, or on a statewide basis. Obviously, such geographical limitations tend to limit the concentration of commercial bank resources which might otherwise accrue.

Banking has other safeguards which serve to maintain adequate competition. It is a closely supervised and regulated industry. The maximum legal interest rates that may be charged on loans are governed by the 48 State statutes. The maximum rates that may be paid on savings or time deposits are governed by Federal statutes and regulations, as well as by State statutes in some States. The maximum amount of a loan that may be granted to a single individual or interest is governed by Federal and State statutes. Types of investment securities, based on credit quality standards, and the maximum amount that may be invested in the obligations of a single obligor, are governed by Federal and State statutes. Reasonable credit standards must be maintained in granting loans within the framework of the statutes noted above. Competition among and between banks takes place within an orbit greatly influenced by the policies of Federal fiscal and monetary authorities which control the cost and availability of credit. Banks, for practical purposes, have only one completely free area in which to compete, and that rests in service to the banking public. This is governed very largely by the ability, progressiveness, aggressiveness, and capacity of individual bank managements. Size is a factor to the extent that a small country bank could not provide adequate service or credit to a large corporation, but within its own natural field, size alone is not a factor that militates against the ability of a bank to compete.

In banking, banks of varying sizes, unlike business concerns, do not suffer such disadvantages as a lack of ability to command quantity discounts on purchases because a bank's merchandise, in a very real sense, consists of service and its deposits with which it makes loans and buys investment securities. A smaller bank is able, or should be able, to pay as large an interest rate on deposits as its larger competitors. The smaller bank's net earnings from operations in relation to each $100 of deposits are approximately the same as those of larger banks. The small bank, unlike the average small business concern, has proportionately the same availability of credit from its Federal Reserve Bank or correspondent banks as its larger competitors. It has been our observation over many years that access to capital is relatively as available to small banks as it is to larger banks.

The following compilation reveals the competitive position and trend of banking as measured by the number of banks and their total assets in the 254 cities of the country having populations of 50,000 or more at the time of the 1950 Census. (In order to obtain representation in each of the 48 States, 7 cities with a somewhat smaller population have been included.)

The banks in the 254 cities held 73.5 percent of the commercial banking assets of the Nation at the end of June 1946, and held 72.3 percent, or a very similar percentage at the end of June 1956. The 254 cities were served by 1,593 banks on June 29, 1946, and by 1,568 banks on June 30, 1956. These financial centers of the country have not increased their proportion of the banking assets of the country during this 10-year period.

Recapitulation

Population groups (thousands)	Number of cities	Banks: Total number 1946	Banks: Total number 1956	Banks: Average number per city 1946	Banks: Average number per city 1956	Resources: Total all commercial banks (millions) 1946	Resources: Total all commercial banks (millions) 1956	Average percent held by largest bank 1946	Average percent held by largest bank 1956	Average percent held by 2 largest banks 1946	Average percent held by 2 largest banks 1956	Average percent held by remaining banks 1946	Average percent held by remaining banks 1956
50 to 100 [1]	143	527	542	3.8	3.8	$10,082	$15,164	55.0	54.2	82.4	82.6	17.6	17.4
100 to 150	43	229	228	5.3	5.3	7,059	10,134	47.8	47.8	75.6	75.9	24.4	24.1
150 to 200	15	101	98	6.7	6.5	3,881	6,404	43.9	43.5	71.8	73.7	28.2	26.3
200 to 250	9	64	70	7.1	7.7	3,098	4,178	46.9	46.2	74.4	73.9	25.6	26.1
250 to 300	6	45	56	7.5	9.3	2,015	2,994	36.8	38.6	64.4	63.0	35.6	37.0
300 to 350	7	58	61	8.2	8.7	3,198	4,624	52.2	47.8	75.3	70.6	24.7	29.4
350 to 400	6	42	41	7	6.8	3,241	4,769	43.6	44.8	74.0	73.0	26.0	27.0
400 to 450	5	72	69	14.4	13.8	3,693	5,803	33.8	32.6	53.8	59.0	46.2	41.0
450 to 500	2	32	36	16	18	2,422	2,995	40.7	40.5	66.7	66.3	33.3	33.7
500 to 550	2	32	25	16	12.5	1,975	2,377	33.0	36.0	63.3	68.8	36.7	31.2
550 to 600	3	29	42	9.6	14	2,506	4,362	37.9	41.8	60.7	66.7	39.3	33.3
600 to 650	1	19	19	19	19	1,107	1,295	56.0	48.2	69.1	65.7	30.9	34.3
650 to 700	1	34	19	34	19	1,991	3,236	30.0	60.0	58.8	78.7	41.2	21.3
700 to 750	0	0	0	0	0	0	0	0	0	0	0	0	0
750 to 800	1	12	15	12	15	5,956	10,356	51.4	54.4	66.4	68.5	33.6	31.5
800 to 850	2	36	29	18	14.5	3,829	4,444	40.8	42.2	54.9	58.0	45.1	42.0
850 to 900	1	29	28	29	28	1,809	2,290	26.7	27.8	47.6	54.1	52.4	45.9
900 to 950	2	26	19	13	9.5	3,185	4,189	36.1	34.1	58.1	56.8	41.9	43.2
950 to 1,000	0	0	0	0	0	0	0	0	0	0	0	0	0
1,849 (Detroit, Mich.)	1	11	7	11	7	2,616	4,073	48.2	46.9	67.9	66.5	32.1	33.5
1,907 (Los Angeles, Calif.)	1	9	12	9	12	3,688	5,082	38.5	35.1	66.0	61.3	34.0	38.7
2,072 (Philadelphia, Pa.)	1	43	19	43	19	3,463	4,191	22.2	25.4	37.6	48.8	62.4	51.2
3,621 (Chicago, Ill.)	1	64	76	64	76	8,161	11,044	29.1	25.8	55.7	49.5	44.3	50.5
7,892 (New York City, N. Y.)	1	79	57	79	57	31,953	33,793	16.5	21.0	31.1	39.8	68.9	60.2
Total	254	1,593	1,568			110,928	147,797						

[1] Includes 7 cities of less than 50,000 population for the purpose of representing all States in this study.

Fiduciary Activities of National Banks

As of December 31, 1956, there were 1,722 national banks which had been authorized by the Board of Governors of the Federal Reserve System to administer fiduciary accounts, either full or limited. Under these authorizations there were also 72 trust departments in branches of national banks. One national bank has authority under Title 12, U. S. C., section 34a, to continue administration of certain fiduciary accounts received by consolidation with a State bank. There were 236 national banks not acting under any of their granted powers. The Financial Institutions Act of 1957, now pending before the Congress (S. 1451 and H. R. 7026) includes a provision transferring the duty and responsibility for granting fiduciary powers to national banks from the Board of Governors of the Federal Reserve System to the Comptroller of the Currency.

During the year 1956 there were 1,437 head office trust department examinations conducted and 71 branch examinations, making a total of 1,508 examinations of trust departments in national banks. Trust department assets totaled $39,000,150,658 at the end of 1956, including $24,123,482,348 in agency, escrow, custodianship, and corporate accounts held in the trust department. Comparative statistical data concerning various fiduciary activities of national banks are presented in tables in the appendix of this report.

Carrying values for trust department assets throughout the country have not been standardized. There are no statutes or regulations governing the method for establishing carrying values of assets under administration in national bank trust departments. Because of the relatively few changes in the system of establishing carrying values within individual organizations, the figures reflected by the tables in the appendix of this report are believed to be of value for comparative purposes from year to year, but it should be understood that they do not represent current market values. Accurate information as to aggregate market values cannot be obtained without requiring special reports which would impose a substantial and unwarranted burden upon the banks.

Of the total liabilities for accounts administered by the trust departments of national banks as of December 31, 1956, 24 percent was in living trusts, 13 percent in court accounts, 53 percent in agency, escrow, custodianship type accounts, and 10 percent in all other accounts. In addition, national banks were acting as trustee for bond and debenture issues totaling $19,200,708,415 in 8,381 accounts, as registrar in 3,369 accounts, and as transfer agent in 3,322 accounts.

Under authority of section 17 of Regulation F, issued by the Board of Governors of the Federal Reserve System governing fiduciary activities of national banks, there were 130 common trust funds in operation in 104 national banks at the end of 1956. Regulation F permits the establishment of common trust funds for the collective investment of funds of bona fide fiduciary accounts where the bank acts in the capacity of trustee, executor, administrator or guardian. Assets in common trust funds aggregated $382,397,189 as of December 31, 1956, at ledger carrying values.

Pension, profit-sharing and other employee benefit trusts created by banks and by other employers continue to form a substantial and increasing part of the fiduciary business of national banks. The form for reporting examinations of the trust departments of national banks has been revised to reflect comprehensive information on this class of business. The information to be obtained will substantially parallel that currently being obtained by the Board of Governors of the Federal Reserve System from their reports of examination of State member banks. In the investment of funds of pension, profit-sharing and other employee benefit trust accounts, the national banks are following generally sound policies and investment procedures. In such accounts created by a national bank for its own employees and administered in its trust department, Regulation F prohibits the purchase of stock of the bank unless such investment is expressly required by the provisions of the trust instrument. This office is opposed to placing stock of the employer national bank in a pension trust for its employees, beyond a limited proportion of the total fund because of the belief that the employee pensions should not be in important degree dependent upon the continued success of the employer.

All national banks which are exercising fiduciary powers are endeavoring to supervise and administer their trust departments in full accordance with the provisions of law and sound fiduciary practice. The interests of the various beneficiaries are given prime consideration and the loss in national banks due to faulty administration of fiduciary accounts continues to be almost negligible.

Liquidation of Insolvent National Banks

During the year ended December 31, 1956, the Federal Deposit Insurance Corporation was appointed by the Comptroller of the Currency as receiver of one insolvent national bank, the Home National Bank of Ellenville, New York. This receivership was the outgrowth of a large defalcation. Pursuant to the Federal Deposit Insurance Act of 1950 (Public Law 797), approved September 21, 1950, the liquidation of this bank has not been subject to the supervision of the Comptroller of the Currency.

The one insolvent national bank in process of liquidation under the supervision of the Comptroller of the Currency as of December 31, 1955, was still in process of liquidation as of December 31, 1956. The liquidation of this receivership has been continued because of pending litigation but it presently appears that an early adjudication and completion of the liquidation may be expected.

Legislation

On July 20, 1956, Senator J. W. Fulbright of Arkansas, Chairman of the Senate Banking and Currency Committee announced that the Committee would undertake a general revision of the Federal laws governing financial institutions and that Senator A. Willis Robertson of Virginia would act as chairman of the subcommittee having this work in charge. Senator Robertson stated that the purpose of the proposed legislation would be (1) to eliminate obsolete provisions from the statutes in order to make the financial laws more workable and understandable and (2) to add new authority where needed to meet the present and future needs of our economy. The Comptroller of the Currency and the other Federal supervisory agencies were asked to review the respective statutes administered by them and to recommend changes designed to accomplish the stated purposes.

In September an Advisory Committee of twenty-seven was selected to assist the Banking and Currency Committee in its study. On November 9 and 10, 1956, hearings were held before Senator Robertson and members of the Advisory Committee for the purpose of receiving an oral explanation of the agencies' recommendations. Following these hearings the Advisory Committee made a report and recommendations to the Senate Committee.

Early in January, 1957, Senator Robertson released the text of a Committee Print Bill which was based upon some 175 legislative recommendations submitted by the Federal supervisory agencies, the views of the various trade organizations in the financial field, the recommendations of the Advisory Committee and suggestions offered by many other persons. Extensive hearings were held on this proposed bill, and subsequently Senator Robertson introduced in the Senate the Financial Institutions Act of 1957, S. 1451. This bill was reported favorably by the Senate Committee on Banking and Currency, with a recommendation that it be passed. On March 21, 1957, S. 1451 passed the Senate. On April 18, 1957, Congressman Paul Brown of Georgia introduced in the House of Representatives the Financial Institutions Act of 1957, H. R. 7026. This bill differs from S. 1451 only in that it contains two changes relative to savings and loan associations.

In connection with the study of the Federal banking laws administered by this office and having to do with national banks, the Comptroller of the Currency made 45 recommendations to the Senate Subcommittee. Twenty-four of these recommendations involving important changes in substance were approved by the Advisory Committee and included in S. 1451 as it passed the Senate. These recommendations were:

Recommendation No. 2.—It is recommended that the statutes be amended to provide for fourth and fifth Deputy Comptrollers of the Currency if, in the judgment of the Comptroller, one or both are essential to the adequate discharge of his responsibilities.

Reasons.—The volume of work in the Comptroller's Office has greatly increased creating a need for additional Deputy Comptrollers. There has been a considerable increase in the number of branch applications, proposed mergers and consolidations, capital increase programs, and other important matters and the national banks have a continuously growing volume of assets and liabilities which are within the field of examination procedures. Also, the pressure of the competition in banking today has caused banks to search for new methods of doing business and new ways of serving their customers. All of these matters require the careful attention of well qualified officials, and the burden placed on the present deputies is too great to be continued indefinitely. At the present time two additional Deputy Comptrollers are very much needed. Since the Comptroller's staff is paid out of assessments on national banks, additional Government appropriations or expenditures would not be necessary.

Recommendation No. 5.—It is recommended that section 5136 of the Revised Statutes be amended by adding a proviso at the end of the first sentence in paragraph seventh thereof which would declare that no national bank shall be subjected to examination by, or required to be licensed by, or to pay any license or assessment fee, or penalty to, any State, political subdivision, or other agency or instrumentality of a State as an incident to such bank's right to make loans or to discount and negotiate promissory notes, drafts, bills of exchange, conditional sales contracts, and other evidences of debt or to carry on the business of banking.

Reasons.—Various States have enacted statutes which appear to require national banks to acquire a license from the State authorities in order to qualify as a licensed lender. In order to acquire the obligations arising from certain transactions national banks have in many cases elected to be licensed under the State law. These State laws customarily require examination of the licensed lenders by the State authorities. In some cases where the national banks have qualified as licensed lenders the State banking authorities have contended that such national banks should be subjected to examination by State authorities as licensed lenders.

Any examining or other visitorial power attempted to be exercised by State officials over national banks in this respect would be in direct conflict with section 5240 of the Revised Statutes (12 U. S. C. 484) and any attempt by the State to levy and collect a license tax appears to be in conflict with section 5219 of the Revised Statutes (12 U. S. C. 548) which defines the limits within which States may tax national banks. National banks derive their general powers from section 5136 of the Revised Statutes (12 U. S. C. 24) including all such incidental powers as are necessary to carry on the business of banking. National banks may legally acquire evidences of debt and no State statute can deprive them of that power or append conditions which would require them to obtain licenses or pay license fees. However, some State officials have disagreed with this view and contended that the national banks must comply fully with all the provisions of the State law including the examining and licensing requirement. In order to eliminate controversies with State banking officials who seek to enforce State licensing and examining requirements with respect to national banks, section 5136 should be amended to follow the above recommendation. Amendment of this section in accordance with our recommendation will, in our opinion, merely be declaratory of existing law.

Recommendation No. 6.—It is recommended that R. S. 5136 be amended to permit national banks to make contributions in such sums as the directors may deem expedient and in the interests of the association to educational institutions not operated for profit and to organizations established for the purpose of civic improvement or betterment. The right of national banks to make such contributions should be made explicit.

This statute should also be amended to eliminate any requirement that contributions by national banks be dependent upon the provisions of the laws relative to contributions by State banking institutions.

Reasons.—There has always been doubt whether under the existing statute national banks could legally make contributions of the type which it is now recommended they should be permitted to make. Since national banks may make contributions to charitable, philanthropic, or benevolent instrumentalities conducive to public welfare, there would seem to be little doubt that they should also be permitted to make contributions to educational institutions which are not operated for private profit. Also, national banks may reasonably be said to have the same ethical obligations to support organizations established to benefit the community in which they do business as do other corporations and individuals. The law should permit contributions to such organizations. It is clear that local development corporations which seek to attract industry to their communities will, if successful, benefit the entire community and contributions to them would be in the best interests of the banks.

It is not necessary that the provisions of State laws in relation to contributions by State banks should be applicable to the making of contributions by national banks.

Recommendation No. 7.—Amend section 30 of title 12 of the United States Code to eliminate the word "place" and substitute the word "location" and provide that no change in location of the main office within the limits of the city, town, or village in which it is located will be permissible without the approval of the Comptroller of the Currency.

Reason.—The Comptroller has interpreted this statute to mean that a bank may change the location of its head office within the city where it was chartered to do business without his approval. It is believed that all changes of location should be subject to his approval.

Recommendation No. 8.—It is recommended that the consolidation and merger statutes be amended to provide uniformity in the provisions for giving notice of shareholders' meetings, waiver of notice, dissenters' rights including appraisal of the value of the stock of dissenters and payment of the expenses of appraisal or reappraisal by the Comptroller of the Currency, and manner of disposing of stock not taken by dissenters but that no change be made in the merger provisions of title 12, United States Code, section 34b (b) confining dissenters' rights to the stockholders of the bank merged into the "receiving association." It is also recommended that the statutes be amended to contain uniform provisions for the transfer of fiduciary functions and the administration of estates to the resulting combined bank automatically and by operation of law, without any order or other action on the part of any court or otherwise, and similar uniformity regarding the fiduciary bank's being subject to removal by a court of competent jurisdiction in the same manner and to the same extent as was the consolidating or merging bank prior to the consolidation or merger.

Reasons.—There would appear to be no justification for requiring publication in the local newspaper for the publication of legal notices or advertisements in addition to publication in a newspaper of general circulation in one form of combination of banks and not in the others. It would appear that publication in a newspaper of general circulation published in the place where the association or bank is situated, or, if there is no such newspaper, then in a paper of general circulation published nearest thereto, is adequate. The phrase "or, if there is no such newspaper, then in a paper of general circulation, published nearest thereto" should be added to the merger statute, title 12, United States Code, section 34b. There would likewise seem to be no justification for a variation in the provisions for giving notice of shareholders' meetings or the waiver of such notice and in dissenters' rights as to the procedure to be followed, the date on which the value of the dissenters' stock is to be determined, the applicability of that determined value to one or all dissenting stockholders, and the vote of dissenters required to choose a representative to participate in the appraisal of the value of such stock, and the payment for the expense of appraisal or reappraisal made by the Comptroller of the Currency. The three statutory provisions should specify that the value of the dissenters' stock should be determined as of the effective date of the consolidation or merger. The three statutory provisions should alike require that the stock of the constituent bank which a dissenter owns must be turned in for cancellation as a condition to the payment to him of its value, and that the stock of the resulting bank which would have been delivered to him is the stock which will be sold at auction. Nor is there justification for requiring that stock rejected by dissenters be sold at auction in one case, with any excess in the sale price above the appraised value going to the dissenting stockholder in two types of combinations but not in the third. The justification for confining dissenters' rights to stockholders of the bank which merges into a receiving association under the provisions of title 12, United States Code, section 34b is that such statute is intended to be used mainly in cases of large banks taking over much smaller banks where the value of the stock of the larger bank will be affected only slightly, if at all, by the merger.

The merger statute, title 12, United States Code, section 34b, contains a provision that the value of shares of the dissenters shall be ascertained as of the date of the meeting of shareholders of the association or state bank approving the merger by an appraisal made by a committee of three persons composed of "one selected by the vote of the holders of a majority of the stock, the owners of which are entitled to payment in cash; * * *", but title 12, United States Code, section 33 and title 12, United States Code, section 34a would appear to give each dissenting shareholder the separate right of appraisal. Also, the merger statute provides that the valuation agreed upon by any two of the three appraisers shall govern, whereas no such provision is contained in title 12, United States Code, section 33 or title 12, United States Code, section 34a. Furthermore, the merger statute provides that the value of the shares of dissenters shall be ascertained as of the date of the meeting of the shareholders of the association or State bank approving the merger, whereas the other two statutes prescribe that such value should be ascertained as of the date of the Comptroller's approval of the consolidation. Again, the merger statute prescribes that if, within 90 days from the date of consummation of the merger, one or more of the appraisers have not been selected or the appraisers have failed to determine the value of the shares, the Comptroller, upon written request of any interested party, shall cause an appraisal to be made which shall be binding on all parties. That provision is not contained in the other two statutes. Also title 12, United States Code, section 33 provides, with respect to reappraisals of stock of dissenters by the Comptroller of the Currency, that if the reappraisal shall exceed the value fixed by the appraisal committee, the bank shall pay the expenses; otherwise the appellant shall pay said expenses. Title 12, United States Code, section 342 provides that the consolidated association shall pay the expenses of reappraisal, and title 12, United States Code, section 34b prescribes that in such case the receiving association shall pay the expenses of reappraisal. It would appear that with respect to the matters referred to in this paragraph there should be uniformity in the three statutory provisions.

With respect to the transfer of fiduciary functions and the administration of estates, it is essential that these be transferred automatically to the resulting bank. Otherwise the fiduciary estates of various kinds would be deprived of anyone authorized to perform the duties of fiduciary with respect to such estates until they were transferred singly by appropriate court orders or by consents of the interested parties, including the beneficiaries in the case of private trusts. Such individual transfers would be costly and time-consuming and might defeat a contemplated combination of two banks otherwise desirable and in the public interest.

Recommendation No. 9.—It is recommended that R. S. 5155 be amended to provide that upon the consolidation or merger of two or more national banking associations or of a State bank with a national banking association the continuing bank may retain and operate all of the branches which it had in lawful operation at the time of the merger or consolidation.

Reasons.—A bank which takes over another bank by merger or consolidation should not for that reason have to give up the branches which it has in operation at the time of the consolidation or merger. The purpose of the existing law is to prevent a bank from acquiring branches where they could not legally be established under State law, by taking over other banks. This purpose does not exist in the case of branches of the continuing bank and it should be permitted to continue the legally established branches which it already has in existence without reestablishment and without securing anew the approval of the Comptroller of the Currency.

Recommendation No. 11.—It is recommended that R. S. 5155 (f) be amended by adding at the end thereof a proviso to the effect that the acceptance of deposits in furtherance of a school thrift or savings plan by an officer, employee, or agent of a national bank at any school located in the trade area of the bank shall not be construed to be the operation of a branch.

Reasons.—It is the general position of this office that the acceptance of deposits by an agent of a national bank at a place other than the bank's offices constitutes branch banking under the definition contained in this section. Notwithstanding this general rule we believe that the desirability of school savings programs is such that an amendment of the statute is warranted to remove any doubt that a national bank may participate in this activity.

Recommendation No. 12.—It is recommended that the requirements in sections 5140 and 5168 of the Revised Statutes that 50 percent of capital stock be paid in be amended so as to require that 100 percent of capital stock be paid in cash before a national bank shall be authorized to commence business. The provisions relating to instalment payments in sections 5140 and 5141 should be eliminated from the statute.

Reasons.—It is no longer considered necessary that the statutes permit a national bank to open for business when only 50 percent of the capital stock has been paid in and over a long period there have been no cases where this method was used. It has been the practice of the Comptroller of the Currency at least since 1935 to require that 100 percent of the capital stock of a newly organized national bank must be paid in cash before it shall be authorized to commence business.

Recommendation No. 15.—Amend R. S. 5144 in order to eliminate mandatory cumulative voting in the election of directors of national banks but permit such association to have cumulative voting if desired by so providing in their articles of association.

Reasons.—A national bank can best be operated where there is a high degree of unity in the directorate and in the official staff. The successful operation of any bank depends upon confidence of stockholders in the management, confidence of different members of the management body in each other, and confidence of the depositors and the community in the bank as an organization. Confidence is not engendered by having a minority group force itself on the directorate of a bank by the use of the cumulative voting provision, and in cases where such an end has been accomplished it has been the usual experience that the party or parties thus added to the boards have not been helpful to the institutions and have caused a lessening of the mutual confidence of the directorate, the confidence of the staff in the directorate, and in some cases, the confidence of the community in the bank.

Recommendation No. 16.—It is recommended that R. S. 5144 be amended to provide that where a holding company affiliate of a member bank is owned by another corporation which by virtue of such ownership becomes a holding company affiliate, and which in turn is owned by another corporation which is also, therefore, a holding company affiliate, only one holding company affiliate should be required to maintain the requisite reserves. It should be designated by the Board of Governors of the Federal Reserve System.

Reasons.—This statute requires that a holding company affiliate of a member bank must establish and maintain out of net earnings over and above 6 percent per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount of not less than 12 percent of the aggregate par value of bank stocks controlled by it. The purpose of this requirement is to insure that a holding company affiliate owning stock of two or more banks will be in a position to aid the banks by replacement of capital in the event that losses make such replacement necessary. When such a reserve had been established and is maintained by a holding company affiliate directly owning bank stocks, it would seem that parent or upstream companies of the holding company affiliate should not also be required to maintain such reserves. In a recent case a group of banks had four holding company affiliates in vertical alignment. Under the interpretation given this statute by the Board of Governors of the Federal Reserve System, each of these parent companies would be required to maintain the specified reserves so that in effect reserves of 48 percent rather than 12 percent would be required. This requirement has been a major deterrent to nonmember State banks owned by the holding company affiliate giving consideration to becoming members of the Federal Reserve System or directly by conversion into national banks. Such a requirement is not justified and the statute should be rewritten to bring it into conformity with the intent of Congress to require a suitable reserve.

Recommendation No. 20.—It is recommended that R. S. 5149 be amended to provide that if an election of directors is not held at the meeting of shareholders called for that purpose because the date set in the articles of association falls on a legal holiday, the meeting shall be held on the next following business day.

Reasons.—In some cases the day specified in the articles of association for annual shareholders' meeting at which directors will be elected will fall on a legal holiday in the State in which the bank is located. In such cases the practice has been for a brief shareholders' meeting to be held at which no business is transacted but the meeting adjourned until some subsequent date decided upon and the directors are elected at that adjournment of the annual meeting. It is believed that it would be preferable to provide by legislation that in this event the meeting shall be held and the directors elected on the next following business day.

Recommendation No. 24.—It is recommended that exception 7 to section 5200 of the Revised Statutes be amended by adding a new sentence which would permit national banks to acquire obligations of dealers in dairy cattle arising out of the sale of dairy cattle, which bear a full recourse endorsement or unconditional guaranty of the seller to a limitation of 15 percent of capital and surplus, in addition to such 10 percent of capital and surplus.

Reasons.—Exception 7 to the basic 10 percent limitation of capital and surplus covers obligations which are secured by liens on range animals (cattle, sheep, goats, horses, mules) or on cattle, sheep, or hogs being fattened for or shipped to market. It does not cover dairy cattle. It is believed advisable that the statute be amended to permit national banks to acquire obligations of dealers arising out of the sale of dairy cattle subject to a limitation of 15 percent of a national bank's capital and surplus in addition to the present limitation of 10 percent of capital and surplus. Frequently such obligations are not in the form to qualify under either exception 2 or 4 of Revised Statutes 5200 because they are not negotiable and thus may not qualify under exception 2, or because they have a maturity of more than 6 months and therefore will not qualify under exception 4. Where they arise out of the sale of dairy cattle they do not qualify under exception 7 in its present form.

Recommendation No. 25.—It is recommended that exception 8 of section 5200 of the Revised Statutes be amended so as to eliminate the words "in the form of notes."

Reasons.—Frequently the obligations referred to in exception 8 are not in the form of promissory notes but are repurchase agreements, or some other form of binding obligations. These agreements are considered to be of equal stature with promissory notes and therefore should be treated as obligations as defined in the first paragraph of section 84.

It is believed that the requirement that the obligation in the case of such loans must be "in the form of a note" is needlessly restrictive.

Recommendation No. 27.—Section 144 of title 12 of the United States Code should be amended to eliminate the requirement that the Comptroller of the Currency must approve the national banking associations at which the requisite reserves may be kept.

Reasons.—It is believed that the power given to the Comptroller to approve the national banks in which reserves of national banks located outside the continental United States may be placed is ineffective in that it would be difficult and discriminatory for the Comptroller to refuse to approve a particular national bank, or to withdraw his approval once it had been given. The withdrawal of such approval or the refusal to give such approval would probably cause rumors and might create doubts as to the solvency of the bank not approved. Furthermore, should the Comptroller withdraw his approval and require such reserve deposits to be withdrawn from a particular bank and that bank shortly thereafter became insolvent, there might be a pertinent question as to whether the Comptroller was causing the preferring of one creditor of the insolvent bank over others.

It is believed that banks located outside the continental United States should select the member banks with which to keep their reserve deposits on the same basis on which other banks normally select the banks with which to carry correspondent balances. Substantially all banks carry correspondent balances with other banks and these correspondent banks are selected on the basis of management and capitalization. The banks outside the continental United States should be permitted to select the member banks with which to carry their reserve balances on the same basis and the Comptroller of the Currency should not be required to approve the selections made.

Recommendation No. 28.—R. S. 5211 should be amended to change from 5 to 10 days the time within which national banks must transmit call reports to the Comptroller of the Currency.

Reasons.—It is difficult for some banks to compile the necessary information and furnish it to the Comptroller within the 5 days allowed, and it is believed that a 10-day period would be more realistic.

Recommendation No. 29.—R. S. 5212 requiring a report to the Comptroller of the Currency of a declaration of dividends should be repealed.

Reasons.—The Comptroller of the Currency requires and receives semiannually a report of the earnings and dividends of each national banking association. In addition, he has access to this information through the examinations performed by his examiners. The requiring of the reports of declaration of dividends does not serve a useful purpose.

Recommendation No. 30.—It is recommended that section 5220 of the Revised Statutes be amended to require approval by shareholders owning two-thirds of the stock of any national bank before the assets of said bank may be sold to another banking institution in carrying out the liquidation of the selling bank.

Reasons.—Section 5220 now requires shareholder approval of any vote to place a national bank in voluntary liquidation but does not require shareholder approval of any agreement entered into by the directors relating to a bulk sale of the bank's assets to another banking institution as a preliminary step to voting the bank into voluntary liquidation. In order to permit shareholders to have a vote on the vital question of selling the bank's assets it is believed the statute should be amended so as to require preliminary approval of the sale by shareholders owning two-thirds of the stock of the national bank unless an emergency exists and the Comptroller of the Currency specifically waives such requirement for shareholder approval.

Recommendation No. 32.—Section 197 of title 12 of the United States Code should be amended so as to substitute the Federal Deposit Insurance Corporation in the place of the Comptroller of the Currency with respect to insured national banks placed in receiver-

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ship where the Federal Deposit Insurance Corporation is appointed receiver pursuant to the Federal Deposit Insurance Act of 1950, as amended.

Reasons.—The Federal Deposit Insurance Act of 1950, as amended (12 U. S. C. 1821) requires the Comptroller of the Currency to appoint the FDIC as receiver of any insured national bank which is placed in receivership and provides that such receiver shall not be subject to the direction or supervision of the Secretary of the Treasury or the Comptroller of the Currency. Since the Comptroller does not supervise or direct the actions of the FDIC as receiver of an insured national bank, the statutory provision referred to should be amended so as to substitute the Federal Deposit Insurance Corporation for the Comptroller of the Currency where the national bank involved is an insured national bank, thus permitting the Federal Deposit Insurance Corporation to call the meeting of the shareholders of such insured national bank and require that the bond of any shareholders' agent elected at such meeting run to the Federal Deposit Insurance Corporation.

Recommendation No. 33.—It is recommended that the Bank Conservation statutes be revised to authorize the Comptroller of the Currency to appoint a conservator for any bank under his jurisdiction whenever there have been defalcations the amount of which is uncertain and cannot be ascertained without an examination of the bank, giving rise to a doubt as to the solvency of the bank. It should be provided that the conservator under the direction of the Comptroller shall take possession of the books and records and assets of every description of such bank, and take such action as may be necessary to conserve the assets of such bank pending further disposition of its business, as provided by law. Such conservator should have all the rights, powers, and privileges now possessed by or hereafter given, receivers of insolvent national banks, and should be subject to the obligations and penalties to which receivers are now or may hereafter become subject. As soon as possible after any insured bank is placed in the hands of a conservator the Federal Deposit Insurance Corporation should be required to pay the insured deposits as provided in the Federal Deposit Insurance Act. If the bank is insured under the Federal Deposit Insurance Act and it is determined that the bank is insolvent the Comptroller of the Currency should be required to appoint the Federal Deposit Insurance Corporation receiver, which should have all the rights, duties, and powers prescribed by law, and, in the event that there have been withdrawals by depositors as above provided for, the amount of such withdrawal by each depositor should be deducted from the amount payable by the Federal Deposit Insurance Corporation to such depositor under the provisions of the Federal Deposit Insurance Act. All expenses of any such conservatorship should be paid out of the assets of such bank and should be a lien thereon which shall be prior to any other lien.

Reasons.—From time to time a situation arises in a national bank where a large defalcation is discovered that appears to equal or exceed the capital structure, but of which the full extent cannot be determined without further investigation and audit. Under existing statutes, immediate action is necessary in such a case to (1) place the bank in receivership and name the Federal Deposit Insurance Corporation as receiver, or (2) arrange by means of a loan from the Federal Deposit Insurance Corporation for the acquisition of the sound assets and assumption of the deposit liabilities of the insolvent bank by another bank. It is usually difficult or impossible to determine which of the two courses is in the best interests of the Federal Deposit Insurance Corporation pending an accurate determination of the size of the defalcation and the extent of the insolvency. If the bank is insolvent by a small amount, it is usually advantageous to the Corporation and in the public interest for the Federal Deposit Insurance Corporation to grant a loan against the unacceptable assets and permit the insolvent bank to be taken over by another bank as this eliminates all receivership expenses. If the extent of the insolvency is large, it is usually in the best interests of the Federal Deposit Insurance Corporation for the bank to be placed in receivership with the Federal Deposit Insurance Corporation named as receiver and the depositors of the bank protected up to $10,000 per depositor.

The suggestion made herein would allow the time necessary to determine the full amount of the defalcation and the extent of insolvency without injury to the ultimate position of the Federal Deposit Insurance Corporation when the final determination is made as to the disposition of the bank.

Recommendation No. 34.—It is recommended that section 11 (k) of the Federal Reserve Act be amended to transfer from the Board of Governors of the Federal Reserve System to the Comptroller of the Currency the power to grant to national banks the right to act in fiduciary capacities and to transfer from the Board of Governors of the Federal Reserve System to the Comptroller of the Currency the power to promulgate regulations in connection therewith.

Reasons.—At the time national banks were first permitted to engage in trust activities, the power to grant to them permission to do so was given to the Board of Governors of the Federal Reserve System rather than to the Comptroller of the Currency. This statute applies only to national banks and not to State member banks. Since national banks, including their trust departments, are supervised, examined, and regulated by the Comptroller of the Currency, the power to grant to national banks authority to act in fiduciary capacities and to regulate their activities in those capacities should be vested in the Comptroller of the Currency rather than the Board of Governors of the Federal Reserve System. The Comptroller of the Currency is in a position to know whether a particular national bank should be permitted to exercise trust powers, and also what problems arise that need to be dealt with by regulation.

Recommendation No. 36.—Section 378 of title 12 of the United States Code should be amended to prohibit the receipt of deposits by any person, corporation, etc., even though incorporated under, and authorized to engage in the business of receiving deposits by, the laws of any State, Territory, or district, unless made subject to examination and regulation by the laws of the State, Territory, or district.

Reasons.—Recently a corporation incorporated under the laws of Texas engaged in receiving deposits and offered to pay 5 percent interest on such deposits. Upon investigation the Comptroller found that while this corporation was duly incorporated under the laws of the State of Texas its deposit activities were not supervised or regulated. The Bank Commissioner of Texas disclaimed jurisdiction on grounds that the company was incorporated under the insurance laws. The insurance commissioner stated that his jurisdiction was limited to regulating the insurance activities of this company and did not extend to regulation of its deposit activities. The Comptroller submitted the matter to the Department of Justice for a determination of whether the Federal Statute was being violated, and was advised that there was no violation. Subsequently, the company became bankrupt with loss to its depositors. Amendment of this statute in the manner suggested would be helpful in preventing other similar situations.

Recommendation No. 42.—It is recommended that section 18 (c) of the Federal Deposit Insurance Act be amended to provide that no insured bank shall merge or consolidate with any other insured bank or acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent of the appropriate Federal authority. It should also provide that in granting or withholding its consent the approving authority must consider the factors enumerated in section 6 of the Federal Deposit Insurance Act and also must take into consideration whether the effect of the transaction may be to lessen competition unduly or tend unduly to create a monopoly. In the interests of uniform standards, the approving authority should be required to first seek the views of each of the other two banking agencies, and should also be authorized to request the opinion of the Attorney General of the United States.

Reasons.—A variety of causes have resulted in a considerable number of bank consolidations or mergers since the end of World War II, and during the last five years. This has given rise to the question of whether desirable levels of competition in banking will be maintained unless legislation is enacted requiring that full consideration be given to the competitive aspects of such transactions prior to being approved by the Government official having jurisdiction. The Federal bank supervisory agencies are not now required by statute to consider the competitive or monopolistic aspects of merger transactions requiring their approval and bank asset acquisitions are not now subject to section 7 of the Clayton Act. It is believed that in exercising their authority over bank mergers and consolidations, the Federal banking authorities should be required to consider in addition to banking factors whether the result thereof might be to lessen competition unduly or to tend unduly to create a monopoly. This authority should be vested in the bank supervisory agencies as banking is a supervised and regulated industry, and important banking factors must be weighed in conjunction with purely competitive factors in arriving at sound decisions.

Since there will be three banking agencies making decisions in respect to this matter, the legislation should require that, in the interests of achieving uniform standards, the Federal bank supervisory agency having jurisdiction in a particular case shall seek the views of each of the other two supervisory agencies on the competitive and monopolistic aspects of such asset acquisitions. The approving authority should be authorized to request the opinion of the Attorney General of the United States in order that the knowledge of the Antitrust Division of the Department of Justice would be available to it. Final authority should, however, be placed in the hands of the Federal banking supervisory agencies whose officials are intimately familiar with banking in all its phases throughout the United States.

The views of this Department with respect to this matter were presented to the Senate Committee on Banking and Currency in great detail during the 2d session of the 84th Congress with respect to S. 3911. This recommendation was incorporated in S. 3911, which was passed by the Senate but not by the House of Representatives during the 84th Congress.

Recommendation No. 43.—It is recommended that section 709 of title 18 of the United States Code be amended to expressly permit the use of the word "national" in the title of all national banks. It is also recommended that the use of the letters "U. S." as part of the business or firm name of persons, corporations, etc. engaged in the banking, loan, building and loan, brokerage, factorage, savings or trust business be prohibited. It is also recommended that no corporation other than a national bank should be permitted to use the words "national bank" in its corporate title.

Reasons.—At the time of the codification of the criminal statutes in 1948 the statute was eliminated which expressly permitted national banks to use the word "national" in their corporate titles. There is now no statute of the United States which expressly permits national banks to thus use the word "national" but the Comptroller of the Currency has continued to require all national banks to do so. Their rights and duties in this respect should be made statutory.

The use of the letters "U. S." should be prohibited to corporations engaged in the types of business specified in order that the public will not be misled into believing that the corporation using these letters is a Government agency or is connected with a Government agency or that its business or that the deposit liabilities, obligations, certificates, or shares thereof, are insured or guaranteed by the United States or any instrumentality thereof. Legislation which would accomplish this purpose was passed by the Senate but not by the House of Representatives during the 84th Congress (S. 2891 of the 84th Congress.) Need for this legislation was highlighted by the bankruptcy of the U. S. Trust & Guaranty Co. of Waco, Texas, a corporation accepting deposits which was not regulated or examined by any supervisory authority.

There is now in existence a corporation which has recently adopted a corporate title including the words "national bank." This corporation is not a bank but is a corporation engaged in holding the stock of national banks. We do not believe that any corporation other than a national bank should be able to combine the words "national bank" in its corporate title thus implying to the public that it is a national bank supervised and regulated by the Comptroller of the Currency. Legislation which would prohibit this should apply to corporations in existence at the time the legislation is enacted as well as those incorporated later.

Recommendation No. 44.—It is recommended that there be enacted a statute which would provide that reports of examinations of national banks made by national bank examiners and related correspondence and papers should be deemed to be confidential documents privileged against disclosure to unauthorized persons except with the consent of the Comptroller of the Currency.

Reasons.—From time to time outside persons, usually persons engaged in litigation with or in some way involving national banks, attempt to subpoena from the Comptroller of the Currency or from the national bank involved copies of reports of examination and related correspondence and papers. In these cases it is the practice of the Treasury Department to resist the subpoena by claiming that such documents are confindential documents of the Treasury Department privileged against disclosure under well-known doctrines of governmental privilege.

Reports of examination of financial institutions under the jurisdiction of the Comptroller and other information obtained by him in the exercise of his visitorial powers over such institutions are classified as confidential because such information is obtained by or submitted to him in confidence. Its revelation might adversely affect such institutions, the affairs of their customers, or others dealing with them or with the Comptroller of the Currency, and would be inimical to the public interest. The courts have generally recognized that the National Bank Act contemplates exclusive supervision of banks by the Comptroller of the Currency and the confidential treatment by him of the information developed as to their internal affairs. Consequently, claims of privilege are ordinarily upheld. Recently, however, a United States district court refused to uphold such a claim of privilege by the Secretary of the Treasury and ordered the production in evidence of reports of examination of a national bank. This decision was reversed by the court of appeals which held that the subpoena was too broadly drawn.

It is believed that this is a matter of such importance that the confidential and privileged nature of reports of examination and related documents should be made statutory. In practically all cases in which litigants seek to subpoena reports of examination any information which they need and to which they are entitled is available from the books of the bank, which are the best evidence of the transactions involved, and which are subject to subpoena.

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Two of the Comptroller's recommendations were approved in part by the Advisory Committee but contained recommendations of that Committee for changes in the Comptroller's original recommendations. These recommended changes were acceptable to the Comptroller of the Currency and, as changed, these recommendations were included in S. 1451 as it passed the Senate. They were:

Recommendation No. 23.—This recommendation as originally made was as follows:

(1) It is recommended that exception 6 to section 5200 of the Revised Statutes be amended by adding a new sentence which will permit national banks to acquire obligations of any person, copartnership, association or corporation in the form of notes or drafts secured by shipping documents, warehouse receipts or other such documents transferring or securing title covering readily marketable staples, when such property is fully covered by insurance, to a limitation of 15 percent of the bank's capital and surplus, in addition to the statutory limitation of 10 percent of capital and surplus, when the market value of such staples securing such obligation is not at any time less than 115 percent of the face amount of such obligation, but this exception shall not apply to obligations of any one person, copartnership, association, or corporation arising from the same transaction and/or secured by the identical staples for more than 6 months. The present first sentence in exception 6 should be amended by changing the word "upon" to "by" in the last full line as quoted above.

(2) It is recommended that section 5200 of the Revised Statutes be amended to add a new exception which will permit a national bank to acquire from any one seller or dealer obligations arising out of the discount of instalment consumer paper whether negotiable or nonnegotiable, which paper carries a full recourse endorsement or unconditional guaranty of the seller or dealer, to a limitation of 15 percent of the bank's capital and surplus in addition to such 10 percent of capital and surplus.

Reasons.—(1) Exception 6 to Revised Statutes 5200 provides that readily marketable staples in order to qualify as security for loans under this exception must be nonperishable. Exception 6 has not been amended since 1927. In recent years frozen food processors have developed greatly improved methods in processing, freezing, and storing foods which must be kept under refrigeration before sale to consumers. Frozen packaged fruits, citrus juices, vegetables, meats and seafood represent a substantial proportion of foods sold in retail stores. Where insurance can be obtained, it is believed that national banks should be permitted to lend to one obligor not more than 25 percent of capital and surplus when the security consists of readily marketable staples which are kept under refrigeration during the period of a loan not exceeding 6 months.

(2) Commercial and business paper arises out of the process of production, manufacture, or distribution of goods. It is so related to a commercial or business transaction that it is virtually self-liquidating. It is characteristically short-term paper. It is almost invariably negotiable in form. To promote the currency of this type of paper the law merchant adopted its most important principle, i. e., that if this paper is in negotiable form, an innocent purchaser for value will take it free of defenses which might exist between prior parties. Commercial and business paper that is negotiable in form is acceptable for discount at Federal Reserve banks under section 13 of the Federal Reserve Act and regulation A. Title 12, United States Code, section 84 (1), (2), and (3), permits national banks to loan on or purchase such paper without any limitations based on capital or surplus.

Instalment consumer paper, however, is quite different from commercial and business paper. It is almost invariably longer term paper; it is not discountable at Federal Reserve banks under section 13 of the Federal Reserve Act and regulation A; and it is not intended for ready negotiability in the same sense or degree as commercial or business paper. In consumer financing the commodity, the purchase of which is being financed, is likely to be the real and ultimate security for the lender. Consequently, it is not as traditional or important that consumer paper should be in negotiable form as that commercial or business paper should be. The Comptroller's office has consistently ruled that instalment consumer paper purchased by national banks with the full recourse endorsement of the seller or dealer and which was negotiable could enjoy the provisions of title 12, United States Code, section 84 (2) and be acquired without any limitations based on capital or surplus. If the paper is not negotiable, the 10 percent limitation applies. This discrimination against consumer instalment paper not in negotiable form is unnecessarily severe. This provision of the statute was not originally intended to deal with this type of paper. It is now believed that all purchased or discounted instalment consumer paper acquired from one dealer or seller which bears the full recourse endorsement or unconditional guaranty of such dealer or seller, whether negotiable or nonnegotiable, should be limited as to any one obligor to 25 percent of a bank's capital and surplus.

Whenever a question of the office requirement of negotiability has come up, our files show that it has been with reference to consumer paper which is usually in the form of conditional sales contracts. It is this type of paper that contains the provisions that are needed to protect the lender's security while it is being used and paid for by the borrower, for example, provisions that the borrower will keep the property in repair, keep it insured, pay taxes, etc. When such provisions are included in consumer paper, they definitely make the paper nonnegotiable under the uniform negotiable instruments law and the decisions of the courts. The lender cannot include such provisions in consumer paper and still have the paper considered to be negotiable in form and we cannot permit such provisions to be included in consumer paper and still require that the paper be negotiable in form.

It will be noted that it is not the negotiable form of the paper which makes it safer but rather the circumstances under which it is acquired, i. e., by a party who not only pays value for it but also has no knowledge of facts which might give a prior party a defense against the paper. If a bank is in fact an innocent purchaser for value, it is better off holding paper that is negotiable in form rather than paper that is not.

The banks and automobile dealers and other vendors have also worked out dealers' guaranty or repurchase agreements and reserve accounts for the holding of defaulted consumer paper. These arrangements reduce the need of the banks for the protection afforded by the innocent purchaser rule. It is believed that in actual practice the banks rely very much more heavily on these agreements than on the innocent purchaser rule for their protection.

Thus, it will be observed that, although banks may be better protected through the operation of the innocent purchaser rule if they hold negotiable consumer paper rather than nonnegotiable paper, it is open to question whether as a practical matter the actual amount of protection is any greater in the one case than in the other.

Therefore, it is deemed advisable that a new exception be added to section 84 dealing exclusively with instalment consumer paper.

Changes Recommended by Advisory Committee.—In lieu of the Comptroller's recommendation (2) the committee recommends a change which consists of that which the Comptroller suggests, *supplemented by a proviso* to the effect that the 10 percent limitation as regards the *maker* of each note *shall* apply rather than the 25 percent limitation upon the aggregate acquired from the endorser where, after evaluation of the responsibility of each maker has been made, an officer of the bank, designated for such purpose by its board of directors, certifies that in acquiring *such* paper from the particular seller the acquiring bank is relying primarily upon the obligations of the *makers* for payment of the paper.

Under present law *nonnegotiable* recourse instalment consumer paper is subject to the 10 percent limitation, whereas such *negotiable* paper is subject to *no* limitation. Thus the Comptroller's recommendation 23 (2) is *restrictive* as to negotiable paper and is somewhat liberalizing as to such *non*-negotiable paper.

The committee has stated its views on this problem as follows:

"(A) There is no reason here to view such *non*-negotiable paper in any different light than negotiable paper, or vice versa.

"(B) There is no reason to differ with the Comptroller's recommendation *in cases where* the acquiring bank *does not* evaluate the responsibility of the individual maker but rather relies primarily upon the responsibility of the endorser (or guarantor).

"(C) *But* where the acquiring bank *does evaluate* the maker's responsibility, there should be a different rule. In other words, *if* the acquiring bank *is looking* to the maker after investigation, why should not the transaction *for loan limit purposes* be deemed to be a loan to the *maker* rather than to the endorser?"

It is on this analysis that the committee disagrees with the Comptroller and makes the recommendation which it does.

Recommendation No. 35.—(1) Amend section 24 of the Federal Reserve Act to enable national banks to make loans to finance the construction of industrial or commercial buildings for terms of not more than 18 months where there is a valid and binding agreement entered into by a financially responsible lender to advance the full amount of the bank's loan upon completion of the buildings, without such loans being regarded as real estate loans, and to increase the aggregate limit on construction loans from 50 percent of capital to 50 percent of capital and surplus.

(2) Amend the statute to permit national banks to make loans on leaseholds which have at least 10 years to run beyond the maturity date of the loan.

(3) Amend the statute to permit national banks to make loans to finance the construction of buildings upon the security of purchase contracts entered into pursuant to the provisions of the Public Buildings Purchase Act of 1954 or the Post Office Department Property Act of 1954, without regard to the provisions of the section concerning loans on real estate.

(4) Amend the statute to permit national banks to make working capital loans to manufacturing or industrial enterprises secured by liens on the physical properties of the enterprise, including plant real estate, without such loans being regarded as real estate loans. Loans for the purpose of financing the construction of such plants, or to refinance existing mortgage indebtedness on such plants, must be regarded as subject to all pertinent provisions of this section.

Reasons.—(1) Loans to finance the construction of industrial or commercial facilities having maturities of not more than 18 months where there is a valid and binding agreement entered into by a financially responsible lender to advance the full amount of the bank's loan upon the completion of the buildings are safe and desirable loans which national banks are now unable to make. Permitting them to make such loans would enable them to better compete with State banks in the financing of the construction of industrial and commercial facilities. If this legislation is enacted it will be desirable and necessary to raise the aggregate limits on construction loans.

(2) Present restrictions on leasehold loans are unrealistic and the present provision of law has been of little benefit either to national banks or to prospective borrowers. It is believed the restrictions can be liberalized without danger to the banks.

(3) Enactment of this legislation is necessary to aid the General Services Administration and the Post Office Department in securing financing for the construction of public buildings.

(4) Manufacturing and industrial companies or firms regularly borrow money for working capital purposes from national banks. In some cases, because of moderate credit weaknesses which must be assessed with great care because of the size of the loan and its repayment terms, and which could become more acute under adverse conditions or circumstances, it is considered prudent judgment on the part of bankers to require a collateral mortgage on the actual plant of the borrower. The loan is based on the premise that it will be used for normal working capital purposes and will be repaid from profitable operations, the liquidation of inventory or receivables, etc. The plant has, in most instances, salvage value only if it cannot be operated on a profitable basis. Such loans are in reality commercial loans and represent ordinary business financing. Such loans should not be treated as real-estate loans subject to the provisions of section 24 of the Federal Reserve Act (12 U. S. C. 371). The reasons behind that statute and the purpose for which the statute was deemed desirable do not apply in the case of this type of loan which will be liquidated in a normal business way, barring unforeseen reverses.

Changes Recommended by Advisory Committee.—With respect to the Comptroller's recommendation (1) the committee believes that a combined aggregate limitation of 100 per cent of capital and surplus on loans for residential, farm, industrial, and commercial construction would be a more reasonable and realistic figure and accordingly urges that the Comptroller's recommendation be amended to this effect.

With respect to the Comptroller's recommendation (4) the committee considers that an amendment to the real-estate loan section applicable to national banks, being section 24 of the Federal Reserve Act, to meet the problem discussed in the Comptroller's recommendation 35 (4) is highly desirable but it is concerned with some of the limitations contained in the Comptroller's recommendation.

Manufacturing and industrial companies regularly borrow money from banks, both for working capital and to enlarge their facilities. These loans are expected to be repaid through the liquidation of inventory or receivables or through the operations and earnings expected to be derived from the facilities. In some cases, as protection against other creditors, existing or potential, or to prevent the bank from being in a less favorable lending position than other lenders, it is considered prudent judgment on the part of the bank to take a collateral mortgage on the facility of the borrower. These loans are really business loans and represent ordinary business financing and should not be treated as real-estate loans subject to the provisions of section 24 of the Federal Reserve Act.

Accordingly, the committee recommends that the amendment to section 24 as recommended by the Comptroller in his recommendation (4) be modified so as not to base the exception on working capital loans as such but to base the exception on loans where made on the basis of repayment out of the operations of the borrower's business, when the bank relies primarily on the borrower's general credit standing, forecast of operations with or without other security, but wishes to take a lien on the borrower's real estate as a precaution against contingencies, whether present or future.

The committee is of the opinion that the alternative aggregate limitation on real-estate loans under section 24 of the Federal Reserve Act of capital and surplus or 60 percent of time and savings deposits is unnecessarily restrictive with respect to banks which have a relatively low proportion of time and savings deposits. This situation arises particularly in communities where the competition for savings is such that national banks cannot acquire savings at reasonable interest rates sufficient to permit these institutions to meet the normal demand of their customers for real-estate financing. The capacity of such banks to engage in mortgage lending seems to be unreasonably restricted by the present limitation.

The committee, therefore, *recommends* that paragraph 1 of section 24 be amended to add the additional alternative of 20 percent of demand deposits. Thus amended, the statute would authorize a national bank to make real-estate loans in an aggregate amount not exceeding its capital and surplus, or 60 percent of its time and savings deposits, or 20 percent of its demand deposits, whichever is greater. It is the judgment of the committee that such additional alternative would reasonably liberalize the capacity of such banks to make mortgage loans without in anywise exposing them to an undue risk.

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One of the recommendations made by the Comptroller was approved by the Advisory Committee, but was adopted by the Senate Committee only in part. It was:

Recommendation No. 17.—(1) Section 62 of title 12 of the United States Code should be amended to eliminate the provision that creditors of the association may inspect the list of shareholders.

(2) This statute should be amended by qualifying the right of the shareholders to inspect the shareholders list by providing that they may inspect the shareholders list only for a proper purpose not inimical to the interests of the bank.

Reasons.—(1) Double liability of shareholders in national banks has now been eliminated. With the elimination of the double liability there is no longer any reason to permit the creditors of the bank to view the shareholders lists. The purpose of that requirement was so that the creditors would know who were the shareholders against whom double liability might be enforced in the event of the insolvency of the bank.

(2) There appears to be no reason why shareholders of national banks should have any greater right of access to shareholders lists than the shareholders of corporations generally. That right is generally limited to the right to inspect the shareholders list upon the showing of a proper purpose not inimical to the interests of the corporation. The present requirement related back originally to the double liability provisions of law, and there is no longer any need for the provision to be any broader than in the case of corporations generally.

Comment.—It was the second part of this recommendation that was not adopted by the Senate Committee nor included in S. 1451 as it passed the Senate. The Comptroller continues to believe that adoption of this recommendation is desirable.

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One of the recommendations made by the Comptroller was approved by the Advisory Committee, but was not adopted by the Senate Committee. It was not included in S. 1451 as it passed the Senate. It was:

Recommendation No. 41.—Section 2 of the Federal Deposit Insurance Act should be amended to provide that in case of the inability of the Comptroller of the Currency to act, through illness or otherwise, the Acting Comptroller of the Currency shall be a member of the Board of Directors in the place and stead of the Comptroller.

Reasons.—While the statute now provides that the Acting Comptroller of the Currency shall serve as a member of the Board of Directors of the Federal Deposit Insurance Corporation in the event of a vacancy in the office of the Comptroller of the Currency and during the absence of the Comptroller from Washington, it says nothing about the Acting Comptroller of the Currency serving as such director in the event of the illness of the Comptroller. While it would be assumed that the Acting Comptroller of the Currency should serve as a director of the Corporation during the illness or disability of the Comptroller, the authority should be made statutory.

Comment.—The Comptroller continues to believe that this change is needed.

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One of the Comptroller's recommendations was disapproved by the Advisory Committee which substituted a recommendation of its own. This substitute recommendation was acceptable to the Comptroller and was included in S. 1451. It was:

Recommendation No. 13.—It is recommended that appropriate amendment to sections 56 and 60 of title 12 of the United States Code be enacted to require the approval of the Comptroller of the Currency before the directors of any national bank may declare and pay to shareholders of the association cash dividends which exceed the amount of net profits after taxes realized from banking operations during the previous 6 months' period. Furthermore, that amendment be made to the statutes to permit directors of national banks to declare dividends quarterly, semiannually, or annually, as long as all legal requirements are met.

Reasons.—There have been cases where national banks have paid dividends in excess of net profits after taxes to shareholders even though such payment resulted in the dissipation of needed capital funds.

A recent instance occurred in which the controlling block of the capital stock of a strongly capitalized and well-managed national bank was sold to another shareholder. The new majority shareholder negotiated a deal whereby the quarters of the bank were sold for a large sum in excess of the book value, the profit of over $400,000 was credited to the undivided profits of the bank, and the bank entered into a long-term lease at unduly heavy rental expense for its occupancy of the banking house it formerly owned. It seems possible, if not likely, that the exorbitant terms of the lease rather than the real value of the property may have been the principal factor in the negotiation of the selling price of the banking house.

Under the new majority share ownership, the directors of the bank declared over $1 million in dividends which exceeded by $480,000 the profit on the sale of the banking house as well as net profits from operations for the year. Theretofore, the annual dividend to shareholders amounted to $30,000 and today no dividend is being paid. Although this depletion of the capital funds of the bank did not violate the above-quoted statutes, its effect was the creation of an undercapitalized position, particularly so in the light of the policies of the new management which engaged in self-serving lending activities of an unsafe and unsound nature. The Comptroller of the Currency warned the entire board of directors of the bank under title 12, United States Code, section 77 (Banking Act of 1933, sec. 30) which is a preliminary step toward their removal from office. However, the majority share ownership of the bank changed hands again and resulted in the election of another new board of directors. This bank still remains in an undercapitalized condition. Although the present management, which is the third within 2 years since the initial sale of control in 1954, has been advised of the need for additional capital funds, the matter must be delayed until the settlement of litigation between former and present principal shareholders arising out of charges of fraud and misrepresentation in the sale of the shares and the banking house.

It is deemed necessary to ask for the reasonable legal requirement that the Comptroller approve the payment of cash dividends exceeding the bank's net profits after taxes for the previous year to prevent such situations from arising.

With respect to the recommendation concerning the frequency of declaration of dividends, many banks find it desirable to declare dividends at intervals more frequently than semiannually as now specifically provided in the law. To answer many inquiries concerning this subject the Comptroller of the Currency has incorporated the following ruling in the Digest of Opinions of the Office of the Comptroller of the Currency Relating to Operations and Powers of National Banks:

"6310A. Declaration and payment of dividends more frequently than semiannually.

"Under R. S. 5199 and 5204 (12 U. S. C. 60 and 56), the directors of a national bank are expressly empowered to declare dividends semiannually out of the bank's 'net profits.' However, until the bank's surplus equals its common capital, the bank must first carry 'not less than one-tenth part of its net profits of the preceding half year to its surplus fund.' (The 'preceding half year' refers to the 6-months' period ending June 30 or December 31, as the case may be.) Such dividends may be made payable more often than semiannually, such as quarterly.

"The reference in R. S. 5199 to semiannual declaration of dividends is related to the requirement in the same sentence that, before declaration of a dividend, the bank shall carry not less than one-tenth part of its net profits to surplus until the same shall equal the amount of its common capital. There is no objection on the part of this office to more frequent declarations of dividends (for example, quarterly) so long as the bank's surplus fund is at least equal to its capital."

This ruling is based upon the opinion that the law is intended to be restrictive only as long as the surplus of the bank remains less than the amount of its capital. After the legally required capital and surplus relationship is established and no further transfers of portions of net profits to surplus must be made, there seems to be no reason for restricting the declaration of dividends to a semiannual basis if there is no conflict with other provisions of law. A clarification of the statute to deal with what appears to be all-inclusive restrictive language would be helpful.

Recommendations of Advisory Committee.—It is recognized that occasionally there occurs a case where dividend declarations which are made in technical compliance with the requirements of existing law nonetheless are not justified by present and accumulated earnings, result in a weakened and undercapitalized bank, and violate safe and sound banking practice. Present law should, therefore, be amended to vest in the Comptroller of the Currency appropriate powers to prevent any such occurrence. The recommendation of the Comptroller is considered to be sound in principle, but it is questioned whether it would be practical or equitable in operation. It is therefore *disapproved.*

An amendment to strengthen existing law to prevent the recurrence of any such case should not be so restrictive in operation as to penalize the great bulk of conservatively, soundly, and safely managed banks. It is well known that the dividend policies and records of the Nation's banks have been and are conservative in the interest of increasing bank capital in order to strengthen even further the banking system and to enable it better to meet the ever-expending credit needs of our country. However, the conservative dividend policy followed by the Nation's banks understandably is not likely to aid the banks in attracting the additional capital which the banks need if they are to continue to meet the increasing credit needs of the country. Stockholders in banks have had to be content with a smaller dividend return on their invested capital than have the stockholders of other major segments of American business and industry. Hence, any amendment to accomplish the Comptroller's objective should avoid any undue burden on the dividend policy of banks generally.

Accordingly the committee feels that the terms of the recommendation of the Comptroller should be amended so that the requirement for obtaining prior approval of dividend declarations for any calendar year should be operative only in a case in which dividend declarations in any calendar year exceed net profits after taxes for the current year, plus retained net profits for the preceding *2 years*. Such a provision would supply the Comptroller with the additional authority he needs to prevent any unsound dividend declaration and at the same time not impose an unduly restrictive limitation on all banks in order to prevent occasional abuse.

The committee, therefore, *recommends* that the Comptroller's proposal be amended as set out in the preceding paragraph.

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Four of the Comptroller's recommendations were disapproved by the Advisory Committee and not included in S. 1451. They were:

Recommendation No. 21.—It is recommended that section 30 of the Banking Act of 1933 be amended to prevent a director or officer of a national bank who has been removed under the provisions of section 77 from voting his shares of stock for any purpose at regular or special meetings of the shareholders. The remaining outstanding stock shall be regarded as 100 percent of the bank's outstanding shares for all voting purposes. If the removed shareholder sells or transfers his shares, it may not be voted by the new owner unless the Comptroller of the Currency determines that the sale or transfer was bona fide and not merely an attempt by the removed officer to vote the shares through a third party.

Reasons.—The statute provides that any director or officer who has been removed from office is subject to a fine of not more than $5,000, or imprisonment for not more than 5 years, or both, in the discretion of the court if he participates in any manner in the management of the bank. However, there is nothing in the statute that prohibits a removed officer or director from voting the stock of the bank owned by him. Thus, if he owns more than 50 percent of the stock of the bank, he can, as a practical matter, manage the bank through those he is able to elect to the directorate, and, in order to eliminate his direct or indirect control, his stock while owned by him or anyone he controls should be deprived of its voting power and the remainder of the stock of the bank held by independent parties should be considered as representing 100 percent of the voting stock of the bank.

Reasons for Disapproval by Advisory Committee.—The remedy of unconditional deprivation of the right to vote stock as proposed by the Comptroller poses possible questions of legality and of abuse. Such questions could well weaken the effectiveness of such a remedy if enacted into law.

While the committee is sympathetic with the objective which the Comptroller seeks, the recommendation for the reasons above is *disapproved.*

Comments.—While the Comptroller continues to believe there is merit to his proposal, no consideration is being given at this time to again submitting this recommendation to the Congress.

Recommendation No. 37.—It is recommended that R. S. 5240 be amended to provide that the Federal Deposit Insurance Corporation shall pay to the Comptroller of the Currency annually an amount equal to 50 percent of the expense incurred by it in examining State nonmember insured banks, and the Board of Governors of the Federal Reserve System shall pay to the Comptroller of the Currency annually an amount equal to 50 percent of the expense incurred by it and by the Federal Reserve banks in examining State member banks, and that the expenses of the Comptroller of the Currency not otherwise provided for shall be assessed by the Comptroller of the Currency upon the national banks in proportion to their assets and resources.

Reasons.—National banks now bear the full expense of the supervision and the examinations which they receive from the Comptroller's office. The entire expenses of the Comptroller's office are paid out of assessments levied on national banks. State banks, on the contrary, which are supervised and examined by the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation, do not bear directly any of the expense of such Federal supervision and examination. In the great majority of cases State banks are examined jointly by the State authorities and by the examiners of the Federal Reserve banks or the Federal Deposit Insurance Corporation. In many States such examinations are conducted only once a year. By conducting joint examinations with Federal examiners State banking departments are enabled to operate with substantially smaller staffs and at less expense to the banks.

Thus State banks are to some extent subsidized by the Federal Government through the Federal Reserve System and the Federal Deposit Insurance Corporation, and they get the benefits of Federal supervision and examination at no direct cost to them. All national banks in the continental United States are members of the Federal Reserve System and are insured by the Federal Deposit Insurance Corporation. All of the funds of the Federal Deposit Insurance Corporation are derived from insurance assessments on insured banks including national banks. Thus national banks through their payments to the Federal Deposit Insurance Corporation are paying part of the cost of examining State banks. This inequity should be eliminated.

In some States the examination fees are very much less for State banks than for national banks particularly in the case of larger banks. This is an incentive for national banks to leave the national system and convert into State banks.

Through the payments suggested in the proposed amendment the examination fees assessed to the national banks by the Comptroller of the Currency could be reduced, thus restoring a more equitable balance between the State and National systems.

Reasons for Disapproval by Advisory Committee.—No reasons stated.

Comments.—While the Comptroller continues to believe there is merit to his proposal, no consideration is being given at this time to again submitting this recommendation to the Congress.

Recommendation No. 45.—It is recommended that legislation be enacted to provide that any national bank located within the same county may, with the approval of the Comptroller of the Currency, acquire by consolidation, merger, or purchase of assets, and assumption of liabilities another national bank which is found by the Comptroller of the Currency to be in a precarious financial condition *and permit the acquiring bank to continue the office or offices of the absorbed bank* as branch offices, even though State laws do not permit the establishment of such branches.

Reasons.—Situations have arisen in the past where communities in States the laws of which either prohibit branch banking or provide for limited branch banking have been deprived of needed banking services through the discontinuance of a national bank because of insolvency. Other nearby banks could and would have provided those communities with all necessary banking services through takeovers of the discontinuing banks and the establishment of branches at the locations of such banks if the branch banking laws had not prohibited their doing so. This would have substantially eased the problem of the bank supervisory authorities and been to the best advantage of all concerned. Similar situations are almost certain to arise in the future. It would appear to be essential that a method of dealing with such problems and permitting the continuance of necessary banking services in such situations be provided through the recommended legislation.

Reasons for Disapproval by Advisory Committee.—While the merit of the reasoning advanced by the Comptroller in support of this recommendation is recognized, nonetheless this recommendation departs from the "State law test" historically applied to branches of national banks. For this reason this recommendation is nonetheless *disapproved.*

Comments.—While the Comptroller continues to believe there is merit to his proposal, no consideration is being given at this time to again submitting this recommendation to the Congress.

Recommendation No. 45A.—It is recommended that a statute be enacted to govern specifically certain important phases of the administration of pension, profit-sharing, and employee welfare or benefit accounts of national banks, as follows:

(1) Such accounts into which profits of the bank are contributed should have the approval of the stockholders who own a majority of the capital stock of the bank.

(2) Borrowing by such accounts should be prohibited, except for temporary needs to meet required disbursements.

(3) Investment of funds of such accounts in any real estate, equipment, enterprise, obligation, interest or stock, the principal purpose of which is to serve the interest of the bank or any director, officer, or employee thereof, should be prohibited.

432389—57——4

(4) Ownership of more than 5 percent of the shares of the capital stock of any bank or trust company or the investment of more than 10 percent of the corpus of the pension, profit-sharing, and employee welfare or benefit fund or trust in shares of any bank or trust company whichever is the lesser based upon cost price at the time of purchase, should be prohibited.

(5) The Comptroller of the Currency should be authorized by law to examine, in the course of the examination of each national bank, the affairs of any pension, profit-sharing, and employee welfare or benefit accounts which it established for its directors, officers, or employees, except when such accounts are administered by an independent corporate trustee.

Reasons.—In the investment of trust funds of pension, profit-sharing, and employee welfare or benefit arrangements, abuses have occurred which could have been prevented had suitable statutory restrictions existed governing the administration of such trust funds. The most outstanding abuses which have come to the attention of this office are:

(1) The failure to obtain approval of the shareholders of the employer bank. This could result in litigation. In the case of *Heinz v. National Bank of Commerce in St. Louis* (237 Fed. 942), the United States Circuit Court of Appeals held that the creation of a pension fund was within the incidental powers of a national bank. In that case the directors had established the plan pursuant to a resolution of the shareholders. Such approval by the shareholders is believed to be wise procedure in order that the shareholders may be fully informed, and their specific approval may remove the possibility of later criticism. Furthermore, the shareholders are entitled to know the extent to which the future earnings of their bank are committed for such a purpose.

(2) There have been cases where pension funds created by banks have borrowed substantial sums of money to purchase the controlling interest in other banks. Control held in such a manner permits the employer-bank to dominate the policies and operations of the bank concerned. We do not believe that such funds should be used for this purpose.

(3) Also, trust funds of employee benefit accounts have been invested in banking houses, equipment, automobile parking facilities, insurance agency, and an automobile dealer-ship on the verge of bankruptcy. Such investments are not suitable to the type of trust funds being invested and are indicative of self interest.

(4) There is divided opinion as to whether stock of an employer bank is a proper investment of trust funds held for its employees. We believe it would be advisable to restrict the ownership of such stock to a reasonable amount with respect to the corpus of the trust as well as to the proportion of the capital stock of the employer bank. Furthermore, the limitations recommended are the same as those provided by section 17 (c) (5) of Regulation F of the Board of Governors of the Federal Reserve System which sets forth miscellaneous limitations on investment of common trust funds. Fundamentally, it is contrary to sound fiduciary practice to engage in self-dealing, particularly where the trustor and trustee are essentially the same. We also regard it to

be inappropriate for an employee's pension to be substantially dependent upon the continued success of his employer. In any case where it is necessary for a bank to increase its capital stock by means of a sale of new shares, ownership of a major portion of the existing capital stock by an employees' trust fund, which may not be in a position to purchase more stock, could impede if not prevent an increase in capital which might be necessary for the continued welfare of the bank and the protection of the interests of its depositors. Furthermore, if the bank is sole trustee, it is prohibited by title 12, United States Code, section 61 (U. S. R. S., sec. 5144) from voting such shares held in trust in the election of directors, except under certain circumstances. If these circumstances are met and a substantial portion of the stock of the bank is held in trust, it may become possible for the management of the bank to perpetuate itself in office. This perpetuation of management could also occur through the influence of directors and officers upon employees, if they, instead of the bank, are trustees of the fund.

(5) Statutory authority exists under which the Comptroller of the Currency may examine trust departments of national banks and in any case where such a department is acting as trustee of an employees' pension, profit-sharing, welfare or benefit trust, the administration of such trust funds may be examined. However, when the bank is not trustee and such funds are under a trusteeship composed of directors, officers, employees, or others, statutory authority does not exist which would permit examination into the administration of such trusts. Even though under these circumstances the administration of the trust is not a direct responsibility of the bank, because of the fact that its trustees (other than an independent corporate trustee) are closely connected with the bank and in a position to be influenced by those who formulate and administer its policies, the bank might be held liable for any loss which may occur in such a trust fund by reason of unsound acts of its directors, officers, or employees who also serve as trustees and whose interest is divided between the bank and the trusteeship. The probability or likelihood that under adverse circumstances the trustees may be charged with self-dealing and the bank held liable make it advisable that statutory authority be provided under which the affairs of such trusts may be supervised.

Reasons for Disapproval by Advisory Committee.—For some time now the Congress, as well as several agencies in the executive branch of the Federal Government, have been studying the need for additional Federal legislation with respect to the establishment and regulation of employee benefit plans generally. In the second session of the last Congress the subcommittee on Pension and Welfare Funds of the Senate Labor and Public Welfare Committee made an extensive report of its findings and recommendations in this area. The subcommittee also reported to the full committee proposed legislation which would impose reporting and disclosure requirements with respect to the financial details of the operation of employee benefit plans. As this proposed legislation was reported late in the last session of Congress, no action was taken on it. It seems reasonably clear at this time that that or similar legislation will be introduced and pressed in the next Congress.

In the light of these considerations, it would seem to be premature for the Congress to consider this recommendation at this time. For this reason this recommendation is *disapproved.*

Comments.—The Comptroller considers it essential that there be enacted at an early date legislation specifically governing certain important phases of the administration of pension and profit-sharing trusts of national banks. Because the trustee is frequently the bank, or designated individuals selected by and closely connected with the bank, the trust instruments ordinarily place very great discretionary powers in the trustees. There is at present no control over the actions of the trustees except the usual right of beneficiaries of the trusts to object to actions of the trustees. These beneficiaries are all employees of the bank. In a few cases funds of this type of trust have been used by banks to acquire and own stock beyond reasonable limits, or to acquire the stock of competitive banks, or for other purposes more to the benefit of the bank than the bank's employees. Legislation which would set minimum standards for the operation of these trusts should not wait for consideration by the Congress of proposed legislation regarding employee benefit plans generally, in which problems other than those peculiar to banks would be uppermost. With respect to the proposed legislation referred to by the Advisory Committee, it should be pointed out that this legislation would not have provided for the regulation of employee benefit plans but merely for the gathering of information.

It is anticipated that this recommendation will be again presented to the Congress at an early date.

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One of the Comptroller's recommendations relating to facilities of national banks at military posts was disapproved as being unnecessary because existing legislation on the subject was deemed adequate. The remaining eleven recommendations, which were all purely technical in nature and involved no change of substance, but merely deleted obsolete provisions of law were approved by the Advisory Committee and included in S. 1451 as it passed the Senate.

In addition to the changes recommended by the Comptroller and by the Advisory Committee as indicated above, S. 1451 would make several other important changes in the national banking laws.

Conflicts of Interest

Section 8 of S. 1451 would prohibit the Comptroller or any Deputy Comptroller from owning stock in any national bank or District bank, or from holding any office or employment in any such bank while he holds his office. Under present law the Comptroller and the First Deputy Comptroller are prohibited from being interested in any national banking association. The proposed change is merely declaratory of existing practice.

Section 8 would add a provision to present law making it unlawful for any employee of the Office of the Comptroller to accept employment in any national bank or any District bank, within 2 years after terminating his employment with the Comptroller, except upon approval of the Comptroller pursuant to regulations prescribed by him. A similar rule is under existing practice applied by the Comptroller's office to national bank examiners.

Preferred Stock

Section 20 of S. 1451 changes present law dealing with the issuance of preferred stock by national banks to provide that preferred stock may be issued only when approved by the Comptroller, after determination by him that the most practicable method of obtaining desired and needed additional capital is through the issuance of preferred stock. The present provisions of law permitting the issuance of preferred stock by national banks are regarded as emergency provisions to be used only under emergency conditions.

Shareholders List

Section 22 of S. 1451 would add a requirement that the Comptroller shall be immediately notified by the president or cashier of the national bank involved, of any single transaction recorded on the bank stock transfer records involving the purchase or sale of 10 per centum or more of the outstanding shares of the association.

Disclosure of Stock Ownership

Section 23 of S. 1451 would require that the record owner of any stock in any national bank shall within 30 days after becoming such record owner notify the Comptroller in writing of the name of any person or persons having a beneficial or equitable interest in such stock in excess of 5 per centum of the outstanding shares of the bank. In the case of stock held in a trust, this requirement may be satisfied by filing a copy of the trust instrument with the Comptroller. Any change in the person or persons having such a beneficial or equitable interest in any such stock, except pursuant to any trust instrument on file, must be promptly reported to the Comptroller by the record owner. The transferee of any such stock must, within 30 days after such transfer, cause his name to be listed as the record owner thereof.

Removal of Officers and Directors

Section 29 of S. 1451 would continue in substance the present provisions of law dealing with the removal of officers and directors who had violated laws or engaged in unsafe and unsound practices, but would add the provision that in the case of a hearing held by the Board of Governors of the Federal Reserve System as provided for by the statute, the hearing shall be held in accordance with the provisions of the Administrative Procedure Act and shall be subject to review as therein provided except that the review by the court shall be upon the weight of the evidence. The usual test under the Administrative Procedure Act is whether the decision of the administrative agency is supported by substantial evidence.

Stock Options

Section 31 (a) (9) of S. 1451 would add a new provision permitting national banks, with the approval of the Comptroller, to grant restricted stock options which qualify under the Internal Revenue Code to their employees. This section would provide that no stock options shall be approved if the option price is less than 85 per centum of the fair market value of the shares, or 85 per centum of the book value of the shares, as determined by the Comptroller, whichever is greater.

Stock Acquisitions in Connection With Bank Mergers

Section 32 (b) of S. 1451 would permit a national bank, with the approval of the Comptroller, to purchase and hold, for not to exceed 90 days, stock of another bank as a step in a proposed absorption of such other bank through merger, consolidation, acquisition of assets and assumption of liabilities, or otherwise.

Maximum Rate of Interest

Section 35 of S. 1451 would contain a provision to the effect that the purchase of obligations or evidences of indebtedness from the actual owner thereof shall not, for the purposes of determining the maximum rate of interest which a national bank may charge, be deemed a loan or discount if such purchase would not, under the law of the State in which the purchasing bank is located, be deemed a loan or extension of credit subject to the interest or usury statutes of such State.

Limit on Bank's Indebtedness

Section 37 of S. 1451 would provide that no national bank may at any time be indebted in an amount exceeding the amount of its capital stock plus the amount of its unimpaired surplus fund, except on account of demands of a specified nature. Under present law the amount in which a national bank may be indebted is limited to the amount of its capital stock.

Investment in Bank Premises

Section 43 of S. 1451 would provide that no national bank, without the approval of the Comptroller may invest in bank premises in amounts in excess of 100 percent of its capital stock or 50 percent of its capital and surplus, whichever is greater. Under present law investments in bank premises are limited to 100 percent of the capital stock of the bank.

Businesses Representing Themselves as Banks

Section 44 (b) of S. 1451 would provide that it shall be unlawful for any institution organized under the laws of the United States to represent in any manner that it is a bank unless the law under which it is organized expressly authorizes it to engage in the business of receiving demand deposits and of making loans and discounts, or expressly authorizes the use of the word "bank" in its corporate or business name.

Provision for Amending Articles

Section 47 of S. 1451 would add a new provision specifying the manner in which a national bank may amend its articles of association.

Outside Audits

Section 48 (c) of S. 1451 would provide that in any case in which the Comptroller deems it necessary, he may require any national bank to have an audit made by an independent individual or firm approved by him.

Territorial Applicability

Section 70 of S. 1451 would extend the territorial applicability of the National Bank Act to the several States, the District of Columbia, the several territories and the several possessions of the United States, and the Commonwealth of Puerto Rico.

Legislation Enacted

Public Law 496 of the 84th Congress, approved April 27, 1956, amended section 5146 of the Revised Statutes to require that two-thirds, instead of the former three-fourths, of the directors of national banks must reside, and must have resided for at least 1 year preceding their election, within the State in which the bank is located or within 100 miles, instead of the former 50 miles, of the bank. This legislation was enacted at the recommendation of the Comptroller of the Currency.

Public Law 502 of the 84th Congress, approved April 30, 1956, amended section 5240 of the Revised Statutes, which requires the Comptroller of the Currency to examine every national bank twice in each calendar year, to permit the Comptroller to waive one of the required two examinations. The Comptroller may not, however, waive an examination with respect to any particular bank more frequently than once in any 2-year period. The legislation also permits assessments for examinations to be made upon the banks in proportion to their assets and resources on dates to be determined by the Comptroller rather than at the dates of examinations, and permits the Comptroller to assess against national banks having trust departments the expense of examinations of those departments. This legislation was enacted at the recommendation of the Comptroller of the Currency.

Public Law 809 of the 84th Congress, approved July 26, 1956, the Farm Credit Act of 1956, amended Paragraph Seventh of section 5136 of the Revised Statutes to provide that the limitations and restrictions therein contained as to dealing in, underwriting and purchasing for its own account, investment securities shall not apply to obligations issued by the thirteen banks for cooperatives or any of them. Prior to enactment of this legislation national banks were permitted to deal in, underwrite and purchase for their own accounts, obligations issued by the thirteen banks for cooperatives or any of them only in amounts not exceeding 10 percent of the bank's capital and surplus.

Public Law 854 of the 84th Congress, approved July 31, 1956, the Federal Executive Pay Act of 1956, increased the compensation of the Comptroller of the Currency from $16,000 per annum to $20,500 per annum.

Public Law 896 of the 84th Congress, approved August 1, 1956, extended the applicability of all acts of Congress relating to national banks to Guam.

Litigation

On October 8, 1956, the Supreme Court of the United States refused to review the decision of the Court of Appeals for the District of Columbia in the case of *Michigan National Bank* v. *Gidney*, 237 F. 2d 762. The Court of Appeals had held that the Comptroller's action in denying a second branch in Saginaw, Michigan to the Michigan National Bank of Lansing, Michigan, had been based upon a proper construction of applicable law, and had affirmed the District Court decision granting a motion for summary judgment made on behalf of the Comptroller of the Currency.

On August 17, 1956, suit was filed by the Wayne Oakland Bank of Royal Oak, Michigan, against the Comptroller of the Currency seeking a declaratory judgment that the issuance by the Comptroller of a certificate authorizing the establishment by the National Bank of Detroit, Michigan, of a branch in Troy, Michigan, would be unlawful, and an injunction restraining the Comptroller from issuing his branch certificate. This suit was filed in the United States District Court for the District of Columbia, but was transferred with the consent of the Comptroller to the United States District Court for the Eastern District of Michigan where the National Bank of Detroit was joined as a party defendant. At the close of 1956 this case was pending in that Court.

Organization and Staff

On December 31, 1956 the Office of the Comptroller of the Currency had in its employ 1,081 persons. Of these, 195 were assigned to the Washington office, including 32 in the Federal Reserve Issue and Redemption Division, which is an expense of the Federal Reserve banks. During the year the total personnel in the Washington office decreased by 3 and the total field force decreased by 52 persons.

Twenty-six national bank examiners (one deceased) and 94 assistant national bank examiners left the service during the year. In the same period 23 assistants were commissioned national bank examiners, 1 former national bank examiner was reappointed, and 71 new assistants were appointed. Two assistant examiners returned from military furlough, leaving a total of 255 examiners and 524 assistant examiners in the service at the end of the year.

District Chief National Bank Examiner Alfred P. Leyburn, in charge of the Atlanta office, retired on October 31, 1956 and was succeeded by Lester V. Bailey, who had been serving as a National Bank Examiner in the San Francisco district.

Assistant Chief National Bank Examiner Clarence F. Smith of the Washington office staff retired on January 31, 1956 and was succeeded by National Bank Examiner F. Parker West of the New York district.

The entire national bank examining staff continued under Schedule B of the civil service regulations during the year, the result being that assistant national bank examiners were recruited on an excepted basis as has been the long-established procedure. However, the competition that has existed for all types of personnel has affected the recruitment efforts in almost every district, resulting in the decline amounting to 43, as above noted, in the staff of assistant examiners. In two of the districts notices were inserted in banking periodicals calling attention to the existence of vacancies in assistant examiner positions, without noticeable results.

The previously established educational programs conducted for members of the examining staff, referred to in previous reports, was continued during the year. This program is designed to train newly appointed assistant examiners and improve the efficiency of the entire examining staff. As of December 31, 1956, 263 examining staff members had completed the extension courses of the American Institute of Banking, and 239 were still enrolled; 49 had completed the graduate school courses conducted by the American Bankers Association at Rutgers University, the University of Wisconsin, the University of Washington, and the University of Louisiana, and 22 were still enrolled in these courses; and 153 had completed the prescribed courses in the inter-agency training school for both examiners and assistant examiners established in 1952 by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

As previously stated, the Office of the Comptroller of the Currency had 1,081 persons in its employ as of December 31, 1956. The following table is designed to show how the services of these employees are utilized and how the work is organized.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
I. EXECUTIVE ORGANIZATION			
(Policy and general supervision, all located in Washington, D. C.)			
Comptroller of the Currency	1	[1] 2	3
Deputy Comptrollers	3	[1] 3	6
Chief National Bank Examiner	1	[1] 1	2
	5	6	11
II. FIELD ORGANIZATION			
(Located in 12 Federal Reserve districts)			
District Chief National Bank Examiners Policy and supervision, subject to executive staff in group I, above, of all field activities.	12	[1 2 3] 107	119
National Bank Examiners Perform examinations of 4,700 national banks and investigations of new branch and charter applications.	243		243
Assistant national bank examiners Assist national bank examiners.		524	524
	255	631	886
III. WASHINGTON STAFF ORGANIZATION			
(a) Examining Division Assistant Chief National Bank Examiners. Receive and analyze all reports of examination of national and District banks, and investigation reports on new branches and charters. Make recommendations to executive staff in group I, above, as to dispositions of cases, and prepare letters to banks, District Chiefs, and others. Confer with bankers, executive and staff representatives of the Federal Reserve System and the Federal Deposit Insurance Corporation, and District Chief National Bank Examiners, regarding banking and supervisory matters. One Assistant Chief also serves as head of the Personnel and Administrative Division, and one also serves as head of the field organization educational programs.	8	[1 2 3 4] 24	32
(b) Organization Division Supervises activities of all national and District banks as to corporate and organization matters; i. e., new charters, branches, consolidations, mergers, purchase and assumption cases, sale of new capital stock, stock dividends, articles of association, etc. Final decisions made by executive staff in group I, above, after review with recommendations by Assistant Chief National Bank Examiners, and usually with the benefit of facts and recommendations furnished by District Chief National Bank Examiners and National Bank Examiners.	4	[1 2 3 4] 16	20
(c) Legal Division Serves as counsel for the Comptroller of the Currency. Considers all legal matters arising in the organization, operation, merging, and discontinuance of national and District banks. Prepares opinions, rulings, and correspondence on legal questions. Assists on all legislative matters. Exercises general supervision over conduct of litigation.	1	[5] 3 [1] 4	8
(d) Personnel and Administrative Division Performs functions relating to recruitment, transfer, promotion, separation, retirement, time and leave. Supervises and includes personnel in mail and files section, supply and duplicating section, stenographic pool, and messenger pool.	1	[1 2 3 6] 25	26
(e) Reports and Precedents Division Maintains all legal and policy precedents; receives reports of examination of all national and District banks from District Chief National Bank Examiners for binding, recording, and distribution. Supervises and places orders for printing work that pertains to examining division and the field organization.	1	[1 2 3] 3	4
(f) Statistical Division Compiles data indicative of banking trends for the information of the Comptroller and his staff, Congress, other banking agencies, bankers, economists, and others through examination and tabulation of data incorporated in call reports of condition and reports of earnings and dividends of national and District banks.	2	[1 2 3] 22	24

See footnotes at end of table.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
III. WASHINGTON STAFF ORGANIZATION—continued			
(g) Auditor for the Comptroller. Accountable to the Comptroller of the Currency only. Maintains audits for the Comptroller of all accounts covering funds under control of the Disbursing Office and the Division of Insolvent National Banks, including detailed audits of all collections and disbursements of funds; prepares and submits periodic audit reports to Comptroller; tabulates information and statistics on special subjects.	2	[1,7] 8	10
(h) Disbursing Division. Receives all checks in payment of fees for examinations and makes deposits to the Comptroller's Treasury account. Maintains accounts covering funds of Examining Division and of Federal Reserve Issue and Redemption Division and makes all disbursements from these accounts covering payrolls, travel vouchers, and miscellaneous expenses. Makes all purchases of equipment and supplies from Examining Division funds.	2	[1,2,3] 22	24
(i) Federal Reserve Issue and Redemption Division. All expenses of this division paid by Federal Reserve banks. Handles the issuance and redemption of Federal Reserve currency as provided under the Federal Reserve Act. Maintains detailed records of all shipments of original currency issues and of unfit currency notes destroyed.	2	[1,2,3,8] 30	32
(j) Insolvent Division. Handles correspondence, necessary expenditures of funds, and maintains records relating to national banks liquidated through receivership.	1	[1,3] 3	4
	24	160	184
Grand total	284	797	1,081

[1] Secretarial. [2] Typists. [3] Clerical. [4] Administrative. [5] Assistant counsel. [6] Messengers. [7] Accountants. [8] Money counters.

Expenses of the Bureau

Summary statement of the operating expenses of the Bureau for the year ended December 31, 1956.

	Bank supervision	Currency issue and redemption	Total
Salaries	$6,519,031.98	$139,771.37	$6,658,803.35
Per diem	1,233,426.71		1,233,426.71
Transportation	499,610.03		499,610.03
Supplies	22,992.52	911.39	23,903.91
Printing, books and periodicals	80,554.56	69.16	80,623.72
Rent	140,395.08		140,395.08
Furniture and fixtures	36,934.38		36,934.38
Communications	53,868.43	629.99	54,498.42
Fixed charges		15,736.57	15,736.57
Maintenance		467.05	467.05
Treasurer's Federal Reserve note vault expense		12,309.06	12,309.06
Employer's F. I. C. A. and insurance fund contributions	21,786.48	445.49	22,231.97
Miscellaneous	25,821.22	1,073.00	26,894.22
Total	8,634,421.39	171,413.08	8,805,834.47

Funds used in payment of the bank supervision costs are derived from assessments against the banks supervised. The cost of operating the Division which handles the currency issue and redemption functions is paid by the Federal Reserve Banks.

A comparison of the assets and liabilities of the banks in the national banking system as of December 31, 1955, April 10, June 30, September 26, and December 31, 1956, reported pursuant to calls for condition statements by the Comptroller of the Currency, is shown in the following table.

Assets and liabilities of national banks on dates indicated

[In thousands of dollars]

	Dec. 31, 1955 (4,700 banks)	Apr. 10, 1956 (4,689 banks)	June 30, 1956 (4,675 banks)	Sept. 26, 1956 (4,671 banks)	Dec. 31, 1956 (4,659 banks)
ASSETS					
Loans and discounts, including overdrafts	43, 559, 726	44. 516, 000	45, 999, 400	47, 031, 601	48, 248, 332
U. S. Government securities, direct obligations	33, 686, 583	31, 872, 384	30, 653, 137	31, 036, 665	31, 675, 780
Obligations guaranteed by U. S. Government	4, 223	4, 073	4, 132	3, 662	4, 305
Obligations of States and political subdivisions	6, 993, 984	7, 111, 377	7, 094, 478	7, 056, 565	7, 025, 220
Other bonds, notes, and debentures	1, 955, 466	1, 866, 784	1, 736, 150	1, 681, 609	1, 561, 566
Corporate stocks, including stocks of Federal Reserve banks	217, 074	228, 840	230, 864	232, 852	236, 521
Total loans and securities	*86, 417, 056*	*85, 599, 458*	*85, 718, 161*	*87, 042, 954*	*88, 751, 724*
Cash, balances with other banks, including reserve balances, and cash items in process of collection	25, 763, 440	23, 238, 461	23, 609, 546	23, 356, 736	27, 082, 497
Bank premises owned, furniture and fixtures	962, 111	1, 001, 858	1, 031, 707	1, 063, 287	1, 088, 855
Real estate owned other than bank premises	23, 709	28, 460	29, 589	33, 367	33, 442
Investments and other assets indirectly representing bank premises or other real estate	78, 839	74, 650	79, 187	81, 016	83, 963
Customers' liability on acceptances	125, 671	158, 305	162, 221	200, 139	262, 397
Income accrued but not yet collected	225, 712	222, 831	229, 972	237, 155	237, 865
Other assets	153, 749	183, 183	175, 912	160, 686	161, 239
Total assets	113, 750, 287	110, 507, 206	111, 036, 295	112, 175, 340	117, 701, 982
LIABILITIES					
Demand deposits of individuals, partnerships, and corporations	58, 192, 878	54, 974, 940	54, 492, 378	55, 373, 256	59, 582, 348
Time deposits of individuals, partnerships, and corporations	25, 151, 538	25, 322, 058	25, 760, 836	25, 976, 713	26, 270, 576
Deposits of U. S. Government and postal savings	2, 364, 385	2, 454, 930	3, 224, 359	3, 103, 803	2, 360, 270
Deposits of States and political subdivisions	7, 341, 424	7, 208, 503	7, 607, 153	6, 897, 426	7, 467, 413
Deposits of banks	9, 320, 515	8, 576, 201	8, 408, 890	8, 437, 734	9, 850, 100
Other deposits (certified and cashiers' checks, etc.)	1, 847, 249	1, 378, 800	1, 642, 785	1, 434, 095	1, 964, 116
Total deposits	104, 217, 989	99, 915, 432	101, 136, 401	101, 223, 027	107, 494, 823
Demand deposits	*76, 894, 569*	*72, 395, 202*	*73, 103, 910*	*72, 991, 341*	*79, 027, 557*
Time deposits	*27, 323, 420*	*27, 520, 230*	*28, 032, 491*	*28, 231, 686*	*28, 467, 266*
Bills payable, rediscounts, and other liabilities for borrowed money	107, 796	891, 068	150, 884	749, 376	18, 654
Mortgages or other liens on bank premises and other real estate	1, 015	876	907	849	1, 328
Acceptances outstanding	136, 657	172, 769	170, 758	211, 654	273, 748
Income collected but not yet earned	424, 991	446, 829	459, 943	492, 860	492, 165
Expenses accrued and unpaid	439, 535	440, 280	370, 734	495, 505	450, 025
Other liabilities	486, 375	461, 613	492, 868	561, 026	499, 107
Total liabilities	105, 814, 358	102, 328, 867	102, 782, 495	103, 734, 297	109, 229, 850

1956

CAPITAL ACCOUNTS					
Capital stock (see memoranda below)	2, 472, 624	2, 555, 492	2, 575, 432	2, 597, 113	2, 638, 108
Surplus	3, 828, 335	3, 971, 001	4, 006, 626	4, 044, 111	4, 138, 783
Undivided profits	1, 368, 808	1, 392, 294	1, 413, 837	1, 541, 333	1, 439, 937
Reserves and retirement account for preferred stock	266, 162	259, 552	257, 905	258, 486	255, 304
Total capital accounts	7, 935, 929	8, 178, 339	8, 253, 800	8, 441, 043	8, 472, 132
Total liabilities and capital accounts	113, 750, 287	110, 507, 206	111, 036, 295	112, 175, 340	117, 701, 982
MEMORANDA					
Par value of capital stock:					
Class A preferred stock	3, 916	3, 754	3, 684	3, 668	3, 633
Class B preferred stock	250	175	175	175	175
Common stock	2, 468, 458	2, 551, 563	2, 571, 573	2, 593, 270	2, 634, 300
Total	2, 472, 624	2, 555, 492	2, 575, 432	2, 597, 113	2, 638, 108
Retirable value of preferred capital stock:					
Class A preferred stock	4, 161	3, 999	3, 859	3, 843	3, 808
Class B preferred stock	275	200	200	200	200
Total	4, 436	4, 199	4, 059	4, 043	4, 008
Assets pledged or assigned to secure liabilities and for other purposes (including notes and bills rediscounted and securities sold with agreement to repurchase)	13, 914, 353	14, 885, 591	14, 494, 292	14, 432, 148	13, 898, 348

TRENDS IN BANKING

The following table shows the changes that have occurred in recent years in the relationships of the major asset and liability accounts of national banks to the aggregate of assets and liabilities.

Distribution of assets and liabilities of national banks, Dec. 31, 1953–56

	1953	1954	1955	1956
ASSETS				
Securities:	*Percent*	*Percent*	*Percent*	*Percent*
U. S. Government, direct and guaranteed	32.32	34.01	29.62	26.91
Obligations of States and political subdivisions	5.75	6.24	6.15	5.97
Stock of Federal Reserve banks	.16	.17	.17	.17
Other bonds and securities	1.92	1.71	1.74	1.36
Total securities	40.15	42.13	37.68	34.41
Loans and discounts	34.46	34.29	38.29	40.99
Cash and balances with other banks, excluding reserves	12.18	11.43	12.68	13.27
Reserve with Reserve banks	11.92	10.72	9.97	9.74
Bank premises, furniture and fixtures	.73	.78	.85	.93
Other real estate owned	.03	.01	.02	.03
All other assets	.53	.64	.51	.63
Total assets	100.00	100.00	100.00	100.00
LIABILITIES				
Deposits:				
Demand of individuals, partnerships, and corporations	51.41	50.80	51.16	50.62
Time of individuals, partnerships, and corporations	20.76	21.25	22.11	22.32
U. S. Government	2.56	2.43	2.07	2.00
States and political subdivisions	6.17	6.18	6.45	6.34
Banks	9.22	9.23	8.19	8.37
Other deposits (including postal savings)	1.55	1.50	1.64	1.68
Total deposits	91.67	91.39	91.62	91.33
Demand deposits	*69.19*	*68.03*	*67.60*	*67.14*
Time deposits	*22.48*	*23.36*	*24.02*	*24.19*
Other liabilities	1.60	1.63	1.40	1.47
Capital funds:				
Capital stock	2.09	2.14	2.17	2.24
Surplus	3.20	3.40	3.37	3.52
Undivided profits and reserves	1.44	1.44	1.44	1.44
Total capital funds	6.73	6.98	6.98	7.20
Total liabilities and capital funds	100.00	100.00	100.00	100.00

EARNINGS, EXPENSES, AND DIVIDENDS OF NATIONAL BANKS FOR YEAR ENDED DECEMBER 31, 1956

Summaries of the earnings, expenses, and dividends of national banks for the years ended December 31, 1955 and 1956, are shown in the following table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1955 and 1956

[In millions of dollars]

	1956	1955	Change since 1955
Number of banks [1]	4,659	4,700	−41
Capital stock (par value) [2]	2,562.1	2,460.6	+101.5
Capital accounts [2]	8,220.6	7,924.7	+295.9
Earnings from current operations:			
Interest and dividends on—			
U. S. Government obligations	737.5	757.3	−19.8
Other securities	202.4	195.4	+7.0
Interest and discount on loans	2,321.7	1,954.5	+367.2
Service charges on deposit accounts	211.6	188.9	+22.7
Other current earnings	360.4	340.5	+19.9
Total	3,833.5	3,436.7	+396.8
Current operating expenses:			
Salaries, wages and fees	1,098.4	1,008.4	+90.0
Interest on time deposits (including savings deposits)	437.2	374.0	+63.2
Taxes other than on net income	106.5	101.5	+5.0
Recurring depreciation on banking house, furniture and fixtures	70.3	59.7	+10.6
Other current operating expenses	624.0	561.6	+62.4
Total	2,336.4	2,105.1	+231.3
Net earnings from current operations	1,497.0	1,331.6	+165.4
Recoveries, transfers from valuation reserves, and profits:			
On securities:			
Recoveries	10.1	13.7	−3.6
Transfers from valuation reserves	25.5	29.2	−3.7
Profits on securities sold or redeemed	11.4	35.9	−24.5
On loans:			
Recoveries	10.5	14.6	−4.1
Transfers from valuation reserves	33.0	18.9	+14.1
All other	28.7	22.9	+5.8
Total	119.1	135.2	−16.1
Losses, charge-offs, and transfers to valuation reserves:			
On securities:			
Losses and charge-offs	182.8	122.1	+60.7
Transfers to valuation reserves	61.3	36.3	+25.0
On loans:			
Losses and charge-offs	11.2	14.3	−3.1
Transfers to valuation reserves	233.7	158.7	+75.0
All other	48.3	46.0	+2.3
Total	537.2	377.4	+159.8
Profits before income taxes	1,078.9	1,089.4	−10.5
Taxes on net income:			
Federal	413.1	428.6	−15.5
State	18.7	17.6	+1.1
Total	431.8	446.2	−14.4
Net profits before dividends	647.1	643.1	+4.0
Cash dividends declared:			
On preferred stock	.2	.2	.0
On common stock	329.8	309.5	+20.3
Total	330.0	309.7	+20.3

See footnotes at end of table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1955 and 1956—Continued

[In millions of dollars]

	1956	1955	Change since 1955
Memoranda items:			
Recoveries credited to valuation reserves (not included in recoveries above):			
On securities	2.9	2.1	+.8
On loans	26.8	24.8	+2.0
Losses charged to valuation reserves (not included in losses above):			
On securities	56.2	30.8	+25.4
On loans	67.2	54.7	+12.5
Stock dividends (increases in capital stock)	85.0	95.8	−10.8
Ratios:	*Percent*	*Percent*	*Percent*
Expenses to gross earnings	60.95	61.25	−.30
Net profits before dividends to capital accounts	7.87	8.12	−.25
Cash dividends to capital stock	12.88	12.59	+.29
Cash dividends to capital accounts	4.01	3.91	+.10

[1] Number at end of period. Remaining figures include earnings, expenses, etc., of those banks which were in operation a part of the year but were inactive at the close of the year.
[2] Figures are averages of amounts reported for the June and December call dates in the current year and the December call date in the previous year.

NOTE.—Figures are rounded to the nearest tenth of a million and may not equal totals.

STRUCTURAL CHANGES IN THE NATIONAL BANKING SYSTEM

The authorized capital stock of the 4,659 national banks in existence on December 31, 1956, consisted of common capital stock aggregating $2, 634, 403, 741, a net increase during the year of $163,987,038, and preferred capital stock of $3,807,670, a net decrease during the year of $358,000. These figures include two banks recently chartered but not yet open for business, and excludes one bank converted into a State bank and one bank consolidated with another national bank, both at the close of business on December 31, 1956.

In addition to 54 applications with proposed common capital stock of $15,500,000 carried over from the previous year, 69 applications were received to organize national banks and to convert State banks into national banking associations with proposed common capital stock of $17,798,330. Of these applications, 33 with proposed common capital stock of $8,585,000 were approved; 23 with proposed common capital stock of $6,415,000 were rejected; and the remainder had been abandoned or were still pending on December 31. From the applications carried over from the previous year and those approved during 1956, 40 national banking associations with common capital stock of $12,185,000 were authorized to commence business. Of the charters issued, 10 with common capital stock of $3,710,000 resulted from the conversions of State banks.

Changes in the number and capital stock of national banks during the year ended December 31, 1956, are shown in the following summary.

Organization, capital stock changes, and national banks closed as reported during the year ended Dec. 31, 1956

	Number of banks	Capital stock	
		Common	Preferred
Increases:			
Banks newly chartered:			
Primary organizations	30	$8,475,000	
Reorganizations			
Conversions of State banks	10	3,710,000	
Capital stock:			
Common:			
232 cases by statutory sale		56,093,695	
329 cases by statutory stock dividend		83,129,380	
2 cases by stock dividend under articles of association		170,000	
28 cases by statutory consolidation		11,131,750	
21 cases by statutory merger		8,616,563	
Total increases	40	171,326,388	
Decreases:			
Banks ceasing operations:			
Voluntary liquidations:			
Succeeded by national banks	14	2,584,500	
Succeeded by State banks	7	495,000	
No successor	1	25,000	
Statutory consolidations	23		
Statutory mergers	13		
Conversions into State banks	3	140,000	
Merged or consolidated with State banks (Public Law 706)	19	3,588,500	
Receivership	1	280,000	
Capital stock:			
Common:			
2 cases by statutory reduction		10,350	
2 cases by statutory consolidation		35,000	
2 cases by statutory merger		181,000	
Preferred:			
7 cases by retirement			$358,000
Total decreases	81	7,339,350	358,000
Net change	−41	163,987,038	−358,000
Charters in force Dec. 31, 1955, and authorized capital stock	4,700	2,470,416,703	4,165,670
Charters in force Dec. 31, 1956, and authorized capital stock	4,659	2,634,403,741	3,807,670

NATIONAL BANK NOTES OUTSTANDING

There were, as of December 31, 1956, $63,302,057 of national bank notes outstanding.

ASSETS AND LIABILITIES OF ALL BANKS IN THE UNITED STATES AND POSSESSIONS

The total assets of all classes of active banks in the United States and possessions on December 31, 1956, amounted to $251,965 million, an increase of $8,860 million since December 31, 1955.

The total deposits at the end of 1956 amounted to $228,579 million, an increase of $7,187 million over 1955. Included in the latter aggregate are deposits of individuals, partnerships, and corporations of $189,999 million, an increase of $6,120 million in the year. Deposits of the United States Government, including postal savings deposits, were $4,158 million, a decrease of $3 million; deposits of States and political subdivisions amounting to $13,006 million showed an increase

432389—57——5

of $238 million, and deposits of banks of $17,614 million were $953 million more than in 1955.

Loans and discounts amounted to $110,632 million in December 1956 after deducting reserves of $1,785 million for possible future losses. The net loans were $10,057 million over the amount reported as of the end of 1955. Commercial and industrial loans of $38,965 million were $5,509 million more than the 1955 figure; real-estate loans of $42,465 million were up $4,004 million, and all other loans of $30,987 million increased $845 million.

The banks held obligations of the United States Government, direct and guaranteed, of $66,795 million in December 1956, a decrease of $3,515 million in the year. Obligations of States and political subdivisions held amounted to $13,637 million, and other securities held amounted to $6,920 million, a decrease of $438 million. The total of all securities held at the end of 1956 was $87,352 million, and represented 35 percent of the banks' total assets. At the end of the previous year the ratio was 37 percent.

Cash and balances with other banks, including reserve balances, in 1956 were $49,837 million, an increase of $1,858 million since the previous year end.

Total capital accounts were $19,350 million, compared to $18,210 million at the end of 1955, an increase of 6 percent.

A statement of the assets and liabilities of all classes of active banks at the end of December 1955 and 1956 follows.

Assets and liabilities of all banks in the United States and possessions, 1955 and 1956

[In millions of dollars]

	Dec. 31, 1956	Dec. 31, 1955	Change since 1955
Number of banks	14,188	14,265	−77
ASSETS			
Real estate loans	42,465	38,461	+4,004
Loans to banks	655	575	+80
Loans to brokers and dealers in securities and other loans for the purpose of purchasing or carrying securities	4,322	5,078	−756
Loans to farmers directly guaranteed by the Commodity Credit Corporation	883	1,169	−286
Other loans to farmers	3,298	3,326	−28
Commercial and industrial loans (including open-market paper)	38,965	33,456	+5,509
Other loans to individuals	19,116	17,403	+1,713
All other loans (including overdrafts)	2,713	2,591	+122
Total gross loans	112,417	102,059	+10,358
Less valuation reserves	1,785	1,484	+301
Net loans	110,632	100,575	+10,057
U. S. Government obligations, direct and guaranteed	66,795	70,310	−3,515
Obligations of States and political subdivisions	13,637	13,396	+241
Other bonds, notes, and debentures	5,723	6,234	−511
Corporate stocks, including stocks of Federal Reserve banks	1,197	1,124	+73
Total securities	87,352	91,064	−3,712
Currency and coin	3,455	2,873	+582
Balances with other banks, including reserve balances, and cash items in process of collection	46,382	45,106	+1,276
Bank premises owned, furniture and fixtures	2,111	1,898	+213
Real estate owned other than bank premises	61	47	+14
Investments and other assets indirectly representing bank premises or other real estate	133	124	+9
Customers' liability on acceptances outstanding	725	441	+284
Other assets	1,114	977	+137
Total assets	251,965	243,105	+8,860

Assets and liabilities of all banks in the United States and possessions, 1955 and 1956—Continued

[In millions of dollars]

	Dec. 31, 1956	Dec. 31, 1955	Change since 1955
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	111,489	109,435	+2,054
Time deposits of individuals, partnerships, and corporations	78,510	74,444	+4,066
U. S. Government and postal savings deposits	4,158	4,161	−3
Deposits of States and political subdivisions	13,006	12,768	+238
Deposits of banks	17,614	16,661	+953
Other deposits (certified and cashiers' checks, etc.)	3,802	3,923	−121
Total deposits	228,579	221,392	+7,187
Demand deposits	145,794	142,564	+3,230
Time deposits	82,785	78,828	+3,957
Bills payable, rediscounts, and other liabilities for borrowed money	88	174	−86
Acceptances executed by or for account of reporting banks and outstanding	757	472	+285
Other liabilities	3,191	2,857	+334
Total liabilities	232,615	224,895	+7,720
CAPITAL ACCOUNTS			
Capital notes and debentures	50	51	−1
Preferred stock	18	20	−2
Common stock	4,939	4,636	+303
Surplus	9,976	9,327	+649
Undivided profits	3,706	3,541	+165
Reserves and retirement account for preferred stock and capital notes and debentures	661	635	+26
Total capital accounts	19,350	18,210	+1,140
Total liabilities and capital accounts	251,965	243,105	+8,860

NOTE.—Figures for nonnational banks obtained from the Federal Deposit Insurance Corporation.

REPORTS FROM BANKS

National banks in the continental United States, Alaska, the Territory of Hawaii, and the Virgin Islands of the United States were, in accordance with the provisions of section 5211 of the Revised Statutes, called upon to submit 4 reports of condition during the year ended December 31, 1956. Reports were required as of April 10, June 30, September 26, and December 31. Summaries from all condition reports, by States, are published in pamphlet form. National banks were also required by statute to obtain reports, unless waived by the Comptroller, of their affiliates and holding company affiliates other than member banks as of the 4 dates for which condition reports of the banks were obtained and to submit such reports to the Comptroller.

Under the general powers conferred upon him by law, the Comptroller obtained from each national bank during the period indicated semiannual reports of earnings, expenses, and dividends; also reports of condition of foreign branches as of December 31, 1956.

National banking associations authorized to act in a fiduciary capacity were called upon to submit reports of their trust departments as of the close of business on December 31, 1956.

In accordance with the code of law for the District of Columbia, banks other than national in the District were required to make to the

Comptroller condition reports and reports of earnings, expenses, and dividends identical with those obtained from national banks during the year.

Detailed figures from reports of condition and earnings and dividends will be found in the appendix of this report.

AFFILIATES AND HOLDING COMPANY AFFILIATES OF NATIONAL BANKS

The Federal statute requires each national bank to obtain and submit to the Comptroller periodically reports of its affiliates, as defined in sections 2 (b) and (c) of the Banking Act of 1933, as amended. However, section 21 of the Federal Reserve Act, as amended, provides in part that the Comptroller may waive the requirement for the submission of the report of an affiliate if in his judgment such a report is not necessary to disclose fully the relations between an affiliate and a bank and the effect thereof upon the affairs of the bank. Pursuant to this latter section the Comptroller's waiver of requirement for reports of affiliates provides principally that reports of affiliates (other than holding company affiliates) need not be submitted and published in a newspaper unless the affiliate is indebted to the national bank or the bank owns obligations of the affiliate and the aggregate of such indebtedness and/or investment is carried as an asset on the bank's books at a value in excess of $5,000, or 1 percent of the bank's capital and surplus, whichever is the greater.

At the end of December 1956, 327 member national banks in the United States submitted 369 reports of affiliates. Included in these figures are 200 banks in 25 States which are members of 23 holding company groups. The number of banks in each holding company group varied from 1 to 57. The actual number of reporting affiliates and holding company affiliates was 193.

In addition there were 2 nonnational banks in the District of Columbia which are members of the Federal Reserve System that reported 3 affiliates to the Comptroller pursuant to the provisions of the code of law for the District of Columbia.

ISSUE AND REDEMPTION OF NOTES

Six hundred and fifteen shipments of Federal Reserve currency, aggregating $5,667,420,000, were made from Washington, D. C., during the year ended December 31, 1956, to the Federal Reserve agents and Federal Reserve branch banks; and, in addition, 18 deliveries, aggregating $86,500,000, were made to the Treasurer of the United States.

Four thousand five hundred and sixty lots of unfit Federal Reserve currency, consisting of 481,606,813 notes, aggregating $5,828,177,902, were received for verification and certification for destruction.

Thirty-eight lots of national bank notes, consisting of 175,160 notes, aggregating $2,890,192, were received for verification and certification for retirement and destruction.

One hundred and eighty-three thousand, five hundred and forty-five fragments and charred Federal Reserve and National Bank currency, aggregating $3,039,435, were presented by the Treasurer of the United States for identification and approval.

EXAMINATIONS CONDUCTED

The National Bank Act requires that each national bank be examined at least twice each year in order that the Comptroller may be kept currently informed of its condition and require such corrections as are deemed necessary with a view to maintaining each bank in sound condition. However, the Comptroller is authorized to waive an examination with respect to any particular bank not more frequently than once in any 2-year period. In addition to the regular examinations, special examinations are conducted of banks the condition of which is regarded as unsatisfactory. Also, the District Code authorizes the Comptroller to examine each nonnational bank and trust company in the District of Columbia.

During the year ended December 31, 1956, 7,752 examinations of banks, 5,267 examinations of branches, 1,511 examinations of trust departments, and 17 examinations of affiliates were conducted. Twenty-four State banks were examined in connection with consolidations and mergers with, or purchases by, national banks, and 8 State banks were examined in connection with conversions to national banks. Investigations were conducted in connection with applications for 46 new charters and 418 new branches.

ANNUAL REPORT

OF THE

COMPTROLLER OF THE CURRENCY

STATUS OF NATIONAL BANKING SYSTEM

The 4,636 banks supervised by the Comptroller of the Currency had total assets of $121.1 billion at the end of 1957. They maintained their relative position with 46.7 percent of the banking assets in the commercial and savings banks of the Nation, and 54 percent of the commercial banking assets. Commercial banks numbering 8,944 which are supervised by the respective 48 State banking authorities held assets of $102.9 billion, and 523 State-chartered and supervised mutual savings banks had assets of $35.2 billion. For all banks, assets were $259.2 billion, an increase of $7.2 billion for the year, which were held in the following types and categories of banks.

All operating banks—Continental United States and other areas

[Figures in millions of dollars]

Type of bank	Members of both the Federal Reserve System and Federal Deposit Insurance Corporation		Members of Federal Deposit Insurance Corporation only		Not members of Federal Reserve or Federal Deposit Insurance Corporation	
	Number	Total assets	Number	Total assets	Number	Total assets
National banks	4,625	[1] 120,563	[2] 10	[1] 294	[2] 1	[1] 243
State commercial banks	1,765	[3] 68,237	6,766	[4] 32,440	413	[5] 2,243
Mutual savings banks	3	[3] 29	236	[4] 27,642	284	[5] 7,497
Total	6,393	188,829	7,012	60,376	698	9,983

Recapitulation

	Number	Branches	Total assets	Increase for 1957
National banks	[1] 4,636	4,046	121,100	2,828
State commercial banks	8,944	4,059	102,920	2,538
Mutual savings banks	523	405	35,168	1,857
Head offices	14,103	8,510	259,188	7,223
Branches	8,510			
Total banking offices	22,613			

[1] Supervised by Comptroller of the Currency. (Includes 9 nonnational banks in the District of Columbia, 5 member and 4 nonmember insured banks with 23 branches.)
[2] Includes 6 national banks outside continental United States.
[3] Supervised by State banking departments and the Federal Reserve System.
[4] Supervised by State banking departments and Federal Deposit Insurance Corporation.
[5] Supervised by State banking departments only.

Growth of Financial Institutions

Commercial bank assets increased $5.4 billion over 1956. In 1956 the comparable figure of increase was $6.8 billion. The increase in 1957 was 2.5 percent, while the average annual growth of commercial bank assets during the past decade was 4.4 percent. The growth of financial institutions during the past 10-year period was at a rapid rate, with the most rapid growth occurring in savings and loan associations and mutual savings banks which have been in a position to offer more attractive savings interest rates because of their favorable tax status and lower liquidity requirements. Relative growth by classes during the past 10-year period is presented in the following table.

Financial institutions

[Total assets]

	Dec. 31, 1947	Dec. 31, 1957	Percentage of increase
	(In billions of dollars)		
Commercial banks	156	224	43.6
Mutual savings banks	20	35	75.0
Savings and loan associations	12	48	300.0

Status of National Banks

The trend in consolidations, mergers, sales, and conversions which reached a peak in 1955, was marked by a slower pace in 1957. During the year, the number of operating national banks in the national banking system was reduced from 4,659 to 4,627, a net change of 32 banks. This compares with net reductions of 41 in 1956, 96 in 1955, 68 in 1954, and 52 in 1953. The total assets held by all national banks reached $120.5 billion, a gain of $2.8 billion during 1957. The system absorbed 58 State banks in 1957 through consolidations, mergers, purchases, and conversions for a gain in assets of $604.7 million while 28 national banks with $329.2 million of assets went into the several State banking systems in the same manner. Thus the net gain of assets through this process was $275.5 million for the national banking system. Based upon the fundamental considerations of managerial competence, asset soundness, adequacy of capital, and earning capacity, an excellent condition continues to characterize the national banking system with the exception of only a few relatively small banks which are receiving appropriate and effective supervisory attention.

Deposits

At the end of 1957 total deposits of all national banks were $109.4 billion, an increase of $1.9 billion over the $107.5 billion reported at the prior year end. The gain during the year 1956 was $3.3 billion.

The Board of Governors of the Federal Reserve System issued a supplement to Regulation Q, effective January 1, 1957, raising the maximum rate of interest a member bank may pay on time and savings deposits from 2½ percent to 3 percent. Subsequently, many national banks increased the rates of interest on time and savings deposits. This contributed to an increase in the time deposits of individuals, partnerships, and corporations with national banks of $2.9 billion in 1957 as compared to a $1.1 billion increase in 1956. This expansion in time deposits accounted largely for the deposit growth of the national banking system in 1957.

The total deposits of national banks and the average effective interest rate paid on time and savings deposits are set forth below for the years 1955 through 1957.

[In millions of dollars]

Total deposits	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1957
Demand	$76,894.6	$79,027.5	$77,881.0
Time and savings#	27,323.4	28,467.3	31,555.3
Total	104,218.0	107,494.8	109,436.3
#Interest paid	374.0	437.0	636.0
Average rate (percent)	1.37	1.54	2.02

Special surveys of time and savings deposits were made at mid-year in 1941, 1945, and 1957 for all national banks. Highlights of the surveys are set forth below.

[In millions of dollars]

	June 30, 1941	June 30, 1945	June 6, 1957
Savings	$7,152.7	$13,731.8	$24,664.8
Other time	1,362.3	1,000.0	5,528.3
Total savings and time deposits	8,515.0	14,731.8	30,193.1
Number of savings accounts	16,567,579	19,282,610	25,972,502
Average per savings account	$431.74	$712.13	$949.63
Percent of savings deposits to total time deposits	84.00	93.21	81.69

Loans

At the close of 1957 the national banking system held net loans of $50.5 billion after deducting $964.4 million of Reserves for Bad Debts and other valuation reserves. Net loans increased $2.3 billion in 1957 from a total of $48.2 billion at the end of 1956. Loans to commercial and industrial type borrowers continue to constitute 43 percent of the $51.5 billion gross loans held by all national banks and the aggregate of $22.2 billion of such loans represents a gain of $1.1 billion during 1957.

In 1957 construction was started on 1,041,000 nonfarm housing units, representing a decrease of 77,000 units from the number started during the year 1956. All types of new construction activity begun in 1957 have been estimated to have a value of $47.3 billion and business construction continues to account for the major portion of the gain of $1.2 billion.

The Nation's real estate mortgage debt continued to rise in 1957 to a total of $156.3 billion of which $107.6 billion is secured by residential properties (1- to 4-family houses), an increase of $8.6 billion from the total of $99 billion at the end of 1956. The mortgage debt secured by farm land reached $10.5 billion, up $600 million for the year 1957. At the end of the years 1956 and 1957, national banks held real estate mortgage loans as follows:

[Figures in millions of dollars]

Type	Dec. 31, 1956	Dec. 31, 1957	Dollar increase, decrease −
Conventional—residence	3,932	4,212	280
Conventional—other properties	2,264	2,521	257
Conventional—farm	516	523	7
Insured—Federal Housing Administration	3,023	3,068	45
Insured or guaranteed—Veterans Administration	2,331	2,156	−175
Total	12,066	12,480	414

The loans secured by real estate held by national banks at the close of 1957 totaling $12.5 billion represented 24.8 percent of their total net loans and discounts. The loans of this kind so held increased $414 million in 1957 which represents 3.6 percent of the $11.6 billion increase in the Nation's real estate mortgage debt. National banks acquired 7 percent of the national increase in such loans in 1956.

By law, each national bank must restrict its aggregate investment in real estate mortgage loans, with the exception of those which are insured or guaranteed to the extent of not less than 20 percent by the Veterans Administration, to an amount not in excess of 60 percent of its time and savings deposits or 100 percent of its capital and surplus, whichever is the greater. The $10.3 billion of real estate mortgage loans which are subject to this limitation equal 35.4 percent of the $29.1 billion of time and savings deposits held by the national banking system.

Because of the amendments which were made in the Investment Securities Regulation of the Comptroller of the Currency, effective August 16, 1957, discussed elsewhere in this report, which recognized resale and repurchase transactions in bonds as coming within the limitations of sections 5200 and 5202 of the Revised Statutes (Title 12, U. S. C., secs. 84 and 82) rather than section 5136 of the Revised Statutes (Title 12, U. S. C., sec. 24), the existing 25 percent limitation embodied in paragraph (8) of section 5200 was regarded as too restrictive with respect to loans to one borrower which are secured by not less than a like amount of direct obligations of the United States. Under the provisions of section 5136, repurchase and resale transactions involving United States bonds had not been subject to any limitation measured by capital and surplus. Effective August 16, 1957, as authorized by paragraph (8) of section 5200, the Comptroller of the Currency, with the approval of the Secretary of the Treasury, issued a regulation to permit the making of such loans above 25 percent and up to 100 percent of the bank's capital and surplus, provided they are secured by direct obligations of the United States which will mature within 18 months. (Effective April 18, 1958, this regulation was amended so as to permit national banks to make loans without limitation based upon capital and surplus when such loans are secured by obligations of the United States maturing within 18 months.)

The consumer debt of the nation continued to increase to a level estimated at $44.8 billion at the year end as compared to $42.1 billion at the end of 1956, an increase of $2.7 billion. That portion of the consumer debt represented by installment obligations is estimated at $34.1 billion at the close of 1957 of which $15.5 billion or 45.4 percent was made to finance automobile purchases. This percentage relationship changed very little from that reported in 1956. Automobile paper alone increased an estimated $1 billion during the year. The upward trend has been maintained for many years, and the high point of $15.6 billion was reached in October.

At the end of the year national banks held $8.1 billion of installment type personal and consumer loans. This represented a gain of $677 million over the $7.5 billion held at the close of 1956. The national banking system held 27.6 percent of the $29.4 billion of installment loans held by all financial institutions. Included in the national bank holdings was $3.9 billion of automobile paper, representing a gain of $395 million during 1957. Such paper constituted 48.1 percent of all installment type loans held by national banks.

Reports of examinations made during 1957 showed a decrease in consumer installment loan delinquencies of 90 or more days' duration in national banks. Floor plan loan delinquencies increased slightly. Accumulated as of respective dates of examinations, the total of unpaid balances of such delinquent loans expressed as a percentage of the total outstanding is as follows for that group of national banks which segregate installment loans in their loan portfolios or hold such paper in an aggregate amount equal to or exceeding 10 percent of their loan accounts.

Installment loan delinquencies

Year	Number of banks	Total installment loans (A)	Automobile loans	Floor plan loans (B)	Loans collateraled by installment obligations (C)	Total (A) (B) (C)
		Percent	*Percent*	*Percent*	*Percent*	*Percent*
1956	4,073	0.56	0.33	0.19	0.12	0.50
1957	4,032	.36	.20	.13	.16	.34

Sound standards with respect to down payment and maturity terms continued to prevail in the installment lending policies of national banks generally. Although there has been a slight increase in the number of national banks which make automobile loans with lower down payments, the requirement of a short maturity is in some of these cases a mitigating factor.

The installment credit section added to the report of examination in August, 1955, has continued to develop desired and useful information. This is true with respect to supervisory requirements and also as a means whereby management may measure the effectiveness of installment lending policies.

As of the date of the most recent examination in 1957, the following schedule, divided into three size groups, sets forth the details of the down payment and maturity policies of the 4,032 national banks which segregate installment paper in their loan portfolios or hold such paper in an aggregate amount equal to 10 per cent or more of their loan accounts.

GROUP I BANKS

(Resources under $10MM)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under	0	8	6	203	8	225
24	4	49	14	1,324	17	1,408
30	0	35	14	577	10	636
36	0	20	6	361	4	391
Total	4	112	40	2,465	39	2,660

USED AUTOS—LESS THAN 1 YEAR OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	0	2	5	141	27	175
24	0	8	2	461	14	485
30	0	11	2	111	1	125
36	0	2	0	23	0	25
Total	0	23	9	736	42	810

USED AUTOS—1 TO 2 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	2	14	10	985	190	1,201
24	2	15	13	1,133	62	1,225
30	1	4	4	82	0	91
36	0	1	1	16	0	18
Total	5	34	28	2,216	252	2,535

USED AUTOS—2 TO 3 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	6	15	14	1,514	368	1,917
24	3	8	2	498	32	543
30	0	1	0	17	0	18
36	0	1	0	6	0	7
Total	9	25	16	2,035	400	2,485

USED AUTOS—3 TO 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	4	18	14	1,572	471	2,079
24	2	1	2	185	23	213
30	0	1	0	9	0	10
36	0	0	0	3	0	3
Total	6	20	16	1,769	494	2,305

USED AUTOS—OVER 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	3	13	10	1,174	449	1,649
24	2	1	1	71	9	84
30	0	0	0	2	0	2
36	0	0	0	2	0	2
Total	5	14	11	1,249	458	1,737

GROUP II BANKS

(Resources between $10MM and $50MM)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under	0	0	0	21	2	23
24	0	8	2	339	1	350
30	4	15	19	325	3	366
36	3	15	6	222	4	250
Total	7	38	27	907	10	989

USED AUTOS—LESS THAN 1 YEAR OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	0	0	0	23	3	26
24	0	0	1	100	1	102
30	0	1	4	71	1	77
36	0	3	0	10	1	14
Total	0	4	5	204	6	219

USED AUTOS—1 TO 2 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	0	0	2	238	36	276
24	1	3	8	547	29	588
30	1	2	1	71	1	76
36	1	0	0	4	0	5
Total	3	5	11	860	66	945

USED AUTOS—2 TO 3 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	0	0	4	469	97	570
24	2	2	4	329	18	355
30	0	0	1	3	0	4
36	0	0	0	1	0	1
Total	2	2	9	802	115	930

USED AUTOS—3 TO 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	0	7	624	133	765
24	1	1	2	102	6	112
30	0	0	0	0	0	0
36	0	0	0	1	0	1
Total	2	1	9	727	139	878

USED AUTOS—OVER 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	2	1	8	496	148	655
24	0	1	0	29	1	31
30	0	0	0	0	0	0
36	0	0	0	1	0	1
Total	2	2	8	526	149	687

GROUP III BANKS

(Resources $50MM and over)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under	0	0	0	3	0	3
24	0	7	0	48	0	55
30	1	8	16	100	4	129
36	2	11	5	58	8	84
Total	3	26	21	209	12	271

USED AUTOS—LESS THAN 1 YEAR OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	0	0	0	3	2	5
24	0	0	0	23	2	25
30	1	1	3	20	0	25
36	0	1	1	7	0	9
Total	1	2	4	53	4	64

USED AUTOS—1 TO 2 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	0	0	0	37	8	45
24	1	9	4	162	14	190
30	0	2	6	20	1	29
36	0	0	0	1	0	1
Total	1	11	10	220	23	265

USED AUTOS—2 TO 3 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	1	2	112	24	140
24	0	7	3	96	9	115
30	0	0	0	1	0	1
36	0	0	0	1	0	1
Total	1	8	5	210	33	257

USED AUTOS—3 TO 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	4	2	173	37	217
24	0	2	1	22	3	28
30	0	0	0	0	0	0
36	0	0	0	1	0	1
Total	1	6	3	196	40	246

USED AUTOS—OVER 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	3	1	128	55	188
24	0	1	0	3	0	4
30	0	0	0	0	0	0
36	0	0	0	1	0	1
Total	1	4	1	132	55	193

Liquidity

At the close of 1957 national banks held cash, balances with other banks, including reserve balances, cash items in process of collection, and obligations of the United States totaling $58.2 billion, which was $559 million less than at the end of 1956. Such assets represent 74.7 percent of demand deposits and 53.2 percent of total deposits at the close of 1957 as opposed to 74 percent and 54.7 percent, respectively, in 1956 and 77 percent and 57 percent in 1955.

Throughout 1957 all national banks and State bank members of the Federal Reserve System were required to maintain on deposit in their respective district Federal Reserve banks 5 percent of time and 12 percent of demand deposits if not located in a reserve or central reserve city; 5 percent of time and 18 percent of demand deposits if located in a reserve city, and 5 percent of time and 20 percent of demand deposits if located in a central reserve city. Early in 1958 the Board of Governors of the Federal Reserve System authorized two one-half of 1 percent reductions with respect to the reserve balances that must be maintained on demand deposits.

The full reserve requirements of national banks and State bank members of the Federal Reserve System must be maintained on deposit with the Federal Reserve bank of the district in which each such bank is located and no allowance is made for holdings of vault cash or securities. The laws of the States vary with respect to whether reserves required of nonmember State banks may be maintained in vault cash, balances with depsitory banks, securities, or combinations of two or all of these forms.

It is clear that national banks and State bank members of the Federal Reserve System are, in practice, subject to more exacting reserve requirements than are nonmember banks in many States. Among the changes of law which the Comptroller would consider desirable is an appropriate allowance in computing reserves for cash held in vault.

Investment Accounts

Effective August 16, 1957, the Investment Securities Regulation was amended to clarify the eligibility status of small issues of special revenue municipal obligations. The Regulation now provides:

"Special revenue obligations of States or local governments or of duly constituted public Authorities thereof which possess a high degree of credit soundness, so as to assure sale under ordinary circumstances with reasonable promptness at a fair value * * * may be considered to constitute 'investment securities.' "

Another amendment to this regulation resulted in the removal of certain restrictions previously held to be applicable to the purchase or sale of securities under repurchase or resale agreements under the provisions of section 5136, U. S. R. S., relative to investment securities. The amendment gives recognition to the nature of such dealings as the lending and borrowing of money which brings them within the standards of exception 8 of section 5200, U. S. R. S., governing loan transactions secured by direct obligations of the United States.

Concurrent with the foregoing amendments a regulation was issued providing for an adjustment in the limits on loans secured by direct obligations of the United States. (See comments in this regard under "Loans".)

The year 1956 saw a decline of $2.3 billion in investment securities of national banks with the proceeds used in the expansion of loans. In 1957, due to a smaller growth in loans, the banks were not again obliged to look to their investment accounts for funds to meet loan demands. Instead, total investment accounts in 1957 showed a net increase of $449 million. Reductions continued at a much slower pace in United States bond holdings which were off only $340 million for the year as compared to a drop of $2,011 million in 1956. Offsetting this reduction and accounting for the net increase in total investments was the increase of $789 million in other bonds.

The year 1957 showed a continuance of the trend, which became pronounced in 1956, to shorter maturities as may be seen in the following schedules. Collectively the portfolios of national banks reflect a very high degree of investment quality.

[In millions of dollars]

	United States bonds		
	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1957
Short term	18,982	22,363	23,924
Medium term	11,951	6,321	4,710
Long term	2,754	2,992	2,702
Total	33,687	31,676	31,336

Recapitulation by maturities

(United States bonds as of Dec. 31, 1957; municipal and other bonds as of most recent examination reports—adjusted)

[In millions of dollars]

	United States bonds	General obligation municipal bonds	Special revenue municipal authority and corporate bonds	Total
Short term (maturing up to 5 years)	[1] 23,924	3,148	2,118	29,190
Medium term (maturing between 5 and 10 years)	4,710	1,996	458	7,164
Long term (maturing after 10 years)	2,702	1,196	463	4,361
Total	31,336	[2] 6,340	[3] 3,039	40,715

[1] Includes $609 million of nonmarketable United States bonds.
[2] Includes $1,139 million of general obligations of States and $539 million of housing authority obligations.
[3] Includes $971 million of special revenue municipal authority obligations and $1,060 million of Federal Corporation (not guaranteed) bonds.

Capital structure

As the capital structure of a bank provides the margin of protection against fluctuations in the value of the bank's assets, adequate capitalization of all national banks has always been a significant objective of the Comptroller's office. During 1957, capital revision programs were undertaken by 228 national banks which resulted in national bank shareholders supplying $223 million additional proprietary funds.

The shareholders of 332 national banks, with the approval of the Comptroller, approved dividends payable in common stock having a total par value of $65 million during the year. During the 10-year period from 1948 to 1957, 1,723 national banks increased their capital structures $1,278 million through the sale of additional common stock.

As of December 31, 1957, the capital, surplus and undivided profits of the 4,627 national banks totaled $9,093 million, and their reserves for bad debts and other valuation reserves on loans amounted to $964.4 million, making an aggregate total of capital funds and reserves of $10.1 billion. This represents 9.2 percent of deposit liabilities and 8.3 percent of total assets. Deducting $63.2 billion represented by cash and its equivalent, United States Government obligations, and loans or portions of the loans guaranteed or insured by Federal Government agencies from the $121.5 billion of total assets, $1 of capital protection covers the potential risks involved in each $5.80 ($5.88 at the close of 1956, $5.80 at the close of 1955, $5.27 at the close of 1954) placed in loans, municipal and corporate bonds, and other assets.

The exposure offered by the volume of assets considered by national bank examiners to contain substantial or unwarranted degrees of risk continues small in relation to the protection afforded by capital structures and reserves.

Earnings and net additions to reserves

Net profits before dividends for all national banks in 1957 were $729.9 million, a rise of 12.8 percent from the 1956 level. This figure is exclusive of $121.5 million transferred to effect a net increase in bad debt and valuation reserves. The sum of such net profits and reserves is equivalent to 9.36 percent of year-end capital funds, up from 9.32 percent in the preceding year. Cash dividends of $363.8 million (4 percent of capital accounts at end of year) were paid to shareholders, as against $329.9 million in 1956. Net retained earnings plus additions to reserves amounted to $487.6 million.

Net earnings from current operations amounted to $1,576.6 million, a gain of nearly $80 million over 1956. Increased interest rates on loans, an effect of heavy demand for funds during the year, raised gross earnings from that source by $309.4 million to a $2,631.1 million level. This more than offset the increased cost of doing business resulting from a higher rate of interest paid on savings accounts, which rose sharply from $437.2 million to $635.8 million. Payrolls absorbed 27.7 percent of total earnings.

After giving effect to actual recoveries on assets previously charged off of $61.7 million, profits on securities sold of $31.1 million, actual losses on securities sold and charge-offs against book values of $151.2 million, actual loan losses of $74.4 million, and actual losses on other assets of $47.2 million, the national banking system in 1957 had net profits of $1,396.6 million. After deducting net additions to bad debt and valuation reserves of $121.5 million, pretax profits were $1,275.1 million. Income taxes paid amounted to $545.2 million, equal to 34.6 percent of net earnings from current operations, thereby reducing net profits to the above-stated amount of $729.9 million.

Set forth below is a 5-year schedule of earnings, expenses, dividends, etc., per $100 (1) of assets and (2) capital funds.

Earnings, expenses, etc., of national banks for the years ended Dec. 31, 1953, 1954, 1955, 1956 and 1957

[*Indicates amounts in millions of dollars]

	1953	1954	1955	1956	1957
*Total assets at close of year	110,117	116,151	113,750	117,702	120,523
*Total capital accounts at close of year	7,410	8,104	7,936	8,472	9,093
*Gross earnings	3,068	3,226	3,437	3,833	4,284
Per $100 of assets	$2.79	$2.78	$3.02	$3.26	$3.56
Per $100 of capital funds	$41.41	$39.81	$43.31	$45.24	$47.11
*Gross expenses	1,845	1,996	2,105	2,336	2,707
Per $100 of assets	$1.68	$1.72	$1.85	$1.99	$2.25
Per $100 of capital funds	$24.90	$24.63	$26.53	$27.57	$29.77
*Net earnings from operations	1,223	1,230	1,332	1,497	1,577
Per $100 of assets	$1.11	$1.06	$1.17	$1.27	$1.31
Per $100 of capital funds	$16.51	$15.18	$16.78	$17.67	$17.34
*Net asset losses or recoveries (including bond profits, etc.) [1]	−151	+149	−154	−275	−180
Per $100 of assets	−$.14	+$.13	−$.14	−$.23	−$.15
Per $100 of capital funds	−$2.05	+$1.84	−$1.94	−$3.25	−$1.98
*Taxes (income)	466	532	446	432	545
Per $100 of assets	$.42	$.46	$.39	$.37	$.45
Per $100 of capital funds	$6.28	$6.56	$5.62	$5.10	$5.99
*Net profits before dividends	606	847	732	790	852
Per $100 of assets	$.55	$.73	$.64	$.67	$.71
Per $100 of capital funds	$8.18	$10.46	$9.22	$9.32	$9.37
*Cash dividends	275	300	310	330	364
Per $100 of assets	$.25	$.26	$.27	$.28	$.30
Per $100 of capital funds	$3.71	$3.70	$3.90	$3.89	$4.00
*Retained earnings	[2] 331	[2] 547	[2] 422	[2] 460	[2] 488
Per $100 of assets	$.30	$.47	$.37	$.39	$.41
Per $100 of capital funds	$4.47	$6.76	$5.32	$5.43	$5.37

[1] Exclusive of transfers to and from reserve for bad debts and other valuation reserves on loans and securities but including net losses charged to these reserves.

[2] Includes funds transferred to reserve for bad debts and valuation reserves less the amount of assets charged off against such reserve accounts. Includes $33 million in 1953, $106 million in 1954, $89 million in 1955, $143 million in 1956 and $122 million in 1957 transferred to effect a net increase in reserves for bad debts and valuation reserves. (Taxes would have absorbed a portion of these amounts had the transfers not been made.)

Reserve for bad debts

At the end of 1957, 2,772 national banks were maintaining Reserves for Bad Debts aggregating $920.7 million, an increase of $128.0 million over the preceding year. These particular banks held gross loans totaling $48.0 billion, or 93.33 percent of all of the loans of the 4,627 banks in the national system. The total of Reserves for Bad Debts amounted to 1.92 percent of gross loans of the 2,772 banks maintaining such reserves.

This office has long advocated the need for a bad debt reserve formula not limited to the loss history of the individual bank, as under the present formula, but applicable to every bank upon the basis of the consolidated loss experience of all banks. As a necessary incident to the business of bank lending, it is to be anticipated that losses will at some time occur and may become abnormally large under unfavorable conditions. They are a banking hazard against which a reasonable initially tax-free reserve should be established and this has been recognized by rulings of the Internal Revenue Service under which the reserves mentioned above have been provided. Reserves created under the present formula are based on the historical experience of each bank and banks which were able to come through the years since January 1, 1928, with relatively small amounts of losses are correspondingly limited in the amount of tax-free reserves which they may establish.

A study has been conducted of "Reserve for Bad Debt Losses on Loans" in all insured commercial banks which points up the need for a more adequate and equitable formula. The study disclosed that the average ceiling amount which may be accumulated in reserves for bad debts by commercial banks under the present formula is 2.43 percent of eligible loans. This study takes into consideration only the loss experience of banks which survived the depression years of the early 1930's. The loss experience of closed banks cannot and should not be dominant in determining the ceiling factor for reserves for bad debts, but it should be considered and weighed in developing an adequate new formula. Through the years 1913 to 1944 the liquidation was completed of 2,171 national bank receiverships, of every size and in every State except Delaware, involving loans of $1,802,161,000 at date of failure. These loans were liquidated with losses of $572,435,000, or a loss percentage of 31.8. If 2 large receiverships with an unusually favorable loan loss record were eliminated, the average loan loss experience of the remaining 2,169 receiverships amounted to 36 percent.

The reserve for bad debt study revealed substantial inequities between commercial banks having very high loan loss experience factors and those having small factors. Simply to show the spread between the high and low loan loss factors, a bank in Illinois is permitted under the present formula to establish reserves for bad debts equal to 24 percent of its eligible loans. On the low side, a bank in Pennsylvania having eligible loans of $1,400,000 has a loan loss factor of only 0.002 percent entitling it to a present reserve ceiling of only $84.

Mutual savings banks and savings and loan associations are permitted to develop tax-free reserves up to 12 percent of total deposits or withdrawable accounts of their depositors or shareholders, and are allowed as deductions against taxable income all dividends or interest paid. Such a formula is more favorable by far than the formula under which commercial banks operate.

A resume of the reserve for bad debt study is incorporated below.

467548—58——2

Statement re reserves for bad debt losses on loans, June 6, 1957, insured commercial banks (13,216 banks)

[Amounts in thousands of dollars]

(Does not include data on 440 noninsured State commercial banks with resources of $2.3 billion)	Banks 5 million resources and under	Banks resources over 5 million	Total	Percent
Banks using reserve method (number)	3,193	3,519	6,712	50.8
Total resources	$8,510,283	$172,709,201	$181,219,484	87.4
Aggregate loans	3,331,014	79,849,229	83,180,243	89.6
Ineligible loans	270,845	7,059,731	7,330,576	90.1
Net loans	3,060,169	72,789,498	75,849,667	89.4
Total reserve for bad debts already established	64,498	1,466,507	1,531,005	2.02
Ceiling reserve for bad debts (under present formula)	85,432	1,755,353	1,840,785	2.43
Ceiling, 3 percent of loans	91,825	2,183,685	2,275,510	3.0
Increase over present ceiling	6,393	428,332	434,725	23.6
Banks not using reserve method (number)	5,331	1,173	6,504	49.2
Total resources	$10,719,139	$15,327,440	$26,046,579	12.6
Aggregate loans	3,906,238	5,748,573	9,654,811	10.4
Ineligible loans	281,188	454,052	735,240	9.9
Net loans	3,625,050	5,294,521	8,919,571	10.6
Reserves already established	0	0	0	0.0
Estimated reserve ceiling (under present formula)			216,747	2.43
Ceiling, 3 percent of net loans			267,585	3.0
Increase over present estimated ceiling			50,838	23.6
Ceiling, present formula			2,057,532	
Ceiling, 3 percent of loans			2,543,095	
Net increase, 3 percent formula			485,563	

RECAPITULATION

[Amounts in millions of dollars]

	Number of banks	Eligible loans		Reserves for bad debts		Percent of:	
		Amount	Percent	Amount established	Ceiling amount	Ceiling reserve to total ceilings	Amount of ceiling to amount eligible loans
No reserve for bad debts established	6,504	8,919	10.5	0	[1] 216	10.5	[1] 2.43
Banks with reserve for bad debts ceiling:							
1.99 percent or less	2,778	33,076	39.0	402	435	21.1	1.32
2.00 percent to 2.99 percent	1,689	25,505	30.1	547	641	31.2	2.51
3 percent or over	2,245	17,269	20.4	582	764	37.2	4.43
Total	13,216	84,769	100.0	1,531	2,056	100.0	

[1] Estimated in same proportion to eligible loans as the total of ceiling of participating banks represents o ftheir total eligible loans (2.43 percent).

Employee Pension and Welfare Plans

In order that the Comptroller's office may be informed as to the scope and other factors relating to employee pension, profit-sharing, cash bonuses, and other welfare plans, such as group hospitalization and life insurance, the examination report form was revised during 1957 for the purpose of providing pertinent information regarding these plans. Since the effective date of the revision, employee benefit programs in 4,031 national banks have been analyzed.

Formal pension plans have been adopted by 1,400, or 34.6 percent of the banks surveyed. The plans are usually implemented by a funded trust or through the acquisition of annuity contracts for the participants. In many instances, the plans are administered by the bank's trust department subject to the direction of an Advisory Committee generally consisting of directors, officers, and employees of the bank. Some larger banks and a few State bankers' associations have established group or commingled pension plans in which various banks participate. These plans are administered under a single trust indenture. In approximately 45 percent of the pension programs, the employees bear part of the cost of the plans.

Profit-sharing plans are not nearly as common as other types of employee benefits. Only 292, or 7.2 percent of the banks surveyed have adopted profit-sharing arrangements. The plans are established primarily for the distribution of a lump-sum payment at a future date, usually upon retirement, which may be used by the employee in any way desired. In many instances, the lump-sum payment may be used by the employee for the purchase of insurance annuities, which, in effect, supplement benefits received under the pension program.

Cash bonuses are distributed by 3,571, or 88.6 percent, of the banks surveyed and employees in 2,720, or 67.5 percent, enjoy benefits under some other type of welfare plan.

The Office of the Comptroller of the Currency has encouraged the establishment of pension and welfare plans providing they are not discriminatory and the cost cf such plans is not unduly burdensome upon the bank's earnings. These plans tend to assist in providing continuity of management, increasing employee efficiency, reducing turnover and improving morale.

The following table shows the number of banks which have various employee welfare plans in operation and the average annual cost of each plan to the bank and its staff. Data is classified according to size of bank based on total deposits.

Size of bank based on total deposits	Number of banks surveyed	Contributions made by—	Retirement or pension plan	Average annual cost pension plans		Profit-sharing plan	Average annual cost profit-sharing plans		Cash bonus plan	Average annual cost cash bonus plan	Other employee welfare plans	Average annual cost other welfare plans	
				To bank	To staff		To bank	To staff				To bank	To staff
Less than 5 million	2,063	Bank and staff	158	2,555	719	2	1,073	1,150			391	507	341
		Bank only	162	3,276		47	4,247		1,816	3,213	745	650	
5 to 10 million	906	Bank and staff	173	4,929	1,312	1	3,769	1,475			282	1,021	759
		Bank only	196	5,937		63	5,386		822	6,722	382	1,154	
10 to 25 million	599	Bank and staff	146	9,107	2,832	4	14,800	5,225			255	2,263	1,277
		Bank only	209	11,191		73	11,064		534	13,006	234	2,454	
25 to 50 million	217	Bank and staff	62	17,642	5,924	5	13,333	5,133			118	4,788	2,208
		Bank only	85	23,612		41	27,975		193	23,087	72	4,571	
50 to 100 million	125	Bank and staff	41	35,027	10,090	4	49,575	16,600			78	9,130	6,063
		Bank only	60	45,538		21	34,190		106	38,916	46	8,887	
100 to 500 million	100	Bank and staff	49	100,622	36,251	3	129,600	56,700			57	24,346	21,298
		Bank only	39	115,854		21	160,586		86	99,263	39	32,126	
Over 500 million	21	Bank and staff	10	1,202,040	161,970	2	352,900	203,350			18	176,939	107,256
		Bank only	10	666,300		5	776,200		14	296,143	3	118,933	
	4,031	Total bank and staff	639			21					1,199		
		Total bank only	761			271			3,571		1,521		
		Grand total	1,400			292			3,571		2,720		

Branch Banking

Branch banking presents an increasingly important and exacting bank supervisory task throughout 36 States, the District of Columbia, Alaska, Hawaii, and the Virgin Islands. There were 487 de novo branch applications received during the year 1957, as compared to 524 received during 1956, the record number of 532 during 1955, and 383 during 1954.

The following represents the disposition made of the 487 de novo branch applications received during 1957:

	Number	Percentage
Approved (primary approvals of applications for permission to establish branches)	303	62
Rejected	118	24
Withdrawn	34	7
In process of investigation and study	32	7
Total	487	100

In 1957, certificates of authorization for the establishment and operation of 404 branches were issued, including eleven which had not yet opened for business on December 31, 1957. Eight branches which were authorized in 1956 did not open for business until 1957. This resulted in 401 branches opening for business during 1957. During this same period of time changes took place in existing branches, and at year end there were 4,023 branches, including 4 seasonal agencies, being operated by 685 of the total 4,627 active national banks, reconciled as follows:

State	Branches in operation on Dec. 31, 1956	Branches opened for business during 1957	Existing branches discontinued or consolidated during 1957	Branches in operation Dec. 31, 1957
Alabama	42	5		47
Arizona	77	16	1	92
Arkansas	3	1		4
California	947	73	3	1,017
Connecticut	54	10	4	60
District of Columbia	27	2		29
Georgia	35	2		37
Idaho	62	4	1	65
Indiana	92	17		109
Kansas		2		2
Kentucky	44	5		49
Louisiana	67	7		74
Maine	26	5		31
Maryland	44	9		53
Massachusetts	146	12		158
Michigan	156	9	1	164

State	Branches in operation on Dec. 31, 1956	Branches opened for business during 1957	Existing branches discontinued or consolidated during 1957	Branches in operation Dec. 31, 1957
Minnesota	6			[1] 6
Mississippi	10	5		15
Nebraska	1			[1] 1
Nevada	16	3		19
New Hampshire	1			[1] 1
New Jersey	168	19	1	186
New Mexico	17	1		18
New York	322	47	8	361
North Carolina	67	14	3	78
Ohio	202	33	1	234
Oregon	136	3	1	138
Pennsylvania	314	34	7	341
Rhode Island	39	4		43
South Carolina	68	9	1	76
South Dakota	23			23
Tennessee	78	14		92
Utah	31	6		37
Vermont	6	1	1	6
Virginia	82	14		96
Washington	203	11		214
Wisconsin	15	1		16
Alaska	6	2		8
Hawaii	21	1		22
Virgin Islands	1			1
Total	3,655	401	−33	[2] 4,023

[1] Established prior to enactment of McFadden Act, Feb. 25, 1927.
[2] Does not include 23 branches in operation by 7 nonnational banks in the District of Columbia under the supervision of the Comptroller of the Currency.

The large number of branch facilities established during 1957 reflects the continuing population growth of suburban areas requiring new or additional banking services, parking problems in cities and larger towns, and the increased business volume of many banks which could not be accommodated adequately in their existing quarters. Increasing traffic congestion and parking problems in urban business sections continued to promote the need for drive-in banking service; 31 percent of the 401 branches opened for business during 1957 provided for this type of service. Sixty-eight bankless communities were provided with branch offices.

Branches opened for business during 1957 were distributed among areas with various population density, and established by banks of various sizes as follows:

In suburban areas of large cities	17
In cities with population less than 5,000 (including 68 communities that were bankless prior to the establishment of a branch)	92
In cities with population from 5,000 to 25,000	147
In cities with population from 25,000 to 50,000	48
In cities with population over 50,000	97
Total	401
By banks with less than $10MM total resources	52
By banks with total resources of $10MM to $25MM	62
By banks with total resources of over $25MM	287
Total	401

During the current year new legislation was enacted by several States permitting the establishment of limited facilities beyond the confines of the banks' place of business. The following tabulation briefly summarizes the current status of branch banking statutes of States and territories including those changes.

States permitting State-wide branch banking	States permitting branch banking within limited areas	States prohibiting branch banking	States with no laws regarding branch banking
Arizona.	Alabama.[1]	Colorado.	New Hampshire.
California.	Arkansas.[4]	Florida.	Wyoming.
Connecticut.	Georgia.[3]	Illinois.	
Delaware.	Indiana.[1]	Minnesota.	
District of Columbia.	Iowa.[4]	Missouri.	
Idaho.	Kansas.[4]	Montana.	
Louisiana.	Kentucky.[1]	Nebraska.	
Maine.	Massachusetts.[1]	Texas.	
Maryland.	Michigan.[6]	West Virginia.	
Nevada.	Mississippi.[5, 8]		
North Carolina.	New Jersey.[1]		
Oregon.	New Mexico.[6]		
Rhode Island.	New York.[7]		
South Carolina.	North Dakota.[4]		
Utah.	Ohio.[2]		
Vermont.	Oklahoma.[4]		
Washington.	Pennsylvania.[11]		
	South Dakota.[4]		
	Tennessee.[1]		
	Virginia.[1]		
	Wisconsin.[4]		
Virgin Islands.[10]	Alaska.[5]		
	Hawaii.[9]		

[1] Permits branches within the city and/or county of head office.
[2] Permits brauches within limits of county.
[3] Permits banks in certain classes of cities to establish branches within limits of city of head office.
[4] Permits only "offices," "agencies," "stations," "windows" or "branches" for limited purposes.
[5] Permits branches within 100-mile radius of head office.
[6] Permits banks to establish branches within the county or county contiguous to the county in which the head office is located, or within a certain distance of the head office, or city in which the head office is located.
[7] Permits banks to establish branches within the limits of the banking district in which the head office is situated.
[8] Permits banks to establish only a limited number of branches.
[9] Permits branches within certain geographical zones.
[10] There are no provisions as to branches of local banks, but banks not organized in the Virgin Islands "may do business and establish offices in the Virgin Islands * * * ".
[11] Permits banks to establish branches within the county or county contiguous to the county in which the head office is located.
(Reference should be made to the various statutes for detailed provisions of the law.)

The following schedule reflects the total number of national and State commercial banking units in operation in the United States and possessions at the end of 1957.

State	Number of all banks	Number of all branches	Total banking units as of Dec. 31, 1957	Number of all banking units in relation to population	Total banking resources (in millions of dollars)
Alabama	239	54	293	1 per 10,900	1,949
Arizona	7	125	132	1 per 8,800	994
Arkansas	237	28	265	1 per 6,700	1,167
California	128	1,351	1,479	1 per 9,600	22,762
Colorado	170		170	1 per 10,000	1,856
Connecticut	87	139	226	1 per 6,800	2,480
Delaware	27	41	68	1 per 6,250	709
District of Columbia	16	52	68	1 per 12,300	1,532
Florida	270		270	1 per 15,700	4,411
Georgia	396	61	457	1 per 8,400	2,769
Idaho	28	77	105	1 per 6,200	614
Illinois	939		939	1 per 10,400	17,426
Indiana	464	219	683	1 per 6,700	4,667
Iowa	668	161	829	1 per 3,400	3,123
Kansas	595	2	597	1 per 3,600	2,274
Kentucky	364	105	469	1 per 6,600	2,353
Louisiana	182	137	319	1 per 9,800	3,003
Maine	57	107	164	1 per 4,800	656
Maryland	148	180	328	1 per 8,000	2,385
Massachusetts	171	294	465	1 per 6,600	5,610
Michigan	398	445	843	1 per 9,400	8,629

State	Number of all banks	Number of all branches	Total banking units as of Dec. 31, 1957	Number of all banking units in relation to population	Total banking resources (in millions of dollars)
Minnesota	683	6	689	1 per 4,900	4,107
Mississippi	195	112	307	1 per 7,200	1,175
Missouri	608	2	610	1 per 7,000	6,119
Montana	115		115	1 per 5,900	809
Nebraska	421	1	422	1 per 3,500	1,606
Nevada	6	31	37	1 per 7,400	357
New Hampshire	74	2	76	1 per 5,200	405
New Jersey	271	329	600	1 per 8,900	6,837
New Mexico	52	34	86	1 per 9,800	637
New York	460	1,166	1,626	1 per 8,500	45,033
North Carolina	210	383	593	1 per 7,700	2,737
North Dakota	154	26	180	1 per 3,600	765
Ohio	611	488	1,099	1 per 8,400	11,220
Oklahoma	387	1	388	1 per 5,900	2,598
Oregon	55	156	211	1 per 8,500	1,956
Pennsylvania	771	589	1,360	1 per 7,900	14,679
Rhode Island	10	76	86	1 per 7,600	912
South Carolina	144	105	249	1 per 9,700	963
South Dakota	172	52	224	1 per 3,200	684
Tennessee	298	162	460	1 per 7,600	3,065
Texas	955	3	958	1 per 9,700	11,398
Utah	49	61	110	1 per 7,900	917
Vermont	59	17	76	1 per 4,100	369
Virginia	313	200	513	1 per 7,500	3,197
Washington	88	236	324	1 per 8,200	2,719
West Virginia	183		183	1 per 10,900	1,334
Wisconsin	551	151	702	1 per 5,600	4,315
Wyoming	53		53	1 per 6,000	394
Total United States	13,539	7,967	21,506		222,676
Possessions	41	138	179		1,344
Total United States and possessions	13,580	8,105	21,685		224,020

NOTE: Above data do not include 523 mutual savings banks operating 405 branches with total resources of $35,168 million.

During the past few years many banks have found it necessary to enlarge their operations through the establishment of facilities which are in close proximity and connected to an authorized office either by tunnel, overhead passageway, pneumatic tube, or a passageway under a canopy. These facilities are not considered to represent the establishment and operation of a branch within the meaning of section 5155 of the Revised Statutes (12 U. S. C. 36).

Such methods of augmenting existing services through the medium of connected facilities are coming into more general use. Many banks have been unable readily to alleviate their problems of cramped quarters and/or customer parking because the cost of acquiring adjoining real estate and converting it for suitable banking purposes was prohibitive. Consequently, it has been more economical to establish a connected facility a short distance from an authorized office. The most usual type of facility is the drive-in operation located on a bank's parking lot. Several States have recognized the need for this type of additional service facility by enacting specific legislation declaring such extensions by State-chartered institutions not to be branches.

Of the 170 connected facilities of national banks located in 30 States, 86 have been established in States which do not permit branch banking, the majority being situated in Florida and Texas. The following table presents the location of these facilities by States, type of connection, and the minimum and maximum distance between the facility and the authorized office.

National banks operating facilities connected to an authorized office

State	Number of facilities	Tunnel	Type of connection: Overhead passageway	Type of connection: Pneumatic tube	Passage under canopy	Minimum footage from authorized office	Maximum footage from authorized office
Alabama	7		5	1	1	10	200
Arkansas	4	1		2	1	18	100
California	1			1		15	15
Colorado	6	6				16	105
Connecticut	1				1	10	10
Florida	18	4	14			15	403
Georgia	1	1				30	30
Idaho	1				1	12	12
Illinois	11	9	1	1		15	75
Indiana	2	1		1		12	17
Iowa	2	1			1	12	60
Kansas	5	2	2	1		25	75
Massachusetts	2	1	1			50	75
Michigan	9	9				11	150
Minnesota	5	3		2		30	81
Missouri	4	2	1	1		30	94
Montana	1			1		20	20
Nebraska	3	1		2		12	40
New Hampshire	1	1				10	10
New Jersey	5	2		2	1	18	90
New York	16	12		1	3	10	140
Ohio	10	5	1	1	3	18	80
Oklahoma	8	2	1	5		50	500
Pennsylvania	1	1				25	25
South Carolina	2				2	10	25
South Dakota	1			1		160	160
Tennessee	1			1		100	100
Texas	37	14	3	19	1	15	400
Virginia	4	2		2		12	30
Washington	1			1		60	60
	170	80	29	46	15		

Applications to Organize National Banks

Forty-eight applications to organize national banks were received in 1957. Primary approval was granted for 12 applications, 13 were disapproved, 7 were withdrawn or abandoned, and 16 continue under investigation and study. The 12 approved cases have resulted in, or are expected to result in, the organization of new national banks in 10 States as indicated by the following schedule.

State	Number of approvals	Number of banks opened	Approvals total capital structure	Banks opened total capital structure
			Thousands	*Thousands*
Arkansas		1		612.5
Colorado	2		550	
California		2		1,450
Florida	2	4	1,850	3,125
Georgia		1		450
Illinois		2		1,250
Indiana		1		300
Louisiana	1		750	
Massachusetts	1		450	
Montana		1		200
New Hampshire	1		130	
New Mexico	1		500	
Tennessee	1	1	300	300
Texas	2	5	750	2,470
Washington	1		350	
West Virginia		1		560
Total	[1] 12	[2] 19	$5,630	$10,717.5

[1] Approvals include 4 which also opened for business during 1957. The remaining 8 had not completed organization.
[2] Includes 15 that were originally approved in 1955 or 1956, but did not open for business until 1957.

One hundred seventy-three national banks were chartered during the 10-year period ended December 31, 1957. Twelve of these banks were voluntarily liquidated, consolidated, or converted into other banks during the 10-year period. The remaining 161 newly organized banks on December 31, 1957, had total resources of $1,035,302,000. This proves quite conclusively that it has been possible for competent and progressive managements successfully to place newly organized banks in competition with existing banks when due care is exercised in selecting locations where reasonable opportunities for growth and expansion exist. A survey discloses that 38 of these banks were placed on a profitable basis during the first year of operation, 76 banks were operating profitably during the second year and 19 were operating profitably during the third year. One bank chartered during 1955, 9 banks chartered during 1956, and 18 banks chartered during 1957 had not yet been placed on a profitable basis but all were expected to achieve this status within a reasonable period of time.

Compensation of Bank Officers

Recently, the office of the Comptroller of the Currency conducted a survey of the compensation paid officers in 3,980 national banks with deposits less than $25 million. The information was compiled from reports of examination made in the fall of 1956 through spring of 1957.

This office has long recognized the importance for banks, particularly the smaller institutions, to maintain competitive wage structures in their community and with industry. This is especially important in assuring continuity and depth in management as it has become increasingly difficult for banks to obtain experienced executives who may be required for replacement or expansion purposes. In addition to a scarcity of capable bank officers, taxes, pensions, and other fringe benefits have made the availability of executive banking talent much less fluid. For these reasons, it appears increasingly important that individual banks be certain that their executive incentive programs afford reasonable assurance for management retention and succession. An adequate compensation plan is a basic factor in implementing this program.

The following tables reflect the average annual compensation of the five highest paid officers in national banks by deposit-size groups, Federal Reserve districts, location, and economy of the area. These statistics confirm the prevailing opinion that the larger banks located in the downtown districts of cities and towns primarily dependent upon an industrial or mercantile economy pay larger salaries to their executive officers.

Average annual compensation of the 5 highest paid officers in national banks with deposits of less than $25 million

Deposits in thousands	Number of officers	Average annual compensation highest paid officer	Number of officers	Average annual compensation 2d highest paid officer	Number of officers	Average annual compensation 3d highest paid officer	Number of officers	Average annual compensation 4th highest paid officer	Number of officers	Average annual compensation 5th highest paid officer
Less than 1,000	183	4,764	174	3,256	82	2,460	0		0	
1,000 to 1,999	609	6,410	583	4,408	369	3,459	0		0	
2,000 to 4,999	1,541	8,624	1,524	6,059	1,272	4,753	8	4,100	2	2,750
5,000 to 9,999	963	11,650	962	8,223	936	6,431	18	5,378	10	4,840
10,000 to 19,999	569	15,547	569	10,691	568	8,651	540	7,434	513	6,524
20,000 to 24,999	115	20,145	115	13,244	115	10,581	114	8,991	112	7,888
Total	3,980									
	BY FEDERAL RESERVE DISTRICTS									
Boston	225	11,101	221	7,447	198	5,626	40	8,070	37	7,254
New York	339	11,263	335	7,497	273	6,442	81	7,590	73	6,816
Philadelphia	438	8,674	421	6,138	286	5,609	74	6,581	67	5,825
Cleveland	349	9,271	343	6,660	279	5,800	53	7,600	50	6,856
Richmond	288	9,632	286	6,742	239	5,629	48	7,538	46	6,580
Atlanta	247	11,702	245	8,084	221	6,569	68	7,829	65	6,920
Chicago	442	11,310	437	7,868	377	6,397	107	7,650	98	6,923
St. Louis	276	8,882	271	6.289	231	5,282	32	7,134	30	6,033
Minneapolis	317	10,475	315	7,335	282	5,881	291	7,486	47	6,636
Kansas City	559	9,967	556	7,099	495	5,688	57	8,032	55	6,878
Dallas	426	9,949	424	6,936	396	5,612	56	8,004	54	6,870
San Francisco	74	11,511	74	8,349	65	6,980	15	8,527	15	7,473
Total	3,980									
	BY LOCATION									
Downtown	1,966	12,213	1,959	8,504	1,870	6,748	575	7,697	545	6,782
Perimeter	266	11,706	263	8,094	228	6,802	81	7,467	72	6,593
Rural	1,748	7,622	1,706	5,336	1,244	4,424	24	5,746	20	5,565
Total	3,980									
	BY ECONOMY OF THE AREA									
Industrial or commercial	933	12,231	920	8,395	808	6,939	305	7,774	287	6,895
Agricultural	1,524	8,130	1,497	5,719	1,188	4,730	53	6,938	48	6,304
Mixed	1,523	10,934	1,511	7,684	1,346	6,277	322	7,547	302	6,632
Total	3,980									

NOTE: Number of officers coincides with number of banks in all cases.

Bank Consolidations, Mergers and Sales

During 1957, the Comptroller approved the absorption of 83 banks (55 State and 28 national banks) by 82 national banks as compared to 105 absorptions by 101 national banks in 1956. Twenty-six national banks and fifty-six State banks were absorbed by other State banks in 1957 as compared to 81 such absorptions the previous year. The following schedule contains details of the absorptions which occurred during 1957.

Consolidations, mergers, purchases—1957

Number of banks	Type	Total deposits	Total capital structure
		Millions of dollars	
27	National banks consolidated or merged with and into 27 national banks	509	44
35	State banks consolidated or merged with and into 34 national banks	481	41
1	National bank purchased by 1 national bank	4	1
20	State banks purchased by 20 national banks	41	4
83	Approved by Comptroller of Currency	1,035	90
19	National banks consolidated or merged with and into 17 State banks	254	22
7	National banks purchased by 7 State banks	36	4
56	State banks consolidated, merged, or purchased with or about the same number of State banks	[1] 838	
82	Approved by State banking departments	1,128	26
165	Grand total	2,163	116

[1] Total resources.

Conversions

	Number	Deposits (in millions of dollars)	Capital structure (in millions of dollars)
State banks converted into national banks.	3	25.6	2.7—converted into 3 national banks.
National banks converted into State banks.	2	7.2	.8—converted into 2 State banks.
Total	5	32.8	3.5

The shareholders of the 62 national and State banks consolidated or merged with and into 61 national banks received cash and book value stock of the continuing banks aggregating $101,351,250 or $17,634,832 in excess of the aggregate book value of assets which those banks contributed to the mergers or consolidations. This excess amounted, on the average, to 1.78 percent of the aggregate deposits acquired by the continuing banks. On an estimated or fair valuation basis, the shareholders of the 62 absorbed banks contributed assets having an estimated fair value, in excess of liability to creditors of $96,736,448 and received cash and fair value stock of the continuing banks aggregating $111,161,562 or $14,425,114 in excess of the estimated aggregate fair value of assets which those banks contributed to the mergers or consolidations. The difference is accounted for through an estimated or fair value appraisal of fixed assets (bank premises—furniture and fixtures), bond appreciation or depreciation, allowances for pension fund adjustments, excess reserve for taxes, etc., and amounted, on the average, to approximately 1.46 percent of the aggregate deposits acquired by the continuing banks.

The shareholders of the 1 national bank and 20 State banks which were purchased by the 21 national banks received $6,257,139 in cash, or $1,633,291 in excess of the book value of the selling banks' aggregate capital structures. This amounted, on the average, to 3.64 percent of the selling banks' deposit liabilities.

In the 8-year period from January 1, 1950, to December 31, 1957, the Comptroller's office approved the acquisition by national banks of 309 other national banks and 339 State-chartered banks through consolidation, merger, or sale. State-chartered banks after approval by their respective State banking departments absorbed 205 national banks. In addition, 328 State-chartered banks consolidated or merged with or were purchased by other State-chartered institutions. The following table shows the number of banks which have been absorbed since 1950 and their total resources.

Data on consolidations, mergers, purchases and sales, and conversions—1950 to Dec. 31, 1957

Number of banks	Type	Total resources (in millions of dollars)
129	National banks consolidated with and into other national banks	3,219
48	National banks merged with other national banks	1,524
132	National banks purchased by other national banks	1,312
309	Total	6,055
113	State-chartered banks consolidated with and into national banks	2,077
48	State-chartered banks merged with national banks	569
178	State-chartered banks purchased by national banks	900
339	Total	3,546
648	Approved by Comptroller of the Currency	9,601
116	National banks consolidated or merged with State-chartered banks	8,550
89	National banks purchased by State-chartered banks	891
328	State banks merged, consolidated, or purchased with or by other State-chartered banks	4,831
533	Approved by State banking Departments	14,272
1,181	Total for absorbed banks	23,873
	CONVERSIONS—1950 TO DEC. 31, 1957	
20	National banks converted into State-chartered banks	166
43	State-chartered banks converted into national banks	446

Fiduciary Activities of National Banks

As of December 31, 1957, there were 1,714 national banks which had been authorized by the Board of Governors of the Federal Reserve System to exercise trust powers either full, limited or specific, and one national bank was authorized under title 12, U. S. C., section 34a, to continue administration of the trust accounts acquired from a State bank by consolidation. Trust departments were being operated in 74 branches. 238 national banks or 13.88 percent were not exercising any of the trust powers granted.

There is no uniform system for carrying values of trust department assets among corporate fiduciaries. Essentially there are two systems employed which are the cost or appraised value of the asset and the unit value. The cost or appraised value system needs no explanation. Unit value systems carry bonds at $1 per $1,000 and stock at $1 per share or sometimes par value is used. A combination of both systems is usually found in any trust department and figures taken from trust ledgers have little meaning in relation to the actual value of the property held. The trust figures as to dollar value which appear in this report and its appendix are believed to be beneficial only for comparative purposes from year to year. We feel that to require banks to furnish market values as of any given date would place a substantial and unjustified burden upon the banks.

Of the total liabilities for accounts held by trust departments of national banks as of December 31, 1957, 24.69 percent was in living trusts, 13.30 percent in court accounts, 53.28 percent in agency, escrow, custodianship type accounts, and 8.73 percent in all other liabilities. Figures compiled from trust departments with total assets of $75 million and over show that 82.04 percent of the total assets is held by 6.30 percent of the number of active trust departments. Gross earnings for 1957 were $129,433,000 which is an increase of $12,588,000 over the previous year and an all-time high.

With the diminishing of large estates both as to number and size, pension, profit-sharing and other employee welfare trusts have become more important to the large corporate fiduciary. In July of 1957 the report of examination was changed to show the number, type and market value of such accounts as of the date of the last review by the bank. By the end of 1958 these figures will be available for all trust departments of national banks.

Liquidation of Insolvent National Banks

During the year ended December 31, 1957, the Federal Deposit Insurance Corporation was appointed by the Comptroller of the Currency as Receiver of one insolvent national bank, the Del Rio National Bank, Del Rio, Tex., under date of June 20, 1957. This receivership was, however, restored to solvency and returned to the bank's board of directors as of 3:00 p. m., July 2, 1957.

The receivership of the one insolvent national bank in process of liquidation under the supervision of the Comptroller of the Currency as of December 31, 1956, the Salt Springs National Bank, Syracuse, N. Y., was finally closed as of December 30, 1957, following the termination of certain litigation. Creditors of this receivership were paid principal and interest dividends amounting to 101.2 percent of their proved claims.

With the termination of the Syracuse receivership, 2,822 insolvent national banks, with capital stock aggregating $379,812,595 at date of failure, have been liquidated under the supervision of the Comptroller of the Currency since the first national bank failure in 1865. In addition to these 2,822 insolvent national banks, 159 insolvent national banks placed in receivership under the Comptroller's supervision with capital stock at date of failure aggregating $23,100,000, were subsequently restored to solvency and returned to the boards of directors of such banks. The 2,822 national bank receiverships liquidated under the supervision of the Comptroller of the Currency had total assets of $3,744,487,469 and total liabilities of $2,991,206,550 including deposits of $2,378,540,723. Total collections from assets, stock assessments, interest, premiums, rents, etc., and offsets allowed (against assets) amounted to $2,818,338,298. Costs of liquidation of the 2,822 receiverships totaled $189,311,333, or an average of 6.72 percent of total collections including offsets allowed.

The proved claims of all creditors, secured and unsecured, against the 2,822 insolvent national banks liquidated through receivership amounted to $2,126,785,373. Of such total claims proved, returns to claimant creditors in the form of receivers' dividends and conservators' distributions amounted to $1,661,717,222 or an average return of 78.13 percent of claims proved. Total returns consisting of dividends, distributions, offsets allowed and cash payments to secured and preferred creditors amounted to a somewhat higher average return of 87.64 percent to all types of creditors upon the basis of total liabilities established. Of the 2,822 liquidated receiverships, 551 receiverships with deposits of $782,454,873 paid dividends of 100 percent with full or partial interest to creditors, 689 receiverships with deposits of $739,290,550 paid dividends of 75 to 99.9 percent, 749 receiverships with deposits of $531,718,342 paid dividends of 50 to 74.9 percent, 474 receiverships with deposits of $237,299,195 paid dividends of 25 to 49.9 percent and 359 receiverships with deposits of $87,777,763 paid dividends of less than 25 percent. The total of 2,822 national bank receiverships referred to above, includes 15 District of Columbia nonnational banks, and the total of 159 national bank receiverships restored to solvency includes one District of Columbia nonnational bank.

Under the provisions of the Federal Deposit Insurance Act of 1950, approved September 21, 1950, the Federal Deposit Insurance Corporation assumed full supervision of the liquidation of all insolvent national banks thereafter placed in receivership, thus relieving the Comptroller of the Currency of his previous responsibility in this respect. From September 21, 1950, to December 31, 1957, the Comptroller of the Currency, as required by the aforesaid act, appointed the Federal Deposit Insurance Corporation receiver of 4 insolvent national banks. No liquidation data as to such 4 national bank receiverships have been included in the figures given above. The results of liquidation of the 2,822 insolvent national banks liquidated under the supervision of the Comptroller of the Currency from April 14, 1865, to December 31, 1957, as briefly summarized above and included in considerably more detail in the appendix tables of this report, constitute a final summary of this liquidation activity.

Legislation

During 1957 the Congress continued its consideration of the proposed Financial Institutions Act, S. 1451, designed to recodify and bring up to date all the Federal banking laws. The important changes which would be made by that bill as it passed the Senate are detailed in the Comptroller's Annual Report for 1956. On July 15, 1957, the Banking and Currency Committee of the House of Representatives began open hearings on S. 1451, and its companion bill, H. R. 7026. The hearings continued through August 15, 1957, and were resumed early in January 1958.

Legislation Enacted

There was no legislation affecting national banking laws enacted in 1957.

Public Law 85-199, approved August 28, 1957, amended the District of Columbia banking laws to eliminate the requirement that one-half of the directors of District of Columbia trust companies must reside within the District of Columbia, and to require that all such directors must be citizens of the United States and that at least two-thirds must reside in the District of Columbia or within 100 miles of the location of the principal office of the company.

Litigation

During the year 1956 the Wayne Oakland Bank of Royal Oak, Michigan filed suit against the Comptroller seeking a declaratory judgment that the issuance by the Comptroller of a certificate authorizing the establishment by the National Bank of Detroit, Michigan, of a branch in Troy, Michigan, would be unlawful, and an injunction restraining the Comptroller from issuing his branch certificate. The Comptroller had approved the branch of the national bank on March 19, 1956. Under Michigan law the National Bank of Detroit could legally establish a branch in Troy if there were no other bank or branch in that town. At the time of the Comptroller's approval there was no bank nor branch in operation in Troy. Subsequently, on April 2, 1956, the Wayne Oakland Bank placed in operation a branch in Troy. Under Michigan law as it had been interpreted in a formal opinion by the Attorney General of Michigan this opening of the branch of the Wayne Oakland Bank did not preclude the National Bank of Detroit from opening its branch which had been previously approved by the Comptroller. Nevertheless, the Wayne Oakland Bank filed suit against the Comptroller, and on January 30, 1957, the United States District Court for the Eastern District of Michigan decided this case adversely to the Comptroller. On appeal the United States Court of Appeals for the Sixth Circuit affirmed the lower court judgment without opinion. A petition for rehearing en banc filed on behalf of the Comptroller was denied by the Court, but in connection with this denial the Court did render an opinion in which it held that (1) the Comptroller had not approved the branch, and (2) even if the Comptroller had approved the branch it could not legally be established because of the provision contained in Michigan law to the effect that no branch may be established in a town in which another bank or branch is in operation. *Wayne Oakland Bank* v. *Gidney* (C. A. 6th, 1958) 252 F. 2d 537. In reaching this conclusion the Court disregarded the Opinion of the Attorney General of Michigan as to the proper interpretation of the State statute, and rejected the Comptroller's contentions that (1) the Comptroller's approval given on March 19, 1956, constituted the required statutory approval,

(2) the restriction contained in Michigan law was not a restriction as to location within the meaning of the Federal branch banking statute, and (3) the Wayne Oakland Bank had no standing to sue the Comptroller.

Examinations Conducted—Basic Purposes and Procedures

The National Bank Act requires that each national bank be examined at least twice each year in order that the Comptroller may be kept currently informed of its condition and require such corrections as are deemed necessary with a view to maintaining each bank in sound condition. The Comptroller is authorized to waive an examination with respect to any particular bank not more frequently than once in any 2-year period. In addition to the regular examinations, special examinations are conducted of banks the condition of which is regarded as unsatisfactory. Also, the District Code authorizes the Comptroller to examine each nonnational bank and trust company in the District of Columbia.

Bank examinations, in the broad sense, are made to determine the condition, conduct and affairs generally of banks. The scope of a national bank examination embraces every phase of banking activity found in the particular bank under examination. Its immediate and primary purposes are to determine whether or not the bank under examination is (1) solvent and (2) operating within the framework of applicable banking laws. All other purposes of a bank examination ranging from counting the cash to gauging the strength of current management policies, have as their end result the determination of (1) solvency, present and prospective, and (2) the legality of the bank's acts. In a sense, the primary purpose of bank examinations is the determination of solvency alone because so many of the statutes affecting a bank's operations have been enacted for the purpose of safeguarding solvency. The subordinate purposes of a bank examination have great importance, but are corollaries of the two primary purposes noted above. Integrating the purpose with the scope, it follows that certain specific phases of bank examination work deserve and must receive greater stress, as required by their importance and bearing on the solvency of a bank, than is accorded other phases not so closely associated with its solvency.

The procedure in the conduct of an examination consists essentially of proving all asset and liability accounts against the bank's major book of account, the general ledger; the actual verification of all assets and the appraisal of all assets to determine their current reasonable dollar values in relation to their face or book values and their potential relative soundness as bank assets if retained in their present status over near term future periods. This, with an appraisal of the ability and capacity of management, the general nature of its policies, and the status of local economic conditions, adds up to a determination of existing solvency, probable future solvency, and the strengths and weaknesses of the institution.

During the course of an examination the examiner is required, among other things, to ascertain that all loan documents are in good order, that collateral pledged as security is in possession or control of the institution and that such collateral has been properly assigned or hypothecated. He must appraise all loans as to their collectibility and sound value either on the basis of the value and sufficiency of pledged collateral or the sound worth of the borrowers as shown by their financial statements plus the credit experience and other general credit information which must be maintained in support of loans unsecured or inadequately secured. Investment securities are analyzed as to investment quality and evaluated as to current market value. Real estate mortgage loans and "other real estate" are analyzed in respect to payment experience, payment terms, and property operating results and evaluated by the examiner after giving reasonable consideration to appraisals of the realty made either by a committee of the bank's directors or an independent appraiser of generally recognized ability and integrity employed by the directors.

The examiner must consider and determine whether, in his opinion, the bank's capital structure is reasonably adequate in relation to the risk represented in its assets, volume of operations, and prospective growth. If the examiner considers the capital structure to be inadequate, appropriate recommendations will be made by him with final determination to be made by the chief examiner of the district and the Comptroller of the Currency whether additional capital should be requested.

The examiner also analyzes the earnings of the institution, reviews the extent and adequacy of audit control, investigates for violations of Banking Law and other applicable statutes, and reviews the action taken with respect to such matters as may have been the subject of special comment or criticism at the time of the previous examination.

In the course of the physical examination, asset appraisal, earnings analysis, and the review of other matters as noted above, the policies and practices of the bank are disclosed to the examiner. The examiner incorporates in his report any comments and recommendations based upon his study of the policies and practices of the bank which he considers inconsistent with sound banking principles or which contain a greater than normal or unjustified element of risk to the condition of the bank. While a national bank examiner's primary objectives are largely confined to actual fact finding, he is expected to state his own opinions and comment upon any unsound policies of the management of the bank, as well as upon the facts he has found.

The appraisal of a bank's loans and loaning policies, and of its investments and investment policies, and a general appraisal of the ability and capacity of management, constitute the most important and exacting phases of an examiner's work. The examiner's judgment of these important factors must be based to the greatest extent possible upon determined facts and upon mature judgment and logical conclusions.

Apart from the examination of the normal banking department functions of national banks, it is necessary to examine the trust departments of those banks authorized to exercise trust powers.

The scope of a national bank trust department examination embraces every phase of fiduciary activity found in the particular trust department under examination. The purpose of the examination is primarily to determine the condition, conduct and affairs generally of the trust department, its administrative and investment procedures and policies (with particular effort to detect weaknesses which may lead to litigation and possible surcharges), and the general quality of its management supervision, in relation to the present and future welfare of the bank itself and of the trust accounts which it services in various fiduciary capacities. An important corollary to the primary purposes is that of determining whether the bank's fiduciary activities are being conducted within the framework of section 11–K of the Federal Reserve Act, Regulation F of the Board of Governors of the Federal Reserve System and, where applicable, of the fiduciary laws of the State in which it operates. Integrating the purpose with the scope, it follows that certain phases of trust examination work receive greater stress than others.

The preliminary procedure in the conduct of a trust department examination consists essentially of the proving and verification by a check of all trust department assets and the proving of its liability accounts against control figures maintained in the trust department general ledger. This involves the counting of cash, the verification and reconciliation of trust funds deposited with other banking institutions, proof of loans, including real estate mortgage loans, by proving and examining the actual evidences of indebtedness, verification of all bonds and stocks by checking the instruments, verification of real estate owned by means of checking the deeds or other evidences of title, and the proving of principal, income, and sundry liability accounts.

The examiner must ascertain that (1) all trust assets turned over to the trust department are intact and held by the bank in its fiduciary capacity, (2) income has been collected on income-producing assets of the various trusts and properly distributed to the beneficiaries, or otherwise accounted for, (3) distribution of principal has been properly made, and (4) the assets of the trust department reflect lawful and efficient management of the trusts committed to it.

Each trust account is separately considered by the examiner. Based to the greatest extent possible upon determined facts and upon mature judgment and logical conclusions, the examiner must determine whether or not the bank as trustee is handling the affairs of the trust account under consideration in a manner which conforms with its investment and other powers and instructions as set forth in the trust agreement or will or as specified by the Court. If the investment powers accorded the trustee are discretionary, as they frequently are, the examiner must determine whether the bank is following a prudent and conservative course both in the retention of "in kind" investments and those made by the trustee.

The examiner must be alert to the necessity for compliance with the fundamental principle that a trustee should not have any personal financial interest, direct or indirect, in the trust investments bought for or sold to the trusts of which it is trustee. He must ascertain that contractual undertakings which entail special commitments, or managerial duties in the operation of a business through stock ownership held in a trust, are soundly handled. Any laxness in giving immediate attention and review to assets received "in kind" must be corrected. Briefly, the examiner is charged with the responsibility of detecting any practice or procedure which is calculated to have a possibly detrimental effect on the trust account or the bank.

During the year ended December 31, 1957, 6,832 examinations of banks, 5,566 examinations of branches, 1,526 examinations of trust departments, and 67 examinations of affiliates were conducted. Nineteen State banks were examined in connection with consolidations and mergers with, or purchase by, national banks, and 4 State banks were examined in connection with conversions to national banks. Investigations were conducted in connection with applications for 35 new charters and 448 new branches.

Organization and Staff

There were 1,106 persons in the employ of the Office of the Comptroller of the Currency on December 31, 1957, of whom 194 were on the roll of the Washington office. The latter figure included 32 in the Federal Reserve Issue and Redemption Division, the entire cost of which is borne by the Federal Reserve banks. The total personnel of the Washington office decreased by 1 during the year and the total number of employees in the field service increased by 26 during the same period.

During the year 18 national bank examiners left the service through resignations, retirements, and deaths. In the same period 20 assistant national bank examiners were commissioned examiners and 1 former examiner was reappointed. During the same period 93 assistant national bank examiners left the service due to resignations, military furloughs, retirements, deaths or were promoted to examiner status, and 113 new assistant examiners were appointed and 3 returned to duty from military furlough, resulting in a net increase of 23 in the number of assistants. There were 12 district chief national bank examiners, 241 national bank examiners and 547 assistant examiners in the service at the end of the year.

Assistant Chief National Bank Examiners Reginald M. Hodgson and Gail W. Crossen, both of whom had been in the service for many years, retired on January 31, 1957, and were succeeded by Kenneth W. Leaf and John D. Gwin who had been serving as national bank examiners in the Minneapolis and New York districts, respectively.

District Chief National Bank Examiner Robert S. Beatty, in charge of the Kansas City office, resigned on March 1, 1957, and was succeeded by Paul L. Ross who had been serving as an Assistant Chief National Bank Examiner in the Washington office. Mr. Justin T. Watson, an examiner from the Cleveland district succeeded Mr. Ross as Assistant Chief National Bank Examiner.

District Chief National Bank Examiner J. William Hudspeth who was in charge of the San Francisco office retired from the service on May 31, 1957, and District Chief National Bank Examiner James C. Osborn was transferred from the Richmond office to succeed Mr. Hudspeth. Assistant Chief National Bank Examiner John D. Gwin was transferred to Richmond to succeed Mr. Osborn and National Bank Examiner Arnold E. Larsen of the San Francisco district succeeded Mr. Gwin as Assistant Chief National Bank Examiner.

The educational projects for members of the examining staff, referred to in previous reports, were continued throughout the year. At the year end a total of 211 examiners and assistants had completed the prescribed courses in the interagency school established in 1952 by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. A total of 56 examining staff members had completed the graduate school courses sponsored by the American Bankers Association at Rutgers University, the University of Wisconsin, the University of Washington, and the University of Louisiana and 20 were still enrolled in these courses. Examining staff personnel numbering 289 had completed extension courses of the American Institute of Banking and 226 were still enrolled in these courses at the end of the year.

The following table is designed to show how the services of the 1,106 persons employed at the year end are utilized and how their work is organized.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
I. EXECUTIVE ORGANIZATION			
(Policy and general supervision, all located in Washington, D. C.)			
Comptroller of the Currency	1	[1] 2	3
Deputy Comptrollers	3	[1] 3	6
Chief National Bank Examiner	1	[1] 1	2
	5	6	11
II. FIELD ORGANIZATION			
(Located in 12 Federal Reserve districts)			
District Chief Naional Bank Examiners Policy and supervision, subject to executive staff in group I, above, of all field activities.	12	[1,2,3] 112	124
National Bank Examiners Perform examinations of 4,700 national banks and investigations of new branch and charter applications.	241		241
Assistant national bank examiners Assist national bank examiners.		547	547
	253	659	912
III. WASHINGTON STAFF ORGANIZATION			
(*a*) Examining Division Assistant Chief National Bank Examiners. Receive and analyze all reports of examination of national and District banks, and investigation reports on new branches and charters. Make recommendations to executive staff in group I, above, as to dispositions of cases, and prepare letters to banks, District Chiefs, and others. Confer with bankers, executive and staff representatives of the Federal Reserve System and the Federal Deposit Insurance Corporation, and District Chief National Bank Examiners, regarding banking and supervisory matters. One Assistant Chief also serves as head of the Personnel and Administrative Division, and one also serves as head of the field organization educational programs.	8	[1,2,3,4] 22	30
(*b*) Organization Division Supervises activities of all national and District banks as to corporate and organization matters; i. e., new charters, branches, consolidations, mergers, purchase and assumption cases, sale of new capital stock, stock dividends, articles of association, etc. Final decisions made by executive staff in group I, above, after review with recommendations by Assistant Chief National Bank Examiners, and usually with the benefit of facts and recommendations furnished by District Chief National Bank Examiners and National Bank Examiners.	4	[1,2,3,4] 18	22

See footnotes at end of table.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
III. WASHINGTON STAFF ORGANIZATION—continued			
(c) Legal Division Serves as counsel for the Comptroller of the Currency. Considers all legal matters arising in the organization, operation, merging, and discontinuance of national and District banks. Prepares opinions, rulings, and correspondence on legal questions. Assists on all legislative matters. Exercises general supervision over conduct of litigation.	2	[5] 3 [1] 5	10
(d) Personnel and Administrative Division Performs functions relating to recruitment, transfer, promotion, separation, retirement, time and leave. Supervises and includes personnel in mail and files section, supply and duplicating section, stenographic pool, and messenger pool.	1	[1,2,3,4,6] 24	25
(e) Reports and Precedents Division Maintains all legal and policy precedents; receives reports of examination of all national and District banks from District Chief National Bank Examiners for binding, recording, and distribution. Supervises and places orders for printing work that pertains to examining division and the field organization.	1	[1,2,3] 3	4
(f) Statistical Division Compiles data indicative of banking trends for the information of the Comptroller and his staff, Congress, other banking agencies, bankers, economists, and others through examination and tabulation of data incorporated in call reports of condition and reports of earnings and dividends of national and District banks.	2	[1,2,3] 21	23
(g) Auditor for the Comptroller Accountable to the Comptroller of the Currency only. Maintains audits for the Comptroller of all accounts covering funds under control of the Disbursing Office including detailed audits of all collections and disbursements of funds; prepares and submits periodic audit reports to Comptroller; tabulates information and statistics on special subjects.	2	[1,7] 8	10
(h) Disbursing Division Receives all checks in payment of fees for examinations and makes deposits to the Comptroller's Treasury account. Maintains accounts covering funds of Examining Division and of Federal Reserve Issue and Redemption Division and makes all disbursements from these accounts covering payrolls, travel vouchers, and miscellaneous expenses. Makes all purchases of equipment and supplies from Examining Division funds. Handles correspondence, necessary expenditures of funds, and maintains records relating to national banks liquidated through receivership.	2	[1,2,3,6] 25	27
(i) Federal Reserve Issue and Redemption Division All expenses of this division paid by Federal Reserve banks. Handles the issuance and redemption of Federal Reserve currency as provided under the Federal Reserve Act. Maintains detailed records of all shipments of original currency issues and of unfit currency notes destroyed.	2	[1,2,3,8] 30	32
	24	159	183
Grand total	282	824	1,106

[1] Secretarial.
[2] Typists.
[3] Clerical.
[4] Administrative.
[5] Assistant counsel.
[6] Messengers.
[7] Accountants.
[8] Money counters.

Expenses of the Bureau

Summary statement of the operating expenses of the Bureau for the year ended December 31, 1957.

	Bank supervision	Currency issue and redemption	Total
Salaries	$6,534,430.40	$138,148.91	$6,672,579.31
Per diem	1,406,690.73	0	1,406,690.73
Transportation	532,247.85	0	532,247.85
Supplies	22,112.24	632.77	22,745.01
Printing, books, and periodicals	85,430.62	453.55	85,884.17
Rent	141,407.78	0	141,407.78
Furniture and fixtures	34,375.69	0	34,375.69
Communications	55,916.31	651.53	56,567.84
Fixed charges	0	14,002.78	14,002.78
Maintenance	0	2,951.61	2,951.61
Treasurer's Federal Reserve note vault expense	0	8,382.94	8,382.94
Employer's F. I. C. A. and insurance fund contributions	21,656.42	451.46	22,107.88
Employer's civil service retirement contributions	192,576.11	4,087.38	196,663.49
Miscellaneous	33,172.79	5,785.79	38,958.58
Total	9,060,016.94	175,548.72	9,235,565.66

Of the increase aggregating $425,600 in the cost of bank supervision over the amount shown in the preceding annual report, $173,264 is due to an increase in the per diem allowance from $10 to $12 under statutory authority, effective May 1, 1957. The sum of $192,576 represents contributions to the civil service retirement fund as provided by an amendment to the Civil Service Retirement Act, effective July 14, 1957, such contributions not having theretofore been required. Together, these two items account for 85 percent of the increase shown.

Funds used in payment of the bank supervision costs are derived from assessments against the banks supervised. The cost of operating the Division which handles the currency issue and redemption functions is paid by the Federal Reserve banks.

A comparison of the assets and liabilities of the banks in the national banking system as of December 31, 1956, March 14, June 6, October 11, and December 31, 1957, reported pursuant to calls for condition statements by the Comptroller of the Currency, is shown in the following table.

Assets and liabilities of national banks on dates indicated

[In thousands of dollars]

	Dec. 31, 1956 (4,659 banks)	Mar. 14, 1957 (4,657 banks)	June 6, 1957 (4,654 banks)	Oct. 11, 1957 (4,641 banks)	Dec. 31, 1957 (4,627 banks)
ASSETS					
Loans and discounts, including overdrafts	48,248,332	48,001,120	48,560,163	49,895,576	50,502,277
U. S. Government securities, direct obligations	31,675,780	31,098,160	30,432,845	30,904,269	31,335,767
Obligations guaranteed by U. S. Government	4,305	4,354	3,620	2,531	2,309
Obligations of States and political subdivisions	7,025,220	7,124,288	7,259,756	7,452,643	7,495,878
Other bonds, notes, and debentures	1,561,566	1,613,360	1,675,150	1,631,550	1,880,706
Corporate stocks, including stocks of Federal Reserve banks	236,521	239,585	239,074	251,494	267,049
Total loans and securities	*88,751,724*	*88,080,867*	*88,170,608*	*90,138,063*	*91,483,986*
Cash, balances with other banks, including reserve balances, and cash items in process of collection	27,082,497	23,466,004	22,588,753	24,208,398	26,865,134
Bank premises owned, furniture and fixtures	1,088,855	1,116,041	1,141,472	1,177,168	1,187,155
Real estate owned other than bank premises	33,442	34,601	37,888	38,091	36,487
Investments and other assets indirectly representing bank premises or other real estate	83,963	87,238	93,484	104,147	116,139
Customers' liability on acceptances	262,397	285,033	286,367	343,075	374,518
Income accrued but not yet collected	237,865	243,595	275,118	252,266	272,846
Other assets	161,239	205,264	198,280	226,654	186,375
Total assets	117,701,982	113,518,643	112,791,970	116,487,862	120,522,640
LIABILITIES					
Demand deposits of individuals, partnerships, and corporations	59,582,348	56,747,930	54,380,721	56,410,493	58,715,522
Time deposits of individuals, partnerships, and corporations	26,270,576	27,164,833	27,761,505	28,737,084	29,138,727
Deposits of U. S. Government and postal savings	2,360,270	1,455,557	2,061,530	2,405,939	2,424,137
Deposits of States and political subdivisions	7,467,413	7,202,638	7,677,687	7,176,372	7,878,315
Deposits of banks	9,850,100	8,091,767	7,967,347	8,403,799	9,483,436
Other deposits (certified and cashiers' checks, etc.)	1,964,116	1,541,358	1,446,341	1,274,991	1,796,174
Total deposits	107,494,823	102,204,083	101,295,131	104,408,678	109,436,311
Demand deposits	*79,027,557*	*72,737,144*	*71,102,007*	*73,320,107*	*77,880,965*
Time deposits	*28,467,266*	*29,466,939*	*30,193,124*	*31,088,571*	*31,555,346*
Bills payable, rediscounts, and other liabilities for borrowed money	18,654	943,278	814,874	1,020,221	38,324
Mortgages or other liens on bank premises and other real estate	1,328	1,085	1,110	1,251	1,522
Acceptances outstanding	273,748	299,249	294,708	358,738	388,516
Income collected but not yet earned	492,165	516,180	538,493	588,700	576,713
Expenses accrued and unpaid	450,025	509,851	613,800	612,260	557,082
Other liabilities	499,107	483,542	489,687	435,827	430,955
Total liabilities	109,229,850	104,957,268	104,047,803	107,425,675	111,429,423

1957

CAPITAL ACCOUNTS					
Capital stock (see memoranda below)	2, 638, 108	2, 690, 465	2, 706, 473	2, 772, 530	2, 806, 213
Surplus	4, 138, 783	4, 178, 293	4, 201, 561	4, 320, 927	4, 416, 426
Undivided profits	1, 439, 937	1, 458, 631	1, 602, 630	1, 730, 206	1, 618, 857
Reserves and retirement account for preferred stock	255, 304	233, 986	233, 503	238, 524	251, 721
Total capital accounts	8, 472, 132	8, 561, 375	8, 744, 167	9, 062, 187	9, 093, 217
Total liabilities and capital accounts	117, 701, 982	113, 518, 643	112, 791, 970	116, 487, 862	120, 522, 640
MEMORANDA					
Par value of capital stock:					
Class A preferred stock	3, 633	3, 616	3, 616	3, 600	3, 585
Class B preferred stock	175	175	175	175	175
Common stock	2, 634, 300	2, 686, 674	2, 702, 682	2, 768, 755	2, 802, 453
Total	2, 638, 108	2, 690, 465	2, 706, 473	2, 772, 530	2, 806, 213
Retirable value of preferred capital stock:					
Class A preferred stock	3, 808	3, 791	3, 791	3, 775	3, 760
Class B preferred stock	200	200	200	200	200
Total	4, 008	3, 991	3, 991	3, 975	3, 960
Assets pledged or assigned to secure liabilities and for other purposes (including notes and bills rediscounted and securities sold with agreement to repurchase)	13, 898, 348	14, 324, 546	15, 212, 284	15, 335, 730	14, 507, 686

TRENDS IN BANKING

The following table shows the changes that have occurred in recent years in the relationships of the major asset and liability accounts of national banks to the aggregate of assets and liabilities.

Distribution of assets and liabilities of national banks, Dec. 31, 1954–57

	1954	1955	1956	1957
ASSETS				
Securities:	*Percent*	*Percent*	*Percent*	*Percent*
U. S. Government, direct and guaranteed	34.01	29.62	26.91	26.00
Obligations of States and political subdivisions	6.24	6.15	5.97	6.22
Stock of Federal Reserve banks	.17	.17	.17	.18
Other bonds and securities	1.71	1.74	1.36	1.60
Total securities	42.13	37.68	34.41	34.00
Loans and discounts	34.29	38.29	40.99	41.90
Cash and balances with other banks, excluding reserves	11.43	12.68	13.27	12.77
Reserve with Reserve banks	10.72	9.97	9.74	9.53
Bank premises, furniture and fixtures	.78	.85	.93	.98
Other real estate owned	.01	.02	.03	.03
All other assets	.64	.51	.63	.79
Total assets	100.00	100.00	100.00	100.00
LIABILITIES				
Deposits:				
Demand of individuals, partnerships, and corporations	50.80	51.16	50.62	48.72
Time of individuals, partnerships, and corporations	21.25	22.11	22.32	24.18
U. S. Government	2.43	2.07	2.00	2.00
States and political subdivisions	6.18	6.45	6.34	6.53
Banks	9.23	8.19	8.37	7.87
Other deposits (including postal savings)	1.50	1.64	1.68	1.50
Total deposits	91.39	91.62	91.33	90.80
Demand deposits	*68.03*	*67.60*	*67.14*	*64.62*
Time deposits	*23.36*	*24.02*	*24.19*	*26.18*
Other liabilities	1.63	1.40	1.47	1.65
Capital funds:				
Capital stock	2.14	2.17	2.24	2.33
Surplus	3.40	3.37	3.52	3.67
Undivided profits and reserves	1.44	1.44	1.44	1.55
Total capital funds	6.98	6.98	7.20	7.55
Total liabilities and capital funds	100.00	100.00	100.00	100.00

EARNINGS, EXPENSES, AND DIVIDENDS OF NATIONAL BANKS FOR YEAR ENDED DECEMBER 31, 1957

Summaries of the earnings, expenses, and dividends of national banks for the years ended December 31, 1956 and 1957, are shown in the following table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1956 and 1957

[In millions of dollars]

	1957	1956	Change since 1956
Number of banks [1]	4,627	4,659	−32
Capital stock (par value) [2]	2,716.9	2,562.1	+154.8
Capital accounts [2]	8,769.8	8,220.6	+549.2
Earnings from current operations:			
Interest and dividends on—			
U. S. Government obligations	782.1	737.5	+44.6
Other securities	225.4	202.4	+23.0
Interest and discount on loans	2,631.1	2,321.7	+309.4
Service charges on deposit accounts	244.1	211.6	+32.5
Other current earnings	401.1	360.4	+40.7
Total	4,283.8	3,833.5	+450.3
Current operating expenses:			
Salaries, wages, and fees	1,189.4	1,098.4	+91.0
Interest on time deposits (including savings deposits)	635.8	437.2	+198.6
Taxes other than on net income	116.3	106.5	+9.8
Recurring depreciation on banking house, furniture, and fixtures	79.5	70.3	+9.2
Other current operating expenses	686.2	624.0	+62.2
Total	2,707.2	2,336.4	+370.8
Net earnings from current operations	1,576.6	1,497.0	+79.6
Recoveries, transfers from valuation reserves, and profits:			
On securities:			
Recoveries	4.2	10.1	−5.9
Transfers from valuation reserves	14.3	25.5	−11.2
Profits on securities sold or redeemed	31.1	11.4	+19.7
On loans:			
Recoveries	9.5	10.5	−1.0
Transfers from valuation reserves	15.1	33.0	−17.9
All other	17.4	28.7	−11.3
Total	91.6	119.1	−27.5
Losses, charge-offs, and transfers to valuation reserves:			
On securities:			
Losses and charge-offs	119.0	182.8	−63.8
Transfers to valuation reserves	37.9	61.3	−23.4
On loans:			
Losses and charge-offs	11.7	11.2	+.5
Transfers to valuation reserves	177.2	233.7	−56.5
All other	47.2	48.3	−1.1
Total	393.1	537.2	−144.1
Profits before income taxes	1,275.1	1,078.9	+196.2
Taxes on net income:			
Federal	522.7	413.1	+109.6
State	22.5	18.7	+3.8
Total	545.2	431.8	+113.4
Net profits before dividends	729.9	647.1	+82.8
Cash dividends declared:			
On preferred stock	.1	.2	−.1
On common stock	363.7	329.8	+33.9
Total	363.8	330.0	+33.8

See footnotes at end of table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1956 and 1957—Continued

[In millions of dollars]

	1957	1956	Change since 1956
Memoranda items:			
Recoveries credited to valuation reserves (not included in recoveries above):			
On securities	1.6	2.9	−1.3
On loans	29.5	26.8	+2.7
Losses charged to valuation reserves (not included in losses above):			
On securities	32.1	56.2	−24.1
On loans	62.7	67.2	−4.5
Stock dividends (increases in capital stock)	64.7	85.0	−20.3
Ratios:	*Percent*	*Percent*	*Percent*
Expenses to gross earnings	63.20	60.95	+2.25
Net profits before dividends to capital accounts	8.32	7.87	+.45
Cash dividends to capital stock	13.39	12.88	+.51
Cash dividends to capital accounts	4.15	4.01	+.14

[1] Number at end of period. Remaining figures include earnings, expenses, etc., of those banks which were in operation a part of the year but were inactive at the close of the year.
[2] Figures are averages of amounts reported for the June and December call dates in the current year and the December call date in the previous year.

NOTE.—Figures are rounded to the nearest tenth of a million and may not equal totals.

STRUCTURAL CHANGES IN THE NATIONAL BANKING SYSTEM

The authorized capital stock of the 4,626 national banks in existence on December 31, 1957, consisted of common capital stock aggregating $2,802,450,353, a net increase during the year of $168,046,612, and preferred capital stock of $3,759,670, a net decrease during the year of $48,000. These figures include 1 bank recently chartered but not yet open for business, and exclude 2 banks which furnished reports of condition in response to the call, although they were merged or consolidated with and into State banks at the close of business on December 31.

In addition to the 53 applications with proposed common capital stock of $14,025,000 carried over from the previous year, 52 applications were received to organize national banks and to convert State banks into national banking associations with proposed capital stock of $11,215,000. Of these applications, 20 with proposed common capital stock of $6,540,000 were approved; 18 with proposed common capital stock of $3,300,000 were rejected; and the remainder had been abandoned or were still pending on December 31. From the applications carried over from the previous year and those approved during 1957, 23 national banking associations with common capital stock of $7,690,000 were authorized to commence business. Of the charters issued, three with common capital stock of $1,040,000 resulted from the conversions of State banks.

Changes in the number and capital stock of national banks during the year ended December 31, 1957, are shown in the following summary.

Organization, capital stock changes, and national banks closed as reported during the year ended Dec. 31, 1957

	Number of banks	Capital stock	
		Common	Preferred
Increases:			
Banks newly chartered:			
Primary organizations	20	$6,650,000	
Reorganizations			
Conversions of State banks	3	1,040,000	
Capital stock:			
Common:			
228 cases by statutory sale		80,258,557	
332 cases by statutory stock dividend		64,737,924	
32 cases by statutory consolidation		16,058,063	
16 cases by statutory merger		6,997,750	
Restored to solvency	1	250,000	
Total increases	24	175,992,294	
Decreases:			
Banks ceasing operations:			
Voluntary liquidations:			
Succeeded by national banks	1	100,000	
Succeeded by State banks	7	1,017,500	
Statutory consolidations	21		
Statutory mergers	6		
Conversions into State banks	2	150,000	
Merged or consolidated with State banks (Public Law 706)	19	6,129,000	$15,000
Receivership	1	250,000	
Capital stock:			
Common:			
2 cases by statutory reduction		227,182	
1 case by statutory consolidation		12,000	
2 cases by statutory merger		60,000	
Preferred:			
2 cases by retirement			33,000
Total descreases	57	7,945,682	48,000
Net change	−33	168,046,612	−48,000
Charters in force Dec. 31, 1956, and authorized capital stock	4,659	2,634,403,741	3,807,670
Charters in force Dec. 31, 1957, and authorized capital stock	4,626	2,802,450,353	3,759,670

NATIONAL BANK NOTES OUTSTANDING

There were, as of December 31, 1957, $60,850,947 of national bank notes outstanding.

ASSETS AND LIABILITIES OF ALL BANKS IN THE UNITED STATES AND POSSESSIONS

The total assets of all classes of active banks in the United States and possessions on December 31, 1957, amounted to $259,188 million, an increase of $7,223 million since December 31, 1956.

The total deposits at the end of 1957 amounted to $234,178 million, an increase of $5,599 million over 1956. Included in the latter aggregate are deposits of individuals, partnerships, and corporations of $195,542 million, an increase of $5,543 million in the year. Deposits of the United States Government, including postal savings deposits, were $4,293 million, an increase of $135 million; deposits of States and political subdivisions amounting to $13,655 million showed an increase of $649 million, and deposits of banks of $17,047 million were $567 million less than in 1956.

Loans and discounts amounted to $115,760 million in December 1957 after deducting reserves of $2,000 million for possible future losses. The net loans were $5,128 million over the amount reported as of the end of 1956. Commercial and industrial loans of $40,825 million were $1,860 million more than the 1956 figure; real estate loans of $44,506 million were up $2,041 million, and all other loans $32,429 million increased $1,442 million.

The banks held obligations of the United States Government, direct and guaranteed, of $66,066 million in December 1957, a decrease of $729 million in the year. Obligations of States and political subdivisions held amounted to $14,670 million, and other securities held amounted to $8,382 million, an increase of $1,462 million. The total of all securities held at the end of 1957 was $89,118 million, and represented 34 percent of the banks' total assets. At the end of the previous year the ratio was 35 percent.

Cash and balances with other banks, including reserve balances, in 1957 were $49,539 million, a decrease of $298 million since the previous year end.

Total capital accounts were $20,537 million, compared to $19,350 million at the end of 1956, an increase of 6 percent.

A statement of the assets and liabilities of all classes of active banks at the end of December 1956 and 1957 follows.

Assets and liabilities of all banks in the United States and possessions, 1956 and 1957

[In millions of dollars]

	Dec. 31, 1957	Dec. 31, 1956	Change since 1956
Number of banks	14,103	14,188	−85
ASSETS			
Real estate loans	44,506	42,465	+2,041
Loans to banks	731	655	+76
Loans to brokers and dealers in securities and other loans for the purpose of purchasing or carrying securities	4,250	4,322	−72
Loans to farmers directly guaranteed by the Commodity Credit Corporation	462	883	−421
Other loans to farmers	3,624	3,298	+326
Commercial and industrial loans (including open-market paper)	40,825	38,965	+1,860
Other loans to individuals	20,512	19,116	+1,396
All other loans (including overdrafts)	2,850	2,713	+137
Total gross loans	117,760	112,417	+5,343
Less valuation reserves	2,000	1,785	+215
Net loans	115,760	110,632	+5,128
U. S. Government obligations, direct and guaranteed	66,066	66,795	−729
Obligations of States and political subdivisions	14,670	13,637	+1,033
Other bonds, notes, and debentures	7,092	5,723	+1,369
Corporate stocks, including stocks of Federal Reserve banks	1,290	1,197	+93
Total securities	89,118	87,352	+1,766
Currency and coin	3,533	3,455	+78
Balances with other banks, including reserve balances, and cash items in process of collection	46,006	46,382	−376
Bank premises owned, furniture and fixtures	2,330	2,111	+219
Real estate owned other than bank premises	63	61	+2
Investments and other assets indirectly representing bank premises or other real estate	175	133	+42
Customers' liability on acceptances outstanding	1,004	725	+279
Other assets	1,199	1,114	+85
Total assets	259,188	251,965	+7,223

Assets and liabilities of all banks in the United States and possessions, 1956 and 1957—Continued

[In millions of dollars]

	Dec. 31, 1957	Dec. 31, 1956	Change since 1956
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	110, 139	111, 489	−1, 350
Time deposits of individuals, partnerships, and corporations	85, 403	78, 510	+6, 893
U. S. Government and postal savings deposits	4, 293	4, 158	+135
Deposits of States and political subdivisions	13, 655	13, 006	+649
Deposits of banks	17, 047	17, 614	−567
Other deposits (certified and cashiers' checks, etc.)	3, 641	3, 802	−161
Total deposits	234, 178	228, 579	+5, 599
Demand deposits	144, 210	145, 794	−1, 584
Time deposits	89, 968	82, 785	+7, 183
Bills payable, rediscounts, and other liabilities for borrowed money	98	88	+10
Acceptances executed by or for account of reporting banks and outstanding	1, 048	757	+291
Other liabilities	3, 327	3, 191	+136
Total liabilities	238, 651	232, 615	+6, 036
CAPITAL ACCOUNTS			
Capital notes and debentures	49	50	−1
Preferred stock	18	18	
Common stock	5, 241	4, 939	+302
Surplus	10, 547	9, 976	+571
Undivided profits	4, 010	3, 706	+304
Reserves and retirement account for preferred stock and capital notes and debentures	672	661	+11
Total capital accounts	20, 537	19, 350	+1, 187
Total liabilities and capital accounts	259, 188	251, 965	+7, 223

NOTE.—Figures for nonnational banks obtained from the Federal Deposit Insurance Corporation.

REPORTS FROM BANKS

National banks in the continental United States, Alaska, the Territory of Hawaii, and the Virgin Islands of the United States were, in accordance with the provisions of section 5211 of the Revised Statutes, called upon to submit 4 reports of condition during the year ended December 31, 1957. Reports were required as of March 14, June 6, October 11, and December 31. Summaries from all condition reports, by States, are published in pamphlet form. National banks were also required by statute to obtain reports, unless waived by the Comptroller, of their affiliates and holding company affiliates other than member banks as of the 4 dates for which condition reports of the banks were obtained and to submit such reports to the Comptroller.

Under the general powers conferred upon him by law, the Comptroller obtained from each national bank during the period indicated semiannual reports of earnings, expenses, and dividends; also reports of condition of foreign branches as of December 31, 1957.

National banking associations authorized to act in a fiduciary capacity were called upon to submit reports of their trust departments as of the close of business on December 31, 1957.

In accordance with the code of law for the District of Columbia, banks other than national in the District were required to make to the

Comptroller condition reports and reports of earnings, expenses, and dividends identical with those obtained from national banks during the year.

Detailed figures from reports of condition and earnings and dividends will be found in the appendix of this report.

AFFILIATES AND HOLDING COMPANY AFFILIATES OF NATIONAL BANKS

The Federal statute requires each national bank to obtain and submit to the Comptroller periodically reports of its affiliates, as defined in sections 2 (b) and (c) of the Banking Act of 1933, as amended. However, section 21 of the Federal Reserve Act, as amended, provides in part that the Comptroller may waive the requirement for the submission of the report of an affiliate if in his judgment such a report is not necessary to disclose fully the relations between an affiliate and a bank and the effect thereof upon the affairs of the bank. Pursuant to this latter section the Comptroller's waiver of requirement for reports of affiliates provides principally that reports of affiliates (other than holding company affiliates) need not be submitted and published in a newspaper unless the affiliate is indebted to the national bank or the bank owns obligations of the affiliate and the aggregate of such indebtedness and/or investment is carried as an asset on the bank's books at a value in excess of $5,000, or 1 percent of the bank's capital and surplus, whichever is the greater.

At the end of December 1957, 345 member national banks in the United States submitted 392 reports of affiliates. Included in these figures are 198 banks in 25 States which are members of 23 holding company groups. The number of banks in each holding company group varied from 1 to 58. The actual number of reporting affiliates and holding company affiliates was 214.

In addition there were 2 nonnational banks in the District of Columbia which are members of the Federal Reserve System that reported 3 affiliates to the Comptroller pursuant to the provisions of the code of law for the District of Columbia.

ISSUE AND REDEMPTION OF NOTES

There were 560 shipments of new Federal Reserve notes (447,540,000 notes—aggregate value $5,394,180,000) made to Federal Reserve agents and Federal Reserve branch banks. In addition, there were 30 deliveries of such notes (3,453,000 notes—aggregate value $78,280,000) made to the Treasurer of the United States.

There were a total of 4,279 lots of unfit Federal Reserve notes and Federal Reserve bank notes (490,860,435 notes—aggregate value $5,867,448,441) received for vertification and certification for destruction.

There were 37 lots of national bank notes (147,406 notes—aggregate value $2,451,110) received for verification and certification for destruction.

There were a total of 229,368 badly damaged Federal Reserve notes, Federal Reserve bank notes, and national bank notes (aggregate value $4,303,576) presented, by the Treasurer of the United States, for identification approval.

ANNUAL REPORT

OF THE

COMPTROLLER OF THE CURRENCY

STATUS OF NATIONAL BANKING SYSTEM

On December 31, 1958, total assets of the 4,593 banks supervised by the Comptroller of the Currency were $129.5 billion. The national banking system maintained its relative position with 46.6 percent of the banking assets in the commercial and savings banks of the Nation, and 53.9 percent of the commercial banking assets. Commercial banks numbering 8,921 which are supervised by the respective 48 State banking authorities held assets of $110.6 billion, and 520 State-chartered and supervised mutual savings banks had assets of $37.8 billion. For all banks, assets were $277.9 billion, an increase of $18.7 billion for the year, which were held in the following types and categories of banks.

All operating banks—Continental United States and other areas

[Figures in millions of dollars]

Type of bank	Members of both the Federal Reserve System and Federal Deposit Insurance Corporation		Members of Federal Deposit Insurance Corporation only		Not members of Federal Reserve or Federal Deposit Insurance Corporation	
	Number	Total assets	Number	Total assets	Number	Total assets
National banks	4,582	[1] 128,881	[2] 10	[1] 364	[2] 1	[1] 259
State commercial banks	1,727	[3] 73,107	6,806	[4] 35,122	388	[5] 2,368
Mutual savings banks	3	[3] 29	238	[4] 30,160	279	[5] 7,590
Total	6,312	202,017	7,054	65,646	668	10,217

Recapitulation

	Number	Branches	Total assets	Increase for 1958
National banks	[1] 4,593	4,401	129,504	8,404
State commercial banks	8,921	4,388	110,597	7,677
Mutual savings banks	520	425	37,779	2,611
Head offices	14,034	9,214	277,880	18,692
Branches	9,214			
Total banking offices	23,248			

[1] Supervised by Comptroller of the Currency. (Includes 8 nonnational banks in the District of Columbia, 4 member and 4 nonmember insured banks with 27 branches.)
[2] Includes 7 national banks outside continental United States.
[3] Supervised by State banking departments and the Federal Reserve System. (Includes 1 member nondeposit trust company.)
[4] Supervised by State banking departments and Federal Deposit Insurance Corporation.
[5] Supervised by State banking departments only.

Growth of Financial Institutions

Commercial bank assets increased $16.1 billion during 1958 as compared to $5.4 billion in 1957 and $6.8 billion in 1956. The increase of 7.2 percent in 1958 was the largest increase for any year during the past decade which had an average annual growth of commercial bank assets of 5.4 percent per year. The growth of financial institutions during the past 10-year period was at a rapid rate, with the most rapid growth occurring in savings and loan associations and mutual savings banks which have been in a position to offer more attractive savings interest rates because of their favorable tax status and lower liquidity requirements. Relative growth by classes during the past 10-year period is presented in the following table.

Financial institutions

[Total assets]

	Dec. 31, 1948	Dec. 31, 1958	Percentage of increase
	(In billions of dollars)		
Commercial banks	155,602	240,101	54.3
Mutual savings banks	20,474	37,779	84.5
Savings and loan associations	13,028	55,114	323.0

Status of National Banks

The number of operating national banks was reduced during 1958 from 4,627 at the close of 1957 to 4,585, a net change of 42. This compares with reductions of 32 in 1957, 41 in 1956, 96 in 1955, 68 in 1954, and 52 in 1953. The total assets of the national banking system continued upward in 1958 to $128.8 billion compared with $120.5 billion at the close of 1957, a gain of $8.3 billion or 6.9 percent. The system absorbed 45 state banks in 1958 which had total assets of $1.1 billion, through consolidations, mergers, purchases, and conversions; State systems absorbed by the same routes 25 national banks with resources of $484 million. A net gain of $609 million in assets accrued from these sources for the national banking system. Thus, the substantial gain in total assets for the system in 1958 occurred almost wholly through normal deposit growth.

Based upon managerial competence, asset soundness, adequacy of capital funds and reserves, and earning capacity as the fundamental considerations, the national banking system continues in excellent condition, the only exceptions being a few small banks which require and are receiving close and effective supervisory attention.

Deposits

During the year 1958 the national banking system showed the most significant gain in deposits for many years reaching a new high of $117 billion, an increase of $7.6 billion or 7 percent over the prior year end

The gain in time deposits of $4.2 billion in the same period accounted for a little more than 55 percent of the total upswing.

The total deposits of national banks and the average effective interest rate paid on time and savings deposits are set forth below for the years 1955 through 1958.

[In millions of dollars]

Total deposits	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1957	Dec. 31, 1958
Demand	$76, 894. 6	$79, 027. 5	$77, 881. 0	$81, 351. 8
Time and savings#	27, 323. 4	28, 467. 3	31, 555. 3	35, 734. 3
Total	104, 218. 0	107, 494. 8	109, 436. 3	117, 086. 1
#Interest paid	374. 0	437. 0	636. 0	762. 3
Average rate (percent)	1. 37	1. 54	2. 02	2. 13

Loans

The national banking system, at the end of 1958, held net loans of $52.8 billion after deducting reserves for bad debts and valuation reserves of $1.1 billion. The increase in net loans during 1958 amounted to $2.3 billion or 4.54 percent. As in the past, loans to commercial and industrial type borrowers continue to make up the major segment of the composite portfolio and constitute $22.4 billion or nearly 42 percent of $53.9 billion gross loans held by national banks. The increase in such loans during the year was relatively slight at $194 million or 0.88 percent.

New construction activity continued to rise though less spectacularly in 1958 and the aggregate of all types was valued at $49 billion, a gain of $865 million. Private activity of this kind was valued at $33.9 billion, practically unchanged from 1957. Permanent nonfarm dwelling units started during 1958 totalled 1,209 thousand in number, an increase of 167 thousand compared to a 76 thousand decrease in 1957.

The Nation's mortgage debt on nonfarm one to four-family properties continued to rise. A total of $118 billion was reached by the close of 1958, a gain of $10.4 billion over $107.6 billion reported in 1957. Conventional loans still make up the largest portion at 57 percent and aggregate $67.8 billion. Farm mortgage debt in the nation stood at $11.2 billion at the year end, up $700 million over 1957 or an increase of 6.7 percent.

By law, each national bank must restrict its aggregate investment in real estate mortgage loans, with the exception of those which are insured or guaranteed to the extent of not less than 20 percent by the Veterans' Administration, to an amount not in excess of 60 percent of its time and savings deposits or 100 percent of its capital and surplus, whichever is the greater. The $11.7 billion of real estate mortgage loans which are subject to this limitation equal 32.8 percent of the $35.7 billion of time and savings deposits held by the national banking system.

National banks held loans secured by real estate at the end of the years 1957 and 1958 as follows:

[Figures in millions of dollars]

Type	Dec. 31, 1957	Dec. 31, 1958	Dollar increase, decrease −
Conventional—residence	4,212	4,790	578
Conventional—other properties	2,521	2,904	383
Conventional—farm	523	562	39
Insured—Federal Housing Administration	3,068	3,470	402
Insured or guaranteed—Veterans' Administration	2,156	1,988	−168
Total	12,480	13,714	1,234

At the close of 1958 commercial bank mortgage loan holdings aggregated $25.5 billion; up $2.2 billion from the $23.3 billion at the 1957 year end. In relation to all commercial banks, national banks held nearly 54 percent of such loans with their total of $13.7 billion, a gain of 10 percent or $1.2 billion over the $12.5 billion held at the end of 1957. Such loans held by all national banks constituted 25.4 percent of their gross loans. Of the Nation's $171.2 billion total mortgage debt, national banks held 8 percent and they accounted for close to 8.2 percent of the national increase in such debt in 1958.

In late November 1958, the Comptroller of the Currency was informed that the Federal Housing Administration was approaching its statutory limitation on insurance in force and outstanding commitments and had adopted a new procedure which contemplates that firm commitments will continue to be issued in cases where there is a buyer at hand, but that with respect to commitments in the name of mortgagors who are not home buyers the Administration would henceforth issue an agreement to insure instead of a firm commitment. The agreement to insure obligates the Administration to issue its usual commitment, but it will be conditioned upon the availability of authorization at the time a lender holding the agreement requests its conversion to a commitment. The Commissioner informed the Comptroller of his belief that in all respects agreements to insure are valid and binding obligations upon the Administration and it is legally obligated to honor the agreements. The new procedure was conceived as a workable plan to meet temporary problems which the Federal Housing Administration anticipated would be promptly cured by Congress and the Commissioner asked the Comptroller to rule that agreements to insure should be treated by national bank examiners as the equivalent of an FHA firm commitment. It has been the position of the Comptroller of the Currency that when FHA has issued its firm commitment to insure, the loan covered thereby is exempt from the maturity and percentage limitations of the first paragraph of Section 24 of the Federal Reserve Act.

After careful consideration of the factors involved, on November 4, 1958, the Comptroller of the Currency issued instructions to national bank examiners to treat FHA Agreements to Insure already made and to be made during the next 120 days as the equivalent of firm commitments to insure for the purposes of Section 24 of the Federal Reserve Act. On March 9, 1959, and in response to a further request from the Commissioner, these instructions were extended for an additional 90 days.

The first reduction in instalment debt since 1943 permitted the year 1958 to close with a total less than that of the prior year. The modest reduction of $230 million from the 1957 total of $34.1 billion ended 1958 with the aggregate standing at $33.9 billion. However, the Nation's consumer debt (instalment debt plus noninstalment debt in the form of single payment loans for the purchase of consumer goods, charge accounts, and debt incurred for the payment of services rendered) continued to rise to a new high of $45.1 billion at the year end, a gain of $291 million over the $44.8 billion at the close of 1957. Instalment loans to finance the purchase of automobiles continue as the largest segment of instalment credit. Such loans decreased by $1,278 million from $15.4 billion in 1957 to $14.1 billion at the close of 1958. All other types of instalment credit increased slightly over 1957 levels.

Instalment type personal and consumer loans held by the national banking system aggregated $8.1 billion at the close of 1958, practically the same amount held at the 1957 year end. This level of instalment loans constitutes 28 percent of the $28.9 billion of such loans held by financial institutions and 63.8 percent of the $12.7 billion of such loans held by commercial banks at the end of 1958. Included in the instalment loan holdings of national banks at the year end was $3.8 billion of automobile loans, decreased $99 million from the previous year's close. Of the total instalment type personal and consumer loans held by national banks, automobile paper constitutes 47 percent as compared to 48.1 percent in 1957.

Loan delinquencies of 90 or more days duration shown in reports of examination made in 1958 increased slightly. This observation is based upon data accumulated as of the respective dates of examination. In the following table the total unpaid balances of such delinquent loans is expressed as a percentage of the total outstandings of the group of national banks which segregate instalment loans in loan portfolios or hold such paper in an aggregate amount equal to or exceeding 10 percent of their loan accounts.

Instalment loan delinquencies

Year	Number of banks	Total instalment loans (A)	Automobile loans	Floor plan Loans (B)	Loans collateraled by instalment obligations (C)	Total (A) (B) (C)
		Percent	*Percent*	*Percent*	*Percent*	*Percent*
1956	4,073	0.56	0.33	0.19	0.12	0.50
1957	4,032	.36	.20	.13	.16	.34
1958	4,113	.45	.28	.17	.16	.43

Because of the rapid expansion in instalment credit which reached significant proportions in the early fifties, the increasing number of national banks engaged in this type of lending, and the need for better information as to lending practices and experience, a special section dealing with instalment credit was added to the report of examination in August 1955. For several years detailed schedules have been incorporated in annual reports showing the policies and range of terms followed by national banks in making and servicing instalment loans. It appears clear on the basis of the studies previously made that, generally, national banks are following sound policies in making and servicing these loans. The study made in 1958 supports the same conclusion although there has been a slight increase in the number of banks that now lend on 36 months' maturity on new- and late-model used automobiles. In 1957, 18 percent of all national banks in the study made such loans up to 36 months; in 1958 the number was up to 23 percent. Other terms remain fairly constant.

The following schedule divided into three size groups was prepared on the basis of the most recent report of examination in 1958 and shows the details of the down payment and maturity policies of the 4,113 national banks examined which segregate instalment paper in their loan portfolios or hold such paper in an aggregate amount equal to 10 percent or more of their loan accounts.

1958

GROUP I BANKS

(Resources under $10MM)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under	0	8	3	192	10	213
24	2	34	8	1, 263	20	1, 327
30	0	39	15	689	2	745
36	2	26	8	467	7	510
Total	4	107	34	2, 611	39	2, 795

USED AUTOS—LESS THAN 1 YEAR OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	0	1	1	145	28	175
24	0	9	7	409	10	435
30	0	16	0	126	0	142
36	0	2	1	66	1	70
Total	0	28	9	746	39	822

USED AUTOS—1 TO 2 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	13	11	992	192	1, 209
24	0	22	9	1, 189	66	1, 286
30	1	6	3	113	1	124
36	1	1	1	23	0	26
Total	3	42	24	2, 317	259	2, 645

USED AUTOS—2 TO 3 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	2	18	16	1, 527	380	1, 943
24	0	14	3	558	35	610
30	0	1	0	21	0	22
36	1	1	0	6	0	8
Total	3	34	19	2, 112	415	2, 583

USED AUTOS—3 TO 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	23	15	1, 617	483	2, 139
24	0	5	1	217	20	243
30	0	1	0	9	0	10
36	1	0	0	2	0	3
Total	2	29	16	1, 845	503	2, 395

USED AUTOS—OVER 4 YEARS OLD

Term (number of months)	20	25	30	33⅓	Over	Total number of banks
18 and under	1	20	11	1, 212	448	1, 692
24	0	2	0	84	9	95
30	0	0	0	3	0	3
36	1	0	0	0	0	1
Total	2	22	11	1, 299	457	1, 791

GROUP II BANKS

(Resources between $10MM and $50MM)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under	0	0	0	16	2	18
24	1	12	5	317	3	338
30	1	16	11	314	6	348
36	4	23	13	276	9	325
Total	6	51	29	923	20	1,029

USED AUTOS—LESS THAN 1 YEAR OLD

18 and under	0	0	0	22	4	26
24	2	2	1	107	5	117
30	0	1	3	80	0	84
36	1	4	4	39	2	50
Total	3	7	8	248	11	277

USED AUTOS—1 TO 2 YEARS OLD

18 and under	1	4	2	227	40	274
24	0	6	6	554	35	601
30	0	2	2	103	1	108
36	1	0	0	8	0	9
Total	2	12	10	892	76	992

USED AUTOS—2 TO 3 YEARS OLD

18 and under	1	6	6	467	99	579
24	0	3	3	364	20	390
30	0	0	1	12	0	13
36	0	0	0	1	0	1
Total	1	9	10	844	119	983

USED AUTOS—3 TO 4 YEARS OLD

18 and under	0	7	5	626	158	796
24	0	2	4	105	7	118
30	0	0	0	3	0	3
36	0	0	0	1	0	1
Total	0	9	9	735	165	918

USED AUTOS—OVER 4 YEARS OLD

18 and under	0	7	4	525	163	699
24	0	1	1	29	2	33
30	0	0	0	1	0	1
36	0	0	0	1	0	1
Total	0	8	5	556	165	734

GROUP III BANKS

(Resources $50MM and over)

NEW AUTOS

Term (number of months)	Percent of down payment					Total number of banks
	20	25	30	33⅓	Over	
18 and under	0	0	0	2	0	2
24	0	3	0	40	1	44
30	0	7	13	78	2	100
36	2	21	11	86	8	128
Total	2	31	24	206	11	274

USED AUTOS—LESS THAN 1 YEAR OLD

18 and under	0	0	0	1	1	2
24	0	1	1	23	1	26
30	0	3	4	18	1	26
36	1	2	2	16	0	21
Total	1	6	7	58	3	75

USED AUTOS—1 TO 2 YEARS OLD

18 and under	0	0	0	37	8	45
24	0	7	4	153	14	178
30	0	4	4	32	1	41
36	0	0	0	4	0	4
Total	0	11	8	226	23	268

USED AUTOS—2 TO 3 YEARS OLD

18 and under	0	3	2	99	21	125
24	0	7	2	119	9	137
30	0	0	0	2	0	2
36	0	0	0	1	0	1
Total	0	10	4	221	30	265

USED AUTOS—3 TO 4 YEARS OLD

18 and under	0	5	3	180	32	220
24	0	3	1	33	2	39
30	0	0	0	0	0	0
36	0	0	0	0	0	0
Total	0	8	4	213	34	259

USED AUTOS—OVER 4 YEARS OLD

18 and under	1	5	1	138	49	194
24	0	1	0	4	0	5
30	0	0	0	0	0	0
36	0	0	0	0	0	0
Total	1	6	1	142	49	199

Liquidity

Cash, balances with other banks, including reserve balances and cash items in process of collection, and obligations of the United States held by national banks at the close of 1958 totalled $62.7 billion, an increase of $4.5 billion over the 1957 year end total. Such assets are equal to 77 percent of demand deposits and 53.5 percent of total deposits at the close of 1958 compared to 74.7 percent and 53.2 percent, respectively, at the end of 1957, 74 percent and 54.7 percent in 1956, and 77 percent and 57 percent in 1955.

The full reserve requirements of national banks and State bank members of the Federal Reserve System must be maintained on deposit at the Federal Reserve Bank of the district in which such a bank is located and no allowance is made for holdings of vault cash. The Comptroller has favored enactment of a proposal under consideration in the Congress to amend Section 19 of the Federal Reserve Act so as to permit vault cash to be considered a part of the legal reserve.

Investment Accounts

The year 1958 saw a continuous and steady increase in the investment accounts of national banks with their security holdings at the end of the year totaling $46.5 billion, up $5.8 billion for the period. Of this increase United States Treasury obligations accounted for $4.5 billion.

Additions to the investment account were made possible by a deposit increase of $7.6 billion which also provided funds for the major portion of the increase in loans of $2.4 billion.

For the third successive year additions to United States Treasury investments have been in the shorter maturities although the year also produced an increase in the medium term holdings as reflected by the schedule below.

The foregoing changes were accompanied by profit taking of $298.1 million which was after net losses of $55.0 million. Due to income tax considerations, a practice has developed in many banks of taking bond profits in one year and losses in another according to market trends and opportunities. As indicated, 1958 was a profit year while in 1957 national banks took a net loss of $114.3 million in securities transactions. The latter figure is net after profits of $31.1 million.

The high investment quality in national bank portfolios, noted in previous years, continued through 1958.

[In millions of dollars]

	United States bonds			
	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1957	Dec. 31, 1958
Short term	18,982	22,363	23,924	26,667
Medium term	11,951	6,321	4,710	6,632
Long term	2,754	2,992	2,702	2,522
Total	33,687	31,676	31,336	35,821

Recapitulation by maturities

(United States Bonds as of Dec. 31, 1958; municipal and other bonds as of most recent examination reports—adjusted)

[In millions of dollars]

	United States bonds	General obligation municipal bonds	Special revenue municipal authority and corporate bonds	Total
Short term (maturing up to 5 years)	[1] 26,667	3,942	2,087	32,696
Medium term (maturing between 5 and 10 years)	6,632	2,341	498	9,471
Long term (maturing after 10 years)	2,522	1,351	464	4,337
Total	35,821	[2] 7,634	[3] 3,049	46,504

[1] Includes $609 million of nonmarketable United States bonds.
[2] Includes $1,442 million of general obligations of States and $694 million of housing authority obligations.
[3] Includes $1,111 million of special revenue municipal authority obligations and $1,341 million of Federal Corporation (not guaranteed) bonds.

Capital Structure

Continued progress was made during 1958 by national banks in building stronger capital structures. Capital adequacy has always been considered to be of major importance, both by the Comptroller's office and bankers generally, and this common interest has made for strength and stability in the national banking system.

During 1958 the capital structures, including reserves for bad debts, of national banks increased $667 million. Of this increase $101 million resulted from capital revision programs undertaken by shareholders of 172 national banks who supplied additional proprietary funds through subscription to new stock. During the 10-year period from 1949 to 1958, 1,753 national banks fortified their capital structures $1,351 million through the sale of additional common stock.

With the sanction of the Comptroller, shareholders of 393 national banks approved dividends payable in common stock having a total par value of $108 million.

The 4,585 national banks had capital, surplus, undivided profits and reserves of $9,669 million as of December 31, 1958 and their reserves for bad debts and other valuation reserves on loans amounted to $1,056 million, making an aggregate total of capital funds and reserves of $10.7 billion. This represents 9.1 percent of deposit liabilities and 8.2 percent of total resources. Gross assets at the year end (reserves for bad debts and valuation reserves not deducted) were $129.9 billion. After deducting $68.1 billion, representing cash or its equivalent, United States Government obligations, and loans or portions of loans guaranteed or insured by Federal Government agencies, there remains $61.8 billion of the national banking system's funds placed in loans, municipal and corporate bonds, and other assets. Against each $5.78 invested in these types of assets there is held $1 of capital funds and reserves ($5.80 at the close of 1957, $5.88 at the close of 1956, and $5.80 at the close of 1955).

National bank examiners' reports of examination reveal that the volume of assets containing substantial or unwarranted degree of risk remain negligible in relation to the protection offered by the proprietary funds of national banks.

Earnings and net Additions to Reserves

The 4,585 national banks paid a total of $2,842 million in salaries and wages, taxes, and interest on deposits in 1958. Salaries and wages amounted to $1,264 million, of which $829 million went to 242,312 employees, $413 million was paid to 45,254 officers, and fees to directors accounted for $22 million. National banks paid $658 million in Federal income taxes, $32 million in State income taxes, and $126 million in various local taxes on property, etc., for a total tax payment of $816 million. Interest on savings and other time deposits of $762 million approximated 2.13% on total time deposits of $35.7 billion outstanding at the year end, compared to $636 million interest paid in 1957 on year-end time money of $31.5 billion, which approximated 2.02%.

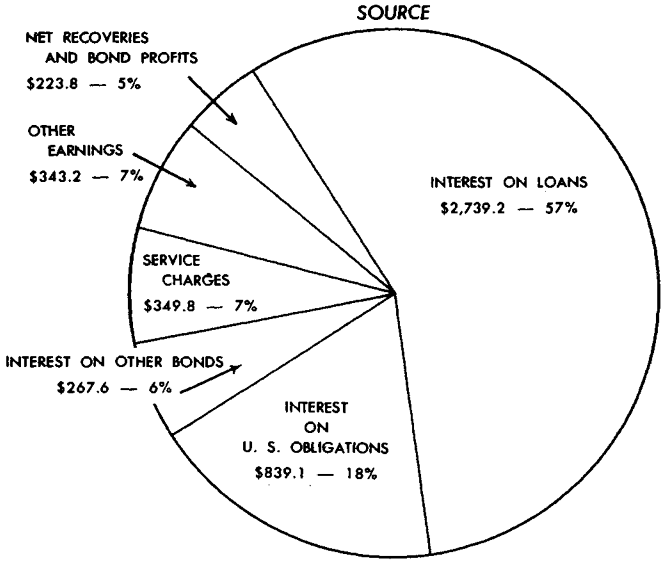
The sources and disposition of the income dollar of all national banks in 1958 is shown by the following illustration:

511823—59——2

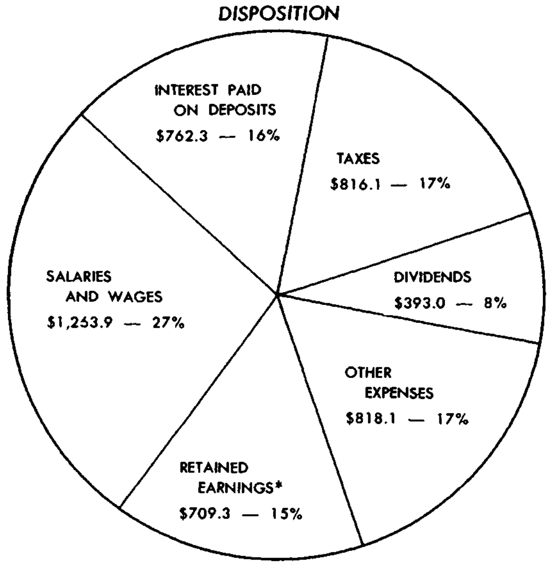
NATIONAL BANKS—1958

SOURCE AND DISPOSITION OF THE INCOME DOLLAR

(in millions of dollars and percent of one dollar)



EARNINGS FROM CURRENT OPERATIONS	$4,538.9
NET RECOVERIES ON LOANS, BONDS, ETC.	223.8
TOTAL SOURCE	$4,762.7



* RESERVE FOR BAD DEBTS (TAX FREE)	$85.5
VALUATION RESERVE—LOANS	6.7
VALUATION RESERVE—BONDS	120.9
RETAINED EARNINGS	496.2
	$709.3
EXPENSES AND DIVIDENDS	4,053.4
TOTAL DISPOSITION	$4,762.7

Net earnings from current operations in 1958 dropped slightly below the 1957 figure of $1,576.6 million to $1,568.7 million. Although gross income rose $255.1 million above 1957 results, and reached $4,538.9 million, the greater cost of doing business, particularly in wages and a higher rate of interest on an enlarged volume of time money, more than offset the rise in income.

Actual losses on loans, bonds and other assets, recoveries on assets previously charged off, and bond profits, produced a net addition to profits of $223.8 million. This grew out of net profits on the sale of securities amounting to $298.1 million, reduced by $74.3 million of losses on various other types of assets. Income taxes of $690.3 million amounted to 40% on taxable income of $1,707 million. The latter figure consists of net operating income of $1,568.7 million, plus the above-mentioned $223.8 million of net recoveries and bond profits, less $85.5 million net increase in initially tax-free bad debt reserves.

After the payment of taxes net profits before dividends for all national banks in 1958 were $889.1 million, compared to $729.9 million in 1957, a rise of 21.8%. The figure given is exclusive of $213.1 million of both taxable and initially nontaxable earnings transferred to effect a net increase in bad debt and valuation reserves. The sum of such net profits and net additions to reserves is equivalent to 11.4% of year-end capital accounts, up from 9.36% the preceding year. Cash dividends of $393 million (4.06% of year-end capital accounts) were paid to shareholders, as against $363.8 million in 1957. Net earnings retained, including net additions to reserves, amounted to $709.3 million, compared with $487.6 million retained in 1957.

Set forth below is a 5-year schedule of earnings, expenses, dividends, etc., per $100 (1) of assets and (2) capital funds, *Earnings, expenses, etc., of national banks for the years ended Dec. 31, 1954, 1955, 1956, 1957, and 1958*

[*Indicates amounts in millions of dollars]

	1954	1955	1956	1957	1958
*Total assets at close of year	116,151	113,750	117,702	120,523	128,797
*Total capital accounts at close of year	8,104	7,936	8,472	9,093	9,669
*Gross earnings	3,226	3,437	3,833	4,284	4,539
Per $100 of assets	$2.78	$3.02	$3.26	$3.55	$3.52
Per $100 of capital funds	$39.81	$43.31	$45.24	$47.11	$46.94
*Gross expenses	1,996	2,105	2,336	2,707	2,970
Per $100 of assets	$1.72	$1.85	$1.99	$2.25	$2.30
Per $100 of capital funds	$24.63	$26.53	$27.57	$29.77	$30.71
*Net earnings from operations	1,230	1,332	1,497	1,577	1,569
Per $100 of assets	$1.06	$1.17	$1.27	$1.31	$1.22
Per $100 of capital funds	$15.18	$16.78	$17.67	$17.34	$16.23
*Net asset losses or recoveries (including bond profits, etc.) [1]	+149	−154	−275	−180	+224
Per $100 of assets	+$0.13	−$0.14	−$0.23	−$0.15	+$0.17
Per $100 of capital funds	+$1.84	−$1.94	−$3.25	−$1.98	+$2.31
*Taxes (income)	532	446	432	545	690
Per $100 of assets	$0.46	$0.39	$0.37	$0.45	$0.54
Per $100 of capital funds	$6.56	$5.62	$5.10	$5.99	$7.14
*Net profits before dividends	847	732	790	852	1,103
Per $100 of assets	$0.73	$0.64	$0.67	$0.71	$0.85
Per $100 of capital funds	$10.46	$9.22	$9.32	$9.37	$11.40
*Cash dividends	300	310	330	364	393
Per $100 of assets	$0.26	$0.27	$0.28	$0.30	$0.30
Per $100 of capital funds	$3.70	$3.90	$3.89	$4.00	$4.06
*Retained earnings	[2] 547	[2] 422	[2] 460	[2] 488	[2] 710
Per $100 of assets	$0.47	$0.37	$0.39	$0.40	$0.55
Per $100 of capital funds	$6.76	$5.32	$5.43	$5.37	$7.34

[1] Exclusive of transfers to and from reserve for bad debts and other valuation reserves on loans and securities but including net losses charged to these reserves.

[2] Includes funds transferred to reserve for bad debts and valuation reserves less the amount of assets charged off against such reserve accounts. Includes $106 million in 1954, $89 million in 1955, $143 million in 1956, $121 million in 1957, and $213 million in 1958 transferred to effect a net increase in reserves for bad debts and valuation reserves. (Taxes would have absorbed a portion of these amounts had the transfers not been made.)

Reserve For Bad Debts

At the end of 1958, 2,843 national banks with gross loans of $50.5 billion or approximately 94% of the loans of the 4,585 national banks in the system, were maintaining reserves for bad debt losses on loans aggregating $1,005.0 million or 1.99% of the loans held by them.

There was a net increase of $85.5 million during the year in amount of the reserves for bad debt losses on loans maintained by the national banks. This increase resulted from banks leaving and entering the system, additional banks, adopting the reserve method of accounting for bad debt losses on loans and transactions within the accounts. Losses charged to the reserve account totaled $75.9 million and recoveries aggregating $37.9 million were credited. Net transfers to the reserve from undivided profits aggregated $123.5 million.

Branch Banking

There were 499 de novo branch applications received during 1958, as compared to 487 received during 1957, 524 during 1956, 532 during 1955 and 382 during 1954.

The following represents the disposition made of the 499 de novo branch applications received during 1958:

	Number	Percentage
Approved (primary approvals of applications for permission to establish branches)	317	64
Rejected	99	20
Withdrawn	37	7
In process of investigation and study	46	9
	499	100

In 1958, certificates of authorization for the establishment and operation of 413 branches were issued, including 7 which had not yet opened for business on Dec. 31, 1958. Eleven branches which were authorized in 1957 did not open for business until 1958. This resulted in 417 branches opening for business during 1958. During this same period of time changes took place in existing branches, and at year end there were 4,401 branches, including 4 seasonal agencies, being operated by 743 of the total 4,585 active national banks, and 7 nonnational banks in the District of Columbia, reconciled as follows:

State	Branches in operation Dec. 31, 1957	Branches opened for business during 1958	Existing branches discontinued or consolidated during 1958	Branches in operation Dec. 31, 1958
Alabama	47	3		50
Arizona	92	12		104
Arkansas	4	4		8
California	1,017	64	4	1,077
Connecticut	60	18	2	76
Delaware		1		1
District of Columbia	52	6	3	[1] 55
Georgia	37	3		40
Idaho	65	1		66
Indiana	109	15		124
Kansas	2	5		7
Kentucky	49	4		53
Louisiana	74	9		83
Maine	31	4		35
Maryland	53	9	5	57
Massachusetts	158	16	7	167
Michigan	164	16	6	174
Minnesota	[2] 6			6
Mississippi	15	2		17
Nebraska	[2] 1			1
Nevada	19			19
New Hampshire	[2] 1			1
New Jersey	186	28	6	208
New Mexico	18	1		19
New York	361	30	6	385
North Carolina	78	12	4	86
North Dakota		2	1	1
Ohio	234	31	1	264
Oklahoma		8		8
Oregon	138	4		142
Pennsylvania	341	50	16	375
Rhode Island	43	4		47
South Carolina	76	11		87
South Dakota	23			23
Tennessee	92	11	1	102
Utah	37			37
Vermont	6	10		16
Virginia	96	10		106
Washington	214	8		222
Wisconsin	16			16
Alaska	8	3		11
Hawaii	22	2		24
Virgin Islands	1			1
Total	4,046	417	−62	4,401

[1] Includes 27 branches in operation by 7 nonnational banks in the District of Columbia under the supervision of the Comptroller of the Currency.

Established prior to enactment of McFadden Act, Feb. 25, 1927.

The continuing large number of branch offices established during 1958 is largely attributable to the shift of population to suburban areas, requiring new or additional banking services, and the growing volume of business conducted by many banks which could not be adequately accommodated in existing quarters. Competition between banks has also prompted a large number of applications. Traffic congestion and parking problems in urban business sections continued to promote the need for drive-in banking service, and 127 of the 417 branches opened for business during 1958 provided for this type of service. Seventy-seven communities without previous banking service were provided with branch offices.

Branches opened for business during 1958 were distributed among areas with various population density, and established by banks of various sizes, as follows:

In suburban areas of large cities	27
In cities with population less than 5,000	105
In cities with population from 5,000 to 25,000	119
In cities with population from 25,000 to 50,000	54
In cities with population over 50,000	112
Total	417
By banks with less than $10MM total resources	57
By banks with total resources of $10MM to $25MM	83
By banks with total resources over $25MM	277
Total	417

During the current year new legislation was enacted by several States permitting the establishment of limited facilities beyond the confines of the bank's place of business. The following tabulation briefly summarizes the current status of branch banking statutes of States and Territories including those changes.

State	Number of all banks	Number of all branches	Total banking units as of Dec. 31, 1958	Number of all banking units in relation to population	Total banking resources (in millions of dollars)
States permitting statewide branch banking:					
Arizona	8	137	145	1 per 8,100	1,137
California	124	1,427	1,551	1 per 9,400	24,864
Connecticut	80	159	239	1 per 9,800	2,550
Delaware	27	43	70	1 per 6,900	726
District of Columbia	13	55	68	1 per 11,900	1,630
Idaho	28	80	108	1 per 6,200	686
Louisiana	186	152	338	1 per 9,300	3,050
Maine	55	116	171	1 per 5,600	699
Maryland	142	194	336	1 per 8,900	2,522
Nevada	6	31	37	1 per 7,300	402
North Carolina	203	407	610	1 per 7,600	3,021
Oregon	55	165	220	1 per 8,200	2,151
Rhode Island	9	84	93	1 per 9,500	947
South Carolina	144	122	266	1 per 9,200	1,043
Utah	49	63	112	1 per 7,900	994
Vermont	58	29	87	1 per 4,300	421
Washington	89	247	336	1 per 8,300	2,895
Total	1,276	3,511	4,787	1 per 8,600	49,738

State	Number of all banks	Number of all branches	Total banking units as of Dec. 31, 1958	Number of all banking units in relation to population	Total banking resources (in millions of dollars)
States permitting branch banking within limited areas:					
Alabama	239	56	295	1 per 11,000	2,137
Arkansas	237	34	271	1 per 6,500	1,273
Georgia	394	68	462	1 per 8,400	3,004
Indiana	459	244	703	1 per 6,600	4,906
Iowa	669	163	832	1 per 3,400	3,434
Kansas	593	11	604	1 per 3,500	2,468
Kentucky	360	113	473	1 per 6,600	2,463
Massachusetts	170	320	490	1 per 10,000	5,913
Michigan	393	491	884	1 per 9,000	8,963
Mississippi	194	121	315	1 per 7,000	1,336
New Jersey	262	360	622	1 per 9,400	7,238
New Mexico	53	38	91	1 per 9,500	714
New York	433	1,222	1,655	1 per 9,900	48,361
North Dakota	155	27	182	1 per 3,600	832
Ohio	606	548	1,154	1 per 8,200	11,584
Oklahoma	387	10	397	1 per 5,800	2,799
Pennsylvania	743	663	1,406	1 per 8,000	15,318
South Dakota	172	53	225	1 per 3,100	788
Tennessee	298	177	475	1 per 7,400	3,340
Virginia	312	217	529	1 per 7,600	3,420
Wisconsin	552	152	704	1 per 5,700	4,713
Total	7,681	5,088	12,769	1 per 7,500	135,004
States prohibiting branch banking, or with no laws regarding branch banking:					
Colorado	175	----	175	1 per 10,000	2,045
Florida	280	----	280	1 per 16,400	4,888
Illinois	946	----	946	1 per 10,600	18,435
Minnesota	686	6	692	1 per 4,900	4,447
Missouri	613	2	615	1 per 7,000	6,518
Montana	115	----	115	1 per 6,100	874
Nebraska	423	1	424	1 per 3,500	1,827
New Hampshire [1]	75	2	77	1 per 7,700	430
Texas	968	3	971	1 per 9,800	12,621
West Virginia	183	----	183	1 per 10,800	1,368
Wyoming [1]	52	----	52	1 per 6,200	433
Total	4,516	14	4,530	1 per 8,500	53,886
Total—United States	13,473	8,613	22,086	1 per 7,950	238,628
Possessions:					
Alaska	18	13	31	1 per 5,500	192
Canal Zone [2]	----	----	----	----	20
Guam [2]	----	----	----	----	22
Hawaii	10	64	74	1 per 8,000	628
Puerto Rico [3]	10	95	105	1 per 22,100	585
American Samoa	1	----	1	1 per 21,000	2
Virgin Islands	2	4	6	1 per 4,000	24
Total possessions	41	176	217	1 per 14,800	1,473
Total—United States and possessions	13,514	8,789	22,303	1 per 8,000	240,101

[1] State laws silent regarding branch banking.
[2] Figures represent branches of domestic banks.
[3] Figures include branches of domestic banks.

NOTE: Above data do not include 520 mutual savings banks operating 425 branches with total resources of $37,779 million.

Applications to Organize National Banks

Forty-eight applications to organize national banks were received during 1958. Primary approval was granted to 18 applications, 11 were disapproved, 7 were withdrawn or abandoned, and 12 continue under investigation and study. The 18 approved cases have resulted in, or are expected to result in, the organization of new national banks in the following 10 States.

State	Number of approvals	Number of banks opened	Approvals total capital structure	Banks opened total capital structure
			Thousands	*Thousands*
Colorado	1	2	400	550
Florida	4	3	2,500	2,600
Idaho	1		400	
Iowa		1		275
Maryland	2	1	1,750	750
Massachusetts		1		450
Michigan	1	1	350	350
Minnesota		1		200
Missouri	3		1,300	
New Hampshire		1		130
New Mexico		1		500
Oregon	1		500	
Tennessee		1		300
Texas	3	4	1,125	1,500
Virginia		1		900
Washington	1		750	
Wisconsin	1	1	350	400
Total	[1] 18	[2] 19	9,425	8,905

[1] Approvals include six which actually opened for business during 1958. The remaining 12 had not completed organization.
[2] Includes 13 that were originally approved in 1956 or 1957, but did not open for business until 1958.

Bank Consolidations, Mergers and Sales

During 1958 the Comptroller approved 83 consolidations, mergers or cash absorptions. An identical number was approved during the previous year. In 1958, 80 national banks absorbed 42 national and 39 State banks. In addition, one District of Columbia national bank and one District of Columbia nonnational bank were purchased by two District of Columbia nonnational banks. Twenty-two national banks and 46 State banks were absorbed by other State banks as compared to 82 such absorptions the previous year. The following schedule contains details of the absorptions which occurred during 1958:

Consolidations, mergers, purchases—1958

Number of banks	Type	Total resources (in millions of dollars)
29	National banks consolidated or merged with and into 29 national banks	513
24	State banks consolidated or merged with and into 23 national banks	568
13	National banks purchased by 13 national banks	88
15	State banks purchased by 15 national banks	422
1	District of Columbia national bank purchased by District of Columbia nonnational bank	75
1	District of Columbia nonnational bank purchased by District of Columbia nonnational bank	39
83	Approved by Comptroller of Currency	1,705
17	National banks consolidated or merged with and into 16 State banks	453
5	National banks purchased by 5 State banks	18
46	State banks consolidated, merged, or purchased with or about the same number of State banks	383
68	Approved by State banking departments	854
151	Grand total	2,559

Conversions

	Number	Resources (in millions of dollars)	Capital structure (in millions of dollars)
State banks converted into national banks.	6	102.5	9.4—converted into 6 national banks.
National banks converted into State banks.	3	12.5	.8—converted into 3 State banks.
	9	115.0	10.2*

*Reserves included in capital structure.

The shareholders of 53 national and State banks consolidated with 52 national banks received cash and book value stock from the 52 continuing banks aggregating $103,514,550 or $12,453,218 in excess of the aggregate book value of assets which those banks contributed to the consolidations. The excess amounted, on the average, to 1.26 percent of the aggregate deposits acquired by the continuing banks. On an estimated fair valuation basis, the shareholders of the 53 absorbed banks contributed assets having an estimated fair value, in excess of liability to creditors, of $101,990,336 and received cash and fair value stock of the continuing banks aggregating $109,507,522 or $7,517,186 in excess of the aggregate fair value of assets which those banks contributed to the mergers or consolidations. The difference is accounted for through an estimated or fair appraisal value of fixed assets (bank premises, furniture and fixtures), bond appreciation or depreciation, allowances for pension fund adjustments, excess reserves for taxes, etc., and amounted on the average to approximately .76 percent of the aggregate deposits acquired by the continuing banks.

The shareholders of 13 national banks and 15 State banks which were purchased by 28 national banks, and the shareholders of one District of Columbia national bank and one District of Columbia nonnational bank, which were purchased by two District of Columbia nonnational banks, received $58,636,258 in cash, or $4,815,407 in excess of the selling banks' aggregate capital structures. This amounted, on the average, to .854 percent of the selling banks' deposits.

In the 9-year period from January 1, 1950 to December 31, 1958, the Comptroller's office approved the acquisition by national banks of 351 national banks and 377 State-chartered banks through consolidation, merger, or sale. After approval by their respective State banking departments, State-chartered banks absorbed 227 national banks. In addition 374 State-chartered banks consolidated or merged with or were purchased by other State-chartered institutions. The following table shows the number of banks which have been absorbed since 1950 and their total resources:

Data on consolidations, mergers, purchases and sales, and conversions—1950 to Dec. 31, 1958

Number of banks	Type	Total resources (in millions of dollars)
144	National banks consolidated with and into other national banks	3,615
62	National banks merged with other national banks	1,641
145	National banks purchased by other national banks	1,400
351	Total	6,656
124	State-chartered banks consolidated with and into national banks	2,363
60	State-chartered banks merged with national banks	796
193	State-chartered banks purchased by national banks	1,322
377	Total	4,481
1	District of Columbia non-national bank consolidated with and into District of Columbia national bank	55
1	District of Columbia national bank purchased by District of Columbia non-national bank	75
1	District of Columbia non-national bank purchased by District of Columbia non-national bank	39
3	Total	169
731	Approved by Comptroller of the Currency	11,306
133	National banks consolidated or merged with State-chartered banks	9,003
94	National banks purchased by State-chartered banks	909
374	State banks merged, consolidated, or purchased with or by other State-chartered banks	5,214
601	Approved by State banking departments	15,126
1,332	Total for absorbed banks	26,432

CONVERSIONS—1950 TO DEC. 31, 1958

23	National banks converted into State-chartered banks	179
49	State-chartered banks converted into national banks	549

Fiduciary Activities of National Banks

As of December 31, 1958, there were 1,724 national banks which had been authorized by the Board of Governors of the Federal Reserve System to exercise trust powers either full, limited or specific and one national bank was authorized under title 12, U.S.C., section 342, to continue administration of the trust account acquired from a State bank by consolidation. Trust departments were being operated in 109 branches. 248 national banks or 14.38 percent were not exercising any of the trust powers granted.

During the year 1958 the Board of Governors granted 37 original and 5 supplemental permits to national banks and the trust powers of 27 national banks were absorbed by consolidation or merger.

There is no uniform system for carrying values of trust department assets among corporate fiduciaries. Essentially there are two systems employed which are the cost or appraised value of the asset and unit value. The cost or appraised value system needs no explanation. Unit value systems carry bonds at $1 per $1,000 and stock at $1 per share or sometimes par value is used. A combination of both systems is usually found in any trust department and figures taken from trust ledgers have little meaning in relation to the actual value of the property held. The unit value system has the advantage of permitting assets to be set up immediately at a permanent carrying figure but usually requires the keeping of another set of books for tax purposes.

The trust figures as to dollar value which appear in this report and its appendix, except for figures on employee welfare and pension benefit plans, are valuable primarily for comparative purposes from year to year. We feel that to require national banks to furnish market values as of any given date would place a substantial and unjustified burden upon the banks.

Of the total liabilities for accounts held by trust departments of national banks as of December 31, 1958, 25.10 percent was in living trusts, 13.24 percent in court accounts, 53.40 percent in agency, escrow, custodianship type accounts, and 8.26 percent in all other liabilities. Figures compiled from trust departments with total assets of $75 million and over show that 83.68 percent of the total assets is held by 6.80 percent of the number of active trust departments. Gross earnings for 1958 were $141,473,000 which is an increase of $12,040,000 over the previous year and an all-time high.

Common trust funds numbering 165 were operated under section 17(c) of Regulation F in 132 national banks. They showed total ledger values for all assets of $517,345,980. Three nonnational banks in the District of Columbia operated 3 such funds with assets of $15,781,303 at the end of 1958.

Following a change in the report of trust examinations in the second half of 1957, we now have available market values during 1958 for employee benefit and pension plans of which national banks are the trustee. These figures appear in tables 22 and 23 of the appendix.

Emergency Preparedness

In 1956, under an order issued by the Director of the Office of Defense Mobilization (now Office of Civil and Defense Mobilization), the Treasury Department, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation are responsible for the development of plans to encourage preparedness measures by commercial banks, designed to insure continuity of the operations of the Nation's banking system in the event of enemy attack. In carrying out this responsibility an Advisory Committee on Commercial Bank Preparedness was appointed. In turn, that committee established a subcommittee, Banking Committee on Emergency Operations, to develop a program to guide and assist banks in planning and taking defense preparedness measures suited to their individual requirements and intended to enable them to continue or resume their operations in event of damage or destruction resulting from attack on the United States.

The committees, composed of leading bankers and representatives of the American Bankers Association, prepared and published five booklets dealing with the subjects, Organization and Administration of the Program in Your Bank, Personnel Protection, Continuity of Management and Alternate Headquarters, Physical Properties, and Duplicate or Alternate Records, and early in 1958 copies of these booklets were distributed free of charge to every bank in the Nation.

Since 1956, national bank examiners have been inquiring informally of national banks located in cities where there is at least one bank, national or state, with deposits aggregating $50 million or more, as to their plans in the event of an emergency. Beginning at the end of March 1958 these inquires were formalized by including a separate page "Emergency Preparedness Measures" in reports of examination so as to record with respect to each national bank the answer to a primary question as to whether an emergency preparedness program has been formulated and, if so, the answers on a "Yes" and "No" basis to 25 questions based upon recommendations contained in the five booklets.

As in the case of the informal inquiries, all of the Federal bank supervisory agencies cooperated in this effort in the examination of banks under their respective supervision. Since this is a voluntary program to be fitted to the needs of the individual banks, examiners have thus far refrained from being critical of failure of any bank to initiate action.

As of the end of 1958, the constructive results of the program are less than might be desired. From May 1, 1958, through April 10, 1959, reports of examination of 9,000 insured commercial banks show that only 129 of 13,124 such banks, less than 1 percent, have record protection programs in full operation.

National Banks Acting As Travel Agents

For some time the Comptroller of the Currency has had under review the question of whether national banks may act as travel agents and whether they may participate in the carriers' conference system which establishes uniform rates of compensation, and uniform obligations to perform, on all participating travel agents.

After careful study it was concluded that national banks may, as an incidental power, provide travel services for their customers, as they have been doing for many years, and that they may have the reasonable rights and benefits that flow therefrom. It was further concluded that whether national banks may participate in the carriers' conference system and whether they can or should enter into agreements in this connection should properly be determined by the banks concerned and their representative counsel, based upon the facts and circumstances of each particular case.

Advisory Boards

A survey was made to determine the extent that advisory boards have been appointed by national banks. Only 98 national banks, in 28 States and the District of Columbia, have appointed such boards, other than in instances connected with branch banking activities. The largest number in one State is Texas, with 17 advisory boards, followed by Alabama, Massachusetts, New York, Pennsylvania, and Tennessee with five each. Twenty-two other States and the District of Columbia have four or less. The largest membership on an advisory board was 25 in 1 instance, followed by 2 at 24, and 1 at 20. Ten had memberships between 10 and 19, and the remainder ranged between 1 and 9.

Litigation

In February 1958 the Milwaukee Western Bank of Milwaukee, Wisconsin brought suit in the United States District Court for the District of Columbia challenging the legality of the Comptroller's approval of a change of location of a branch of the First Wisconsin National Bank of Milwaukee, Wisconsin. The Comptroller, acting under the authority contained in subsection (f) of R.S. 5155, as amended (12 U.S.C. 36(f)), had approved the removal of a branch of the First Wisconsin National Bank from one location within the City of Milwaukee to another location within the same city. Plaintiff's motions for a temporary restraining order, and for a preliminary injunction were denied by the court. Subsequently plaintiff moved for an order for voluntary dismissal and in November 1958 an order was entered dismissing the complaint.

In June 1958, Miss Claudia Walker, a former employee of the Bank of America National Trust and Savings Association, San Francisco, Calif., filed in the United States District Court for the District of Columbia, a mandamus action against the Comptroller of the Currency to compel him to bring an action for the liquidation of the Bank of America National Trust & Savings Association for alleged violations of banking statutes. A motion to dismiss filed on behalf of the Comptroller was granted in November 1958.

Legislation

During the year 1958 the Banking and Currency Committee of the House of Representatives continued its consideration of the proposed Financial Institutions Act, S. 1451 and H.R. 7026. However, this bill was not reported out of committee and was not enacted.

Legislation Enacted

Public Law 85–508, approved July 7, 1958, provided for the admission of the State of Alaska into the Union. This act contained an amendment to the Federal Reserve Act to provide that every national bank in any State should, within 90 days after admission into the Union of the State in which it was located, become a member bank of the Federal Reserve System. As a result of this legislation the nonmember national banks located in Alaska all became member banks of the Federal Reserve System.

Public Law 85–536, approved July 18, 1958, amended Section 24 of the Federal Reserve Act by providing that loans in which the Small Business Administration cooperates through agreements to participate on an immediate or deferred basis under the Small Business Act shall not be subject to the restrictions or limitations imposed upon loans secured by real estate. The effect of this amendment was to eliminate the requirement that in order to qualify for exemption from section 24 loans made by national banks with the cooperation or participation of the Small Business Administration must be made to established industrial or commercial businesses.

Public Law 85–699, approved August 21, 1958, the Small Business Investment Act of 1958, provided for the establishment of small business investment companies, the primary function of which shall be to provide a source of needed equity capital for small business concerns in the manner and subject to the conditions prescribed in the Act. This Act provides that shares of stock in small business investment companies shall be eligible for purchase by national banks, except that no national bank may hold shares in small business investment companies in an amount aggregating more than 1% of its capital and surplus.

Public Law 85–748, approved August 25, 1958, amended R.S. 5200, as amended (12 U.S.C. 84), limiting loans by national banks to any one borrower to 10% of capital and surplus, by adding a new exception as follows:

> "Obligations insured by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, as amended, or the Act of August 28, 1937, as amended (relating to the conservation of water resources), shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus."

Public Law 85–836, approved August 28, 1958, the Welfare and Pension Plans Disclosure Act, provided that each administrator of an employee welfare benefit plan or an employee pension benefit plan as defined in the act shall publish in accordance with the terms of the act to each participant or beneficiary covered thereunder (1) a description of the plan and (2) an annual financial report, containing information prescribed in the act. Each such administrator is also required to file with the Secretary of Labor two copies of the description of the plan and each annual report thereon.

The act provides that it shall not apply to an employee welfare or pension benefit plan if such plan is administered by an instrumentality of the Federal Government. Since national banks have been held to be instrumentalities of the United States the extent to which this act applies to plans administered by national banks is unclear.

National Banks Placed in Receivership

There was only one national bank placed in receivership during the current year. On March 17, 1958 the Comptroller of the Currency appointed the Federal Deposit Insurance Corporation as receiver of the insolvent First National Bank of Halfway, Halfway, Oreg. By December 1, 1958 all creditors' proven claims had been paid in full with accrued interest from liquidation of the bank's assets, collections from a defaulting officer, and the surety on his bond. The Comptroller of the Currency on that date called a meeting of shareholders for January 9, 1959, as required under the provisions of 12 U.S.C., section 197, in order that they might vote either to have the receivership continued for their benefit, or to elect an agent who would assume the final liquidation responsibilities.

Examinations Conducted

The National Bank Act requires that each national bank be examined at least twice each year in order that the Comptroller may be kept currently informed of its condition and require such corrections as are deemed necessary with a view to maintaining each bank in sound condition. However, the Comptroller is authorized to waive an examination with respect to any particular bank not more frequently than once in any 2-year period. In addition to the regular examinations, special examinations are conducted of banks the condition of which is regarded as unsatisfactory. Also, the District Code authorizes the Comptroller to examine each nonnational bank and trust company in the District of Columbia.

During the year ended December 31, 1958, 7,142 examinations of banks, 6,104 examinations of branches, 1,566 examinations of trust departments, and 62 examinations of affiliates were conducted. Four State banks were examined in connection with consolidations and mergers with, or purchase by, national banks, and 11 State banks were examined in connection with conversions to national banks. Investigations were conducted in connection with applications for 32 new charters and 467 new branches.

Organization and Staff

On December 31, 1958, the total personnel of the Office of the Comptroller of the Currency consisted of 1,144 persons, 195 of whom were employed in the Washington office, including 32 in the Federal Reserve Issue and Redemption Division, the operating expense of which is borne by the Federal Reserve Banks. The total number employed in the Washington office increased by one during the year. The total number in the field increased by 37 during the year 1958.

The major segment of the field personnel consists of the national bank examining staff and, during the year, 18 national bank examiners left the service by resignation, retirement, and due to deaths, and 1 was promoted to Assistant Chief National Bank Examiner in the Washington office. Also during the year, 28 assistant examiners were promoted to examiner status, resulting in a net increase of 9 examiners. As to the staff of assistant examiners, 69 left the service during the year by resignation, retirement, promotion to examiner, etc., and 97 new assistant examiners were added to the staff, a net increase of 28. There were 12 District Chief National Bank examiners, 250 National Bank examiners, and 574 assistant National Bank examiners in the field service at the end of the year.

District Chief National Bank Examiner William B. Baker, who was in charge of the Philadelphia office, retired on September 30, 1958, and was succeeded by Marshall Abrahamson, who had been serving as an Assistant Chief National Bank Examiner in the Washington office. William A. Robson, a national bank examiner from the Kansas City district, succeeded Mr. Abrahamson as Assistant Chief National Bank Examiner.

The employee training programs for examiners and assistants, mentioned in previous reports, were continued during the year, and at the year end 288 examiners and assistants had completed the courses given in the interagency school established jointly in 1952 by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. Courses at the Graduate Schools of Banking, given at Rutgers University, the University of Wisconsin, the University of Washington, the University of Louisiana, and Southern Methodist University, had been completed by 68 examining staff members at the year end and 18 were still enrolled in courses at these schools. Extension courses given by the American Institute of Banking had been completed by 302 members of the examining staff at the year end and 246 were still enrolled in these courses.

In conformity with a Federal Government-wide program to reduce to writing promotion procedures so that all employees might be familiar with promotion requirements and the standards applied in making promotions, such plans were formulated and circulated to all employees during the year for their review and comment following which the plans were adopted, effective January 1, 1959.

The following table which has appeared in previous reports is again included to demonstrate how the work of the 1,144 employees is organized and their services utilized:

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
I. EXECUTIVE ORGANIZATION			
(Policy and general supervision, all located in Washington, D.C.)			
Comptroller of the Currency	1	[1] 2	3
Deputy Comptrollers	3	[1] 3	6
Chief National Bank Examiner	1	[1] 1	2
	5	6	11
II. FIELD ORGANIZATION			
(Located in 12 Federal Reserve districts)			
District Chief National Bank Examiners Policy and supervision, subject to executive staff in group I, above, of all field activities.	12	[1,2,3] 113	125
National Bank Examiners Perform examinations of 4,593 banks, 4,401 branch offices, and make investigations of new branch and charter applications, etc.	250		250
Assistant National Bank Examiners Assist National Bank Examiners.	----------	574	574
	262	687	949
III. WASHINGTON STAFF ORGANIZATION			
(a) Examining Division Assistant Chief National Bank Examiners. Receive and analyze all reports of examination of national and District banks, and investigation reports on new branches and charters. Make recommendations to executive staff in group I, above, as to dispositions of cases, and prepare letters to banks, District Chiefs, and others. Confer with bankers, executive and staff representatives of the Federal Reserve System and the Federal Deposit Insurance Corporation, and District Chief National Bank Examiners, regarding banking and supervisory matters. One Assistant Chief also serves as head of the Personnel and Administrative Division, and one also serves as head of the field organization educational programs.	8	[1,2,3,4] 26	34

See footnotes at end of table.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
III. WASHINGTON STAFF ORGANIZATION—continued			
(*b*) Organization Division Supervises activities of all national and District banks as to corporate and organization matters; i.e., new charters, branches, consolidations, mergers, purchase and assumption cases, sale of new capital stock, stock dividends, articles of association, etc. Final decisions made by executive staff in group I, above, after review with recommendations by Assistant Chief National Bank Examiners, and usually with the benefit of facts and recommendations furnished by District Chief National Bank Examiners and National Bank Examiners.	4	[1,2,3,4] 18	22
(*c*) Legal Division Serves as counsel for the Comptroller of the Currency. Considers all legal matters arising in the organization, operation, merging, and discontinuance of national and District banks. Prepares opinions, rulings, and correspondence on legal questions. Assists on all legislative matters. Exercises general supervision over conduct of litigation.	1	[1] 4 [5] 3	8
(*d*) Personnel and Administrative Division Performs functions relating to recruitment, transfer, promotion, separation, retirement, time and leave. Supervises and includes personnel in mail and files section, supply and duplicating section, stenographic pool, and messenger pool.	1	[1,2,3,4,6] 24	25
(*e*) Reports and Precedents Division Maintains all legal and policy precedents; receives reports of examination of all national and District banks from District Chief National Bank Examiners for binding, recording, and distribution. Supervises and places orders for printing work that pertains to examining division and the field organization.	1	[1,2,3] 3	4
(*f*) Statistical Division Compiles data indicative of banking trends for the information of the Comptroller and his staff, Congress, other banking agencies, bankers, economists, and others through examination and tabulation of data incorporated in call reports of condition and reports of earnings and dividends of national and District banks.	2	[1,2,3] 21	23
(*g*) Auditor for the Comptroller Accountable to the Comptroller of the Currency only. Maintains audits for the Comptroller of all accounts covering funds under control of the Disbursing Office including detailed audits of all collections and disbursements of funds; prepares and submits periodic audit reports to Comptroller; tabulates information and statistics on special subjects.	2	[1,2,3,7] 9	11
(*h*) Disbursing Division Receives all checks in payment of fees for examinations and makes deposits to the Comptroller's Treasury account. Maintains accounts covering funds of Examining Division and of Federal Reserve Issue and Redemption Division and makes all disbursements from these accounts covering payrolls, travel vouchers, and miscellaneous expenses. Makes all purchases of equipment and supplies from Examining Division funds.	2	[1,2,3,6] 23	25
(*i*) Federal Reserve Issue and Redemption Division All expenses of this division paid by Federal Reserve banks. Handles the issuance and redemption of Federal Reserve currency as provided under the Federal Reserve Act. Maintains detailed records of all shipments of original currency issues and of unfit currency notes destroyed.	2	[1,2,3,8] 30	32
	23	161	184
Grand total	290	854	1,144

[1] Secretarial.
Typists.
[3] Clerical.
[4] Administrative.
[5] Attorney.
[6] Messengers.
[7] Accountants.
[8] Money counters.

Expenses of the Bureau

The total cost of bank supervision for the current year was $1,340,838.42 more than the total cost for the year 1957, although certain expense items showed decreases for the year 1958. Increases in salaries of $925,478.46 for the year 1958, are very largely the result of the Federal Employees Salary Increase Act of 1958, approved June 20, 1958, increasing salaries of Federal employees retroactively to January 12, 1958. Increases in Employer's Civil Service Retirement contributions of $286,842.84 for the year 1958, resulted from provisions of an amendment to the Civil Service Retirement Act, effective July 14, 1957, requiring such contributions of funds. An increase of $138,090.02 in per diem costs for the year 1958, is largely attributable to a statutory increase in per diem allowances from $10 to $12, which was made effective in the Comptroller's office on May 1, 1957. Increases in additional expense categories aggregated $24,346.55. The decreases in other cost items amounted to $33,919.45.

Funds used in payment of the bank supervision costs are derived from assessments against the banks supervised. All costs of operating the division which handles the currency issue and redemption functions are paid by the Federal Reserve banks.

Summary statement of the operating expenses of the Bureau for the year ended Dec. 31, 1958

	Bank supervision	Currency issue and redemption	Total
Salaries	$7,459,908.86	$152,265.93	$7,612,174.79
Per diem	1,544,780.75	0	1,544,780.75
Transportation	549,037.44	0	549,037.44
Supplies	22,235.64	434.72	22,670.36
Printing, books, and periodicals	65,368.25	0	65,368.25
Rent	146,756.61	0	146,756.61
Furniture and fixtures	29,241.32	0	29,241.32
Communications	51,998.54	475.01	52,473.55
Fixed charges	0	14,761.08	14,761.08
Maintenance	0	4,981.05	4,981.05
Treasurer's Federal Reserve note vault expense	0	11,628.00	11,628.00
Employer's F.I.C.A. and insurance fund contributions	23,741.15	464.61	24,205.76
Employer's civil service retirement contributions	479,418.95	9,851.11	489,270.06
Miscellaneous	28,367.85	5,590.26	33,958.11
Total	10,400,855.36	200,451.77	10,601,307.13

A comparison of the assets and liabilities of the banks in the national banking system as of December 31, 1957, March 4, June 23, September 24, and December 31, 1958, reported pursuant to calls for condition statements by the Comptroller of the Currency, is shown in the following table.

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Assets and liabilities of national banks on dates indicated

[In thousands of dollars]

	Dec. 31, 1957 (4,627 banks)	Mar. 4, 1958 (4,622 banks)	June 23, 1958 (4,606 banks)	Sept. 24, 1958 (4,599 banks)	Dec. 31, 1958 (4,585 banks)
ASSETS					
Loans and discounts, including overdrafts	50,502,277	49,688,857	50,902,433	50,664,772	52,796,224
U.S. Government securities, direct obligations	31,335,767	31,795,874	34,599,192	35,281,644	35,821,327
Obligations guaranteed by U.S. Government	2,309	2,393	2,813	3,430	3,433
Obligations of States and political subdivisions	7,495,878	7,626,441	8,364,896	8,688,802	8,845,522
Other bonds, notes, and debentures	1,880,706	1,927,818	2,045,247	1,948,482	1,836,523
Corporate stocks, including stocks of Federal Reserve banks	267,049	271,708	274,438	277,829	281,419
Total loans and securities	*91,483,986*	*91,313,091*	*96,189,019*	*96,864,959*	*99,584,448*
Cash, balances with other banks, including reserve balances, and cash items in process of collection	26,865,134	23,633,476	24,032,436	23,361,568	26,864,820
Bank premises owned, furniture and fixtures	1,187,155	1,212,207	1,252,651	1,292,535	1,326,352
Real estate owned other than bank premises	36,487	38,386	40,858	38,664	33,575
Investments and other assets indirectly representing bank premises or other real estate	116,139	118,621	121,766	126,150	127,075
Customers' liability on acceptances	374,518	437,646	334,949	288,394	321,852
Income accrued but not yet collected	272,846	276,359	263,311	272,093	538,844
Other assets	186,375	212,350	233,825	210,456	
Total assets	120,522,640	117,242,136	122,468,815	122,454,819	128,796,966
LIABILITIES					
Demand deposits of individuals, partnerships, and corporations	58,715,522	55,043,742	55,115,495	56,580,477	61,785,222
Time deposits of individuals, partnerships, and corporations	29,138,727	29,882,234	31,329,692	32,215,034	32,614,707
Deposits of U.S. Government and postal savings	2,424,137	2,174,693	4,994,800	2,569,006	2,574,937
Deposits of States and political subdivisions	7,878,315	8,018,405	8,611,982	8,042,579	8,426,763
Deposits of banks	9,483,436	8,688,328	8,685,161	8,959,581	9,809,186
Other deposits (certified and cashiers' checks, etc.)	1,796,174	1,418,851	1,669,619	1,430,623	1,875,313
Total deposits	109,436,311	105,226,253	110,406,749	109,797,300	117,086,128
Demand deposits	*77,880,965*	*72,437,659*	*75,681,195*	*74,333,501*	*81,351,799*
Time deposits	*31,555,346*	*32,788,594*	*34,725,554*	*35,463,799*	*35,734,329*
Bills payable, rediscounts, and other liabilities for borrowed money	38,324	610,019	491,502	998,291	43,035
Mortgages or other liens on bank premises and other real estate	1,522	1,034	1,062	1,475	1,626
Acceptances outstanding	388,516	449,038	345,382	299,253	330,616
Income collected but not yet earned	576,713	566,634	593,004	620,649	
Expenses accrued and unpaid	557,082	722,667	621,317	682,941	1,666,760
Other liabilities	430,955	423,669	534,145	434,126	
Total liabilities	111,429,423	107,999,314	112,993,161	112,834,035	119,128,165

1958

CAPITAL ACCOUNTS					
Capital stock (see memoranda below)	2,806,213	2,842,903	2,867,859	2,930,459	2,951,279
Surplus	4,416,426	4,448,129	4,514,485	4,558,635	4,718,459
Undivided profits	1,618,857	1,694,533	1,839,600	1,862,819	1,711,435
Reserves and retirement account for preferred stock	251,721	257,257	253,710	268,871	287,628
Total capital accounts	9,093,217	9,242,822	9,475,654	9,620,784	9,668,801
Total liabilities and capital accounts	120,522,640	117,242,136	122,468,815	122,454,819	128,796,966
MEMORANDA					
Par value of capital stock:					
Class A preferred stock	3,585	2,568	2,743	3,492	3,492
Class B preferred stock	175	175			
Common stock	2,802,453	2,840,160	2,865,116	2,926,967	2,947,787
Total	2,806,213	2,842,903	2,867,859	2,930,459	2,951,279
Retirable value of preferred capital stock:					
Class A preferred stock	3,760	2,743	2,943	3,692	3,692
Class B preferred stock	200	200			
Total	3,960	2,943	2,943	3,692	3,692
Assets pledged or assigned to secure liabilities and for other purposes (including notes and bills rediscounted and securities sold with agreement to repurchase)	14,507,686	14,749,503	17,339,672	16,444,619	15,977,013

TRENDS IN BANKING

The following table shows the changes that have occurred in recent years in the relationships of the major asset and liability accounts of national banks to the aggregate of assets and liabilities.

Distribution of assets and liabilities of national banks, Dec. 31, 1955–58

	1955	1956	1957	1958
ASSETS				
Securities:	*Percent*	*Percent*	*Percent*	*Percent*
U.S. Government, direct and guaranteed	29.62	26.91	26.00	27.81
Obligations of States and political subdivisions	6.15	5.97	6.22	6.87
Stock of Federal Reserve banks	.17	.17	.18	.18
Other bonds and securities	1.74	1.36	1.60	1.47
Total securities	37.68	34.41	34.00	36.33
Loans and discounts	38.29	40.99	41.90	40.99
Cash and balances with other banks, excluding reserves	12.68	13.27	12.77	12.21
Reserve with Reserve banks	9.97	9.74	9.53	8.65
Bank premises, furniture and fixtures	.85	.93	.98	1.03
Other real estate owned	.02	.03	.03	.03
All other assets	.51	.63	.79	.76
Total assets	100.00	100.00	100.00	100.00
LIABILITIES				
Deposits:				
Demand of individuals, partnerships, and corporations	51.16	50.62	48.72	47.97
Time of individuals, partnerships, and corporations	22.11	22.32	24.18	25.32
U.S. Government	2.07	2.00	2.00	1.99
States and political subdivisions	6.45	6.34	6.53	6.54
Banks	8.19	8.37	7.87	7.62
Other deposits (including postal savings)	1.64	1.68	1.50	1.46
Total deposits	91.62	91.33	90.80	90.90
Demand deposits	*67.60*	*67.14*	*64.62*	*63.16*
Time deposits	*24.02*	*24.19*	*26.18*	*27.74*
Other liabilities	1.40	1.47	1.65	1.59
Capital funds:				
Capital stock	2.17	2.24	2.33	2.29
Surplus	3.37	3.52	3.67	3.67
Undivided profits and reserves	1.44	1.44	1.55	1.55
Total capital funds	6.98	7.20	7.55	7.51
Total liabilities and capital funds	100.00	100.00	100.00	100.00

EARNINGS, EXPENSES, AND DIVIDENDS OF NATIONAL BANKS FOR YEAR ENDED DECEMBER 31, 1958

Summaries of the earnings, expenses, and dividends of national banks for the years ended December 31, 1957 and 1958, are shown in the following table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1957 and 1958

[In millions of dollars]

	1958	1957	Change since 1957
Number of banks [1]	4, 585	4, 627	−42
Capital stock (par value) [2]	2, 875. 1	2, 716. 9	+158. 2
Capital accounts [2]	9, 412. 6	8, 769. 8	+642. 8
Earnings from current operations:			
Interest and dividends on—			
U.S. Government obligations	839. 1	782. 1	+57. 0
Other securities	267. 6	225. 4	+42. 2
Interest and discount on loans	2, 739. 2	2, 631. 1	+108. 1
Service charges on deposit accounts	269. 6	244. 1	+25. 5
Other current earnings	423. 4	401. 1	+22. 3
Total	4, 538. 9	4, 283. 8	+255. 1
Current operating expenses:			
Salaries, wages, and fees	1, 263. 9	1, 189. 4	+74. 5
Interest on time deposits (including savings deposits)	762. 3	635. 8	+126. 5
Taxes other than on net income	125. 9	116. 3	+9. 6
Recurring depreciation on banking house, furniture, and fixtures	91. 2	79. 5	+11. 7
Other current operating expenses	726. 9	686. 2	+40. 7
Total	2, 970. 2	2, 707. 2	+263. 0
Net earnings from current operations	1, 568. 7	1, 576. 6	−7. 9
Recoveries, transfers from valuation reserves, and profits:			
On securities:			
Recoveries	5. 5	4. 2	+1. 3
Transfers from valuation reserves	33. 1	14. 3	+18. 8
Profits on securities sold or redeemed	353. 1	31. 1	+322. 0
On loans:			
Recoveries	11. 3	9. 5	+1. 8
Transfers from valuation reserves	27. 6	15. 1	+12. 5
All other	30. 6	17. 4	+13. 2
Total	461. 1	91. 6	+369. 5
Losses, charge-offs, and transfers to valuation reserves:			
On securities:			
Losses and charge-offs	54. 8	119. 0	−64. 2
Transfers to valuation reserves	159. 7	37. 9	+121. 8
On loans:			
Losses and charge-offs	11. 6	11. 7	−. 1
Transfers to valuation reserves	157. 7	177. 2	−19. 5
All other	66. 6	47. 2	+19. 4
Total	450. 4	393. 1	+57. 3
Profits before income taxes	1, 579. 4	1, 275. 1	+304. 3
Taxes on net income:			
Federal	658. 6	522. 7	+135. 9
State	31. 7	22. 5	+9. 2
Total	690. 3	545. 2	+145. 1

See footnotes at end of table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1957 and 1958—Continued

[In millions of dollars]

	1958	1957	Change since 1957
Net profits before dividends	889.1	729.9	+159.2
Cash dividends declared:			
On preferred stock	.2	[3].2	.0
On common stock	392.8	363.7	+29.1
Total	393.0	363.9	+29.1
Memoranda items:			
Recoveries credited to valuation reserves (not included in recoveries above):			
On securities	6.9	1.6	+5.3
On loans	38.9	29.5	+9.4
Losses charged to valuation reserves (not included in losses above):			
On securities	12.6	32.1	−19.5
On loans	76.8	62.7	+14.1
Stock dividends (increases in capital stock)	108.5	64.7	+43.8
Ratios:	*Percent*	*Percent*	*Percent*
Expenses to gross earnings	65.44	63.20	+2.24
Net profits before dividends to capital accounts	9.45	8.32	+1.13
Cash dividends to capital stock	13.67	13.39	+.28
Cash dividends to capital accounts	4.18	4.15	+.03

[1] Number at end of period. Remaining figures include earnings, expenses, etc., of those banks which were in operation a part of the year but were inactive at the close of the year.
[2] Figures are averages of amounts reported for the June and December call dates in the current year and the December call date in the previous year.
[3] Revised.

NOTE.—Figures are rounded to the nearest tenth of a million and may not equal totals.

STRUCTURAL CHANGES IN THE NATIONAL BANKING SYSTEM

The authorized capital stock of the 4,581 national banks in existence on December 31, 1958, consisted of common capital stock aggregating $2,958,859,229, a net increase during the year of $156,408,877, and preferred capital stock of $3,491,670, a net decrease during the year of $268,000. These figures exclude four banks which furnished reports of condition in response to the call, although two of them had converted into State banks, one had consolidated with another national bank, and one had gone into voluntary liquidation and was succeeded by another national bank, all effective as of the close of business on December 31.

In addition to the 43 applications with proposed common capital stock of $9,450,000 carried over from the previous year, 60 applications were received to organize national banks and to convert State banks into national banking associations with proposed capital stock of $28,578,000. Of these applications, 26 with proposed common capital stock of $21,565,000 were approved; 13 with proposed common capital stock of $3,325,000 were rejected; and the remainder had been abandoned or were still pending on December 31. From the applications carried over from the previous year and those approved during 1958, 24 national banking associations with common capital stock of $7,650,000 were authorized to commence business. Of the charters issued, six with common capital stock of $3,200,000 resulted from the conversions of State banks.

Changes in the number and capital stock of national banks during the year ended December 31, 1958, are shown in the following summary.

Organization, capital stock changes, and national banks closed as reported during the year ended Dec. 31, 1958

	Number of banks	Capital stock	
		Common	Preferred
Increases:			
Banks newly chartered:			
Primary organizations	18	$4,450,000	
Reorganizations			
Conversions of State banks	6	3,200,000	
Capital stock:			
Preferred: 1 case by new issue			$800,000
Common:			
172 cases by statutory sale		38,913,756	
393 cases by statutory stock dividend		108,471,131	
1 case by stock dividend under articles of association		35,000	
22 cases by statutory consolidation		13,520,000	
18 cases by statutory merger		4,531,500	
Total increases	24	173,121,387	800,000
Decreases:			
Banks ceasing operations:			
Voluntary liquidations:			
Succeeded by national banks	13	2,850,000	
Succeeded by State banks	6	2,245,000	
Statutory consolidations	15		
Statutory mergers	14		
Conversions into State banks	3	275,000	
Merged or consolidated with State banks (Public Law 706)	17	10,875,000	
Receivership	1	25,000	
Capital stock:			
Preferred: 4 cases by retirement			1,068,000
Common:			
3 cases by statutory reduction		89,010	
3 cases by statutory consolidation		257,500	
2 cases by statutory merger		96,000	
Total decreases	69	16,712,510	1,068,000
Net change	−45	156,408,877	−268,000
Charters in force Dec. 31, 1957, and authorized capital stock	4,626	2,802,450,352	3,759,670
Charters in force Dec. 31, 1958, and authorized capital stock	4,581	2,958,859,229	3,491,670

NATIONAL BANK NOTES OUTSTANDING

There were, as of December 31, 1958, $58,709,057 of national bank notes outstanding.

ASSETS AND LIABILITIES OF ALL BANKS IN THE UNITED STATES AND POSSESSIONS

The total assets of all classes of active banks in the United States and possessions on December 31, 1958, amounted to $277,880 million, an increase of $18,692 million since December 31, 1957.

The total deposits at the end of 1958 amounted to $251,332 million, an increase of $17,154 million over 1957. Included in the latter aggregate are deposits of individuals, partnerships, and corporations of $209,676 million, an increase of $14,134 million in the year. Deposits of the U.S. Government, including postal savings deposits, were $4,666 million, an increase of $373 million; deposits of States and political subdivisions amounting to $14,722 million showed an increase of $1,067 million, and deposits of banks of $18,204 million were $1,157 million more than in 1957.

Loans and discounts amounted to $122,287 million in December 1958 after deducting reserves of $2,188 million for possible future losses. The net loans were $6,527 million over the amount reported as of the end of 1957. Commercial and industrial loans of $40,771 million were $54 million less than the 1957 figure; real estate loans of $48,786 million were up $4,280 million, and all other loans of $34,918 million increased $2,489 million.

The banks held obligations of the U.S. Government, direct and guaranteed, of $73,935 million in December 1958, an increase of $7,869 million in the year. Obligations of States and political subdivisions held amounted to $17,311 million, an increase of $2,641 million, and other securities held amounted to $9,079 million, an increase of $697 million. The total of all securities held at the end of 1958 was $100,325 million, and represented 36 percent of the banks' total assets. At the end of the previous year the ratio was 34 percent.

Cash and balances with other banks, including reserve balances, in 1958 were $50,147 million, an increase of $608 million since the previous year end.

Total capital accounts were $21,822 million, compared to $20,537 million at the end of 1957, an increase of 6 percent.

A statement of the assets and liabilities of all classes of active banks at the end of December 1957 and 1958 follows.

Assets and liabilities of all banks in the United States and possessions, 1957 and 1958

[In millions of dollars]

	Dec. 31, 1958	Dec. 31, 1957	Change since 1957
Number of banks	14,034	14,103	−69
ASSETS			
Real estate loans	48,786	44,506	+4,280
Loans to banks	723	731	−8
Loans to brokers and dealers in securities and other loans for the purpose of purchasing or carrying securities	4,698	4,250	+448
Loans to farmers directly guaranteed by the Commodity Credit Corporation	814	462	+352
Other loans to farmers	4,179	3,624	+555
Commercial and industrial loans (including open-market paper)	40,771	40,825	−54
Other loans to individuals	21,034	20,512	+522
All other loans (including overdrafts)	3,470	2,850	+620
Total gross loans	124,475	117,760	+6,715
Less valuation reserves	2,188	2,000	+188
Net loans	122,287	115,760	+6,527
U.S. Government obligations, direct and guaranteed	73,935	66,066	+7,869
Obligations of States and political subdivisions	17,311	14,670	+2,641
Other bonds, notes, and debentures	7,661	7,092	+569
Corporate stocks, including stocks of Federal Reserve banks	1,418	1,290	+128
Total securities	100,325	89,118	+11,207
Currency and coin	3,452	3,533	−81
Balances with other banks, including reserve balances, and cash items in process of collection	46,695	46,006	+689
Bank premises owned, furniture and fixtures	2,578	2,330	+248
Real estate owned other than bank premises	66	63	+3
Investments and other assets indirectly representing bank premises or other real estate	204	175	+29
Customers' liability on acceptances outstanding	868	1,004	−136
Other assets	1,405	1,199	+206
Total assets	277,880	259,188	+18,692
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	115,664	110,139	+5,525
Time deposits of individuals, partnerships, and corporations	94,012	85,403	+8,609
U.S. Government and postal savings deposits	4,666	4,293	+373
Deposits of States and political subdivisions	14,722	13,655	+1,067
Deposits of banks	18,204	17,047	+1,157
Other deposits (certified and cashiers' checks, etc.)	4,064	3,641	+423
Total deposits	251,332	234,178	+17,154
Demand deposits	150,902	144,210	+6,692
Time deposits	100,430	89,968	+10,462
Bills payable, rediscounts, and other liabilities for borrowed money	96	98	−2
Acceptances executed by or for account of reporting banks and outstanding	907	1,048	−141
Other liabilities	3,723	3,327	+396
Total liabilities	256,058	238,651	+17,407
CAPITAL ACCOUNTS			
Capital notes and debentures	58	49	+9
Preferred stock	19	18	+1
Common stock	5,491	5,241	+250
Surplus	11,207	10,547	+660
Undivided profits	4,258	4,010	+248
Reserves and retirement account for preferred stock and capital notes and debentures	789	672	+117
Total capital accounts	21,822	20,537	+1,285
Total liabilities and capital accounts	277,880	259,188	+18,692

NOTE.—Figures for nonnational banks obtained from the Federal Deposit Insurance Corporation.

REPORTS FROM BANKS

National banks in the continental United States, Alaska, the Territory of Hawaii, and the Virgin Islands of the United States were, in accordance with the provisions of Section 5211 of the Revised Statutes, called upon to submit four reports of condition during the year ended December 31, 1958. Reports were required as of March 4, June 23, September 24, and December 31. Summaries from all condition reports, by States, are published in pamphlet form. National banks were also required by statute to obtain reports, unless waived by the Comptroller, of their affiliates and holding company affiliates other than member banks as of the four dates for which condition reports of the banks were obtained and to submit such reports to the Comptroller.

Under the general powers conferred upon him by law, the Comptroller obtained from each national bank during the period indicated semiannual reports of earnings, expenses, and dividends; also reports of condition of foreign branches as of December 31, 1958.

National banking associations authorized to act in a fiduciary capacity were called upon to submit reports of their trust departments as of the close of business on December 31, 1958.

In accordance with the code of law for the District of Columbia, banks other than national in the District were required to make to the Comptroller condition reports and reports of earnings, expenses, and dividends identical with those obtained from national banks during the year.

Detailed figures from reports of condition and earnings and dividends will be found in the appendix of this report.

AFFILIATES AND HOLDING COMPANY AFFILIATES OF NATIONAL BANKS

The Federal statute requires each national bank to obtain and submit to the Comptroller periodically reports of its affiliates, as defined in sections 2 (b) and (c) of the Banking Act of 1933, as amended. However section 21 of the Federal Reserve Act, as amended, provides in part that the Comptroller may waive the requirement for the submission of the report of an affiliate if in his judgment such a report is not necessary to disclose fully the relations between an affiliate and a bank and the effect thereof upon the affairs of the bank. Pursuant to this latter section the Comptroller's waiver of requirement for reports of affiliates provides principally that reports of affiliates (other than holding company affiliates) need not be submitted and published in a newspaper unless the affiliate is indebted to the national bank or the bank owns obligations of the affiliate and the aggregate of such indebtedness and/or investment is carried as an asset on the bank's books at a value in excess of $5,000, or 1 percent of the bank's capital and surplus, whichever is the greater.

At the end of December 1958, 365 member national banks in the United States submitted 412 reports of affiliates. Included in these figures are 205 banks in 28 States which are members of 29 holding company groups. The number of banks in each holding company group varied from 1 to 58. The actual number of reporting affiliates and holding company affiliates was 242.

In addition there was one nonnational bank in the District of Columbia which is a member of the Federal Reserve System that reported one affiliate to the Comptroller pursuant to the provisions of the code of law for the District of Columbia.

ISSUE AND REDEMPTION OF NOTES

There were 668 shipments of new Federal Reserve notes (458,567,000 notes—aggregate value $5,585,420,000) made to Federal Reserve agents and Federal Reserve branch banks. In addition, there were 29 deliveries of such notes (10,722,000 notes—aggregate value $189,-100,000) made to the Treasurer of the United States.

There was a total of 5,212 lots of unfit Federal Reserve notes and Federal Reserve bank notes (490,342,204 notes—aggregate value $5,914,582,789) received for verification and certification for destruction.

There were 30 lots of national bank notes (124,979 notes— aggregate value $2,141,890) received for verification and certification for destruction.

There was a total of 231,968 badly damaged Federal Reserve notes, Federal Reserve bank notes and national bank notes (aggregate value $4,075,401) presented, by the Treasurer of the United States, for identification approval.

ANNUAL REPORT

OF THE

COMPTROLLER OF THE CURRENCY

STATUS OF NATIONAL BANKING SYSTEM

On December 31, 1959, total assets of the 4,549 banks supervised by the Comptroller of the Currency were $133.3 billion. Their relative position was slightly increased to 46.9 percent of the banking assets in the commercial and savings banks of the Nation, and 54.3 percent of the commercial banking assets. Commercial banks numbering 8,917 which are supervised by the respective State banking authorities held assets of $112.1 billion, and 518 State-chartered and supervised mutual savings banks had assets of $38.9 billion. For all commercial and mutual savings banks, assets were $284.4 billion, an increase of $6.5 billion for the year as shown in the following table.

All operating banks—continental United States and other areas

[Dollars in millions]

Type of bank	Members of both the Federal Reserve System and Federal Deposit Insurance Corporation		Members of Federal Deposit Insurance Corporation only		Not members of Federal Reserve or Federal Deposit Insurance Corporation	
	Number	Total assets	Number	Total assets	Number	Total assets
National banks	[1] 4,546	$133,151	[1] 3	$174		
State commercial banks	[2] 1,684	72,545	[3] 6,882	37,553	[4] 351	$1,902
Mutual savings banks	[2] 3	31	[3] 265	31,712	[4] 250	7,200
Total	6,233	205,727	7,150	69,439	601	9,192

Recapitulation

	Number	Branches	Total assets	Increase for 1959
National banks	[1] 4,549	4,798	$133,325	$3,821
State commercial banks	8,917	4,694	112,090	1,493
Mutual savings banks	518	447	38,943	1,164
Head offices	13,984	9,939	284,358	6,478
Branches	9,939			
Total banking offices	23,923			

[1] Supervised by Comptroller of the Currency. (Includes 7 nonnational banks in the District of Columbia, 4 member and 3 nonmember insured banks with 30 branches.)
[2] Supervised by State banking departments and the Federal Reserve System. (Includes 1 member nondeposit trust company.)
[3] Supervised by State banking departments and Federal Deposit Insurance Corporation.
[4] Supervised by State banking departments only.

Growth of Financial Institutions

Commercial bank assets increased $5.3 billion during 1959 as compared to $16.1 billion in 1958 and $5.4 billion in 1957. During the past decade the average annual growth of commercial bank assets was $8.7 billion per year. The growth of financial institutions during the past 10-year period was at a rapid rate, with the most rapid growth occurring in those organizations which have been in a position to offer more attractive savings interest rates because of their favorable tax status and lower liquidity requirements. Relative growth by classes during the past 10-year period is presented in the following table.

Financial institutions

[Total assets]

[Dollars in millions]

	Dec. 31, 1949	Dec. 31, 1959	Percentage of increase
Commercial banks	$158,550	$245,415	54.8
Mutual savings banks	21,493	38,943	81.2
Savings and loan associations	14,622	63,472	334.1
Federal and State chartered credit unions	827	[1] 4,347	425.6

[1] Data as of Dec. 31, 1958.

Status of National Banks

During 1959 the number of operating national banks changed from 4,585 at the close of 1958 to 4,542, a net reduction of 43 banks. This may be compared with reductions of 42 such banks in 1958, 32 in 1957, 41 in 1956, 96 in 1955, and 68 in 1954. Although the number of banks in the national banking system has continued to decrease, the upward trend in total assets prevails. Their total assets were $132.6 billion at the end of 1959, a gain of $3.8 billion, or nearly 3 percent, over the total of $128.8 billion at the close of 1958. In 1959 the national system absorbed 48 State banks by means of consolidation, mergers, takeovers, and conversions, and through like routes 29 national banks went into the State banking systems. The net result of these changes was $877.8 million of assets entering the national banking system, with the remainder of the $3.8 billion expansion in the total assets accruing through normal growth.

With the exception of a few banks, which are receiving appropriate supervisory attention, the national banking system continues in excellent condition in the light of competence of management, soundness of assets, adequacy of capital funds and reserves, and capacity to earn, which are the basic factors that are considered in making the determination.

Deposits

Deposits in the national banking system continued their upward trend from $117 billion at the end of 1958 to $119.6 billion at the close of 1959, a gain of $2.6 billion, or 2.2 percent, during the year. Of the gain $1.2 billion, or 46.1 percent, occurred in time deposits.

The total deposits of national banks and the average effective rate of interest paid on time and savings deposits are set forth below for the years 1955 through 1959.

[Dollars in millions]

Total deposits	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1957	Dec. 31, 1958	Dec. 31, 1959
Demand	$76,894.6	$79,027.5	$77,881.0	$81,351.8	$82,703.1
Time and savings #	27,323.4	28,467.3	31,555.3	35,734.3	36,934.6
Total	104,218.0	107,494.8	109,436.3	117,086.1	119,637.7
#Interest paid	374.0	437.0	636.0	762.3	866.7
Average rate (percent)	1.37	1.54	2.02	2.13	2.35

Loans

Gross loans and discounts of the national banking system at the end of 1959 were nearly $61.2 billion, an increase of $7.3 billion over the $53.9 billion reported at the end of 1958. After deducting bad debt and other valuation reserves of $1.2 billion, net loans at the end of 1959 were $60 billion as compared to $52.8 billion at the close of 1958, or a gain of $7.2 billion or 13.57 percent. The major segment of the composite portfolio, although decreased very slightly during the year, continues to be the $22.3 billion of loans to commercial and industrial type borrowers, or 36.4 percent of gross loans.

The value of the Nation's new construction activity rose spectacularly in 1959 to an aggregate of $54 billion, a gain of about $5 billion, or 10.2 percent, over the total of $49 billion reported for 1958. Practically all of that gain was accounted for in private activity of this kind, which reached a total of $38.3 billion in 1959, whereas in 1958 it amounted to $33.5 billion. During 1959 permanent nonfarm dwelling units started totaled 1,379,000, up 170,000 units, or 14 percent, from the 1,209,000 units constructed in 1958.

The rise continued in the mortgage debt on nonfarm one to four-family properties. A national total of $131.2 billion was reached by year end 1959, a gain of $13.5 billion over the $117.7 billion of such loans at the close of 1958. Conventional loans at $11.1 billion continue to account for the largest segment of the $28.2 billion of mortgage loans held by commercial banks at the end of 1959. The farm mortgage debt rose from $11.2 billion at the end of 1958 to $12.2 billion at the close of 1959, a gain of $1 billion, or about 9 percent.

Each national bank is limited by law for investment in real estate mortgage loans, with the principal exceptions of FHA insured loans made under section 203 of the National Housing Act, as amended, and loans insured or guaranteed to the extent of at least 20 percent by the Veterans' Administration, to an aggregate amount not in excess of 60 percent of its time and savings deposits, or 100 percent of its capital and surplus, whichever is the greater. The exception pertaining to section 203 FHA loans is a part of Public Law 86–372, approved September 23, 1959, and it enlarged the conventional real estate mortgage lending capacity of the national banking system to the extent of the holdings of such loans.

At the close of 1959 FHA insured loans on residential properties totaled $3.9 billion. The $9.4 billion of real estate mortgage loans which are subject to the aggregate limitation equal 25.4 percent of the $36.9 billion of time and savings deposits held by the national banking system. The system has a conventional real estate mortgage loan capacity of $22.2 billion, based upon 60 percent of time and savings deposits. Thus 58.0 percent of that capacity remained available at the close of 1959.

National banks held loans secured by real estate at the end of the years 1958 and 1959 as follows:

[In millions of dollars]

Type	Dec. 31, 1958	Dec. 31, 1959	Dollar increase, decrease −
Conventional—residence	4,790	5,459	669
Conventional—other properties	2,904	3,326	422
Conventional—farm	562	604	42
Insured—Federal Housing Administration	3,470	3,917	447
Insured or guaranteed—Veterans' Administration	1,988	1,864	−124
Total	13,714	15,170	1,456

Although 1958 closed as the first year since 1943 to show a reduction in the Nation's installment debt, the marked gain of $5.4 billion in 1959 matched the record year of 1955 and raised the total at the close of 1959 to $39.5 billion. The Nation's consumer debt (installment debt plus noninstallment debt in the form of single payment loans for the purchase of consumer goods, charge accounts, and debt incurred to pay for services rendered) also rose to a new high of $52 billion, up $6.4 billion from the $45.6 billion total at the close of 1958. Automobile loans continued to constitute the largest single segment of installment credit and stood at $16.6 billion at the year end, showing a gain of $2.4 billion in 1959. Every other type of installment and noninstallment consumer debt also increased during the year.

National bank holdings of consumer loans at the close of 1959 totaled $13.5 billion and amounted to 22 percent of the composite loan portfolio. Of the total installment type debt so held, automobile loans amounted to $4.5 billion, a gain of $715.3 million over the prior year end, and constituted 47 percent of aggregate holdings of installment consumer paper. The same percentage relationship prevailed at the close of 1958.

Annual reports for several recent years have included data on delinquencies and policies governing the terms under which installment type loans are made to finance purchases of new and used automobiles. This information, tabulated from reports of examination of national banks made each year, has been regarded as indicative of lending policies and practices even though the banks were not examined as of a common date. Only minor changes have occurred since the study began on September 1, 1955, and sound credit standards continue to prevail. Generally and with few exceptions the terms of installment loans made by national banks to finance the purchase of new automobiles are held within the bounds of 25 percent or larger downpayment, with maturities ranging from

24 to 36 months. On used automobiles of recent manufacture (1 to 4 years), one-third or more downpayment is usually required, with maturities of 18 to 24 months. Delinquencies continue to represent only a minor proportion of outstandings.

In the field of credit, recently developed forms of lending and financial services have been gaining in popularity. One is "check credit," the granting of a revolving line of credit to a borrower, who may draw against it by writing a check or checks up to the open amount of the credit. The borrower is to make monthly payments over a predetermined period of time, which include a charge of an agreed percentage of the outstanding loan balance plus a charge for each check drawn. This type of service permits the borrower to have at his disposal a certain amount of credit which he may use in accordance with his needs.

"Charge account credit" is a service which may be provided through a bank's discounting of retail merchants' sales slips, of invoices which are drawn in the form of a bill of exchange and signed by the purchaser, as obligor. The purchaser, whose credit for this purpose has been previously passed upon by the bank, is billed monthly for the unpaid total of his sales slips discounted by the bank. Under this service the merchant receives immediate credit for his sales, and the customer may receive a single bill each month for his purchases at a number of stores. The discount received on the obligations so acquired compensates the bank for its services in providing credit, bookkeeping, and the billing of customers.

"Inplant" or "at work" financial service for employees in offices, plants and stores offers a convenient means whereby the employees may cooperate with each other and with their employers to arrange for forwarding applications for loans to a bank or banks, for salary allotments to make deposits or payments on personal, consumer, home improvement, and other types of loans, and for other services. Several plans of this kind are in use, all designed so that the employer's personnel may assist other employees in obtaining these financial services from a commercial bank without having to leave the premises where employed. Loan application forms are obtainable from the employer, to be filled out and mailed or delivered by other method to the bank for processing there for credit of the proceeds to the individual's account.

Many national banks now offer their installment credit borrowers "credit life insurance," which would extinguish the borrower's obligation to the bank if he were to die before completion of all of his installment payments. In this connection we have taken the position that a bank has an insurable interest in the lives of its borrowers to the extent of the amount of the unpaid balance of their loans.

Another service which is growing in popularity provides for the sale of registered checks or money orders to the public under an arrangement with retail merchants or others. Suitable agreements cover the procedure and operation of the plan, the duties of parties, the division of the fees charged for the checks sold, and matters of liability for loss of funds, provision for stopping payment of checks, and reimbursement for checks not used by customers. For national banks, the Comptroller of the Currency has taken the position that in States where the seller is not required to be licensed or an agent of the bank, the seller should be the agent of its customer rather than of the bank, and the customer should be informed of this relationship. The bank should not be obligated to honor any check before it has received funds for that check from the seller.

In States which have enacted legislation which requires the seller of registered checks to be licensed or to be an agent of the bank, a national bank may appoint the seller as its agent for the purpose of selling registered checks or money orders.

Liquidity

Measured on the basis of the $59.2 billion aggregate of cash, balances with other banks, including reserve balances and cash items in process of collection, and obligations of the United States held in relation to total deposits of $119.6 billion at the year end, the national banking system was 49.5 percent liquid compared to 53.5 percent at the close of 1958. Such assets equaled 71.6 percent of demand deposits compared to 77 percent at the close of 1958. The following tables show the liquidity of the national banking system over the past 10 years as measured in terms of cash assets and obligations of the United States less borrowings as related to total deposits.

Basic liquidity of the national banking system

[In millions of dollars]

	Cash and balances with other banks	U.S. Government obligations	Bills payable and rediscounts	Net	Deposits	Percent of coverage
1950	23,813.4	35,691.6	76.6	59,428.4	89,529.6	66.38
1951	26,012.2	35,156.3	15.5	61,153.0	94,431.6	64.76
1952	26,399.4	35,936.4	75.9	62,259.9	99,257.8	62.73
1953	26,545.5	35,588.8	14.9	62,119.4	100,947.2	61.54
1954	25,721.9	39,507.0	11.1	65,217.8	106,145.8	61.44
1955	25,763.4	33,690.8	107.8	59,346.4	104,218.0	56.94
1956	27,082.5	31,680.1	18.7	58,743.9	107,494.8	54.65
1957	26,865.1	31,338.1	38.3	58,164.9	109,436.3	53.15
1958	26,864.8	35,824.8	43.0	62,646.6	117,086.1	53.50
1959	27,464.2	31,761.0	340.4	58,884.8	119,637.7	49.22

Short term liquidity of the national banking system

[In millions of dollars]

	Treasury bills	Treasury certificates of indebtedness	Cash and balances with other banks	Total	Deposits	Percent of coverage
1950	2,414.0	1,095.9	23,813.4	27,323.3	89,529.6	30.52
1951	4,496.1	4,156.4	26,012.2	34,664.7	94,431.6	36.71
1952	4,486.1	3,073.1	26,399.4	33,958.6	99,257.8	34.21
1953	2,575.9	5,810.9	26,545.5	34,932.3	100,947.2	34.60
1954	2,906.1	2,993.0	25,721.9	31,621.0	106,145.8	29.79
1955	2,014.5	1,265.5	25,763.4	29,043.4	104,218.0	27.87
1956	2,808.1	1,051.0	27,082.5	30,941.6	107,494.8	28.78
1957	2,491.8	2,478.7	26,865.1	31,835.6	109,436.3	29.09
1958	3,122.6	3,633.1	26,864.8	33,620.5	117,086.1	28.71
1959	3,006.1	1,202.3	27,464.2	31,672.6	119,637.7	26.47

There are numerous formulas for computing bank liquidity and many views as to the proper relationship of the several kinds of liquid assets to the various types of deposit accounts, and deposit turnover or velocity of activity. Many formulas have been studied by the Comptroller's staff. Thus far none has been found to be universally reliable in determining the exact relationship that should be maintained in every bank. It has been observed that country banks having about equal proportions of demand and time deposits, exclusive of hypothecated deposits and accounts representing accumulated payments on loans, seldom borrow if the total of their cash, amounts due from banks, and 1-year bond maturities equals 25 percent of their total deposits so adjusted. It has been observed further that this percentage ranges down to 20 percent, decreasing proportionately as the volume of time deposits approaches 100 percent of total deposits, and upward proportionately to 30 percent as the volume of demand deposits approaches 100 percent of deposit liabilities. In converting these observations into test computations, the total of cash, its equivalent, and U.S. Government obligations is augmented by other liquid assets such as open market commercial paper, bankers' acceptances, and brokers' call loans that may readily be converted to cash without regard to the condition of the money market and without disrupting the local economy as might be the case should loans to the bank's regular customers be called to meet a need for cash. On the other hand, the bank's borrowings, if any, are deducted from its liquid assets of the types described above.

Obviously the problem of practical liquidity is complex and its solution generally involves both short and long-range planning of asset composition, with a loan and investment maturity pattern shaped to fit the bank's needs as related to the character of its deposits and their activity. It is emphasized that this type of computation is only a test that has been helpful in determining whether further analysis into liquidity factors should be made in reviewing reports of examination.

Investment Accounts

The year 1959 revealed a net decline of $4.1 billion in the U.S. Government holdings of national banks. The funds realized from this source were used in the $7.2 billion expansion of loans. The total of all other bonds remained practically unchanged. Maturities are concentrated on the short side as may be seen by reference to the tables below.

The practice of taking bond profits in one year and losses in another because of income tax considerations continues to be favored by banks and in 1959 a net loss of $440.4 million was absorbed. For comparative purposes data is provided below showing bond losses and recoveries for the past 6 years.

Recapitulation by maturities

(U.S. bonds as of Dec. 31, 1959; municipal and other bonds as of most recent examination reports—unadjusted)

[In millions of dollars]

	U.S. bonds	General obligation municipal bonds	Special revenue municipal authority and corporate bonds	Total
Up to 1 year	[1] 8,209	999	889	10,097
Over 1, not over 5 years	16,460	2,703	1,102	20,265
Over 5, not over 10 years	5,579	2,401	554	8,534
Over 10 years	1,476	1,300	491	3,267
Total	31,724	[2] 7,403	[3] 3,036	[4] 42,163

[1] Includes $402 million of nonmarketable U.S. bonds.
[2] Includes $1,556 million of general obligations of States and $642 million of housing authority obligations.
[3] Includes $1,231 million of special revenue municipal authority obligations and $1,045 million of Federal corporation (not guaranteed) bonds.
[4] Actually $42,351 million on Dec. 31, 1959.

Maturity position of U.S. bonds

[In millions of dollars]

	U.S. bonds				
	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1957	Dec. 31, 1958	Dec. 31, 1959
Up to 1 year	4,940	7,220	7,965	8,718	8,209
Over 1, not over 5 years	14,042	15,143	15,959	17,949	16,460
Over 5, not over 10 years	11,951	6,321	4,710	6,632	5,579
Over 10 years	2,754	2,992	2,702	2,522	1,476
Total	33,687	31,676	31,336	35,821	31,724

Results of bond activity

[In millions of dollars]

Year	Profits	Recoveries	Losses	Net profit	Net loss
1954	244.9	9.3	49.5	204.7	
1955	35.9	15.8	152.8		101.1
1956	11.4	13.0	239.0		214.6
1957	31.1	5.8	151.2		114.3
1958	353.1	12.4	67.5	298.0	
1959	24.8	18.3	483.5		440.4

Capital Structure

As of December 31, 1959, the 4,542 national banks had capital, surplus, undivided profits and reserves of $10.3 billion and their reserves for bad debts and other valuation reserves on loans totaled $1.2 billion, making an aggregate of capital funds and reserves of $11.5 billion. The combined capital structures increased $779 million during 1959 compared to a $667 million increase in 1958. Of this, $131 million represented proceeds from the sale of additional common stock by 262 national banks. In addition, the shareholders of 484 national banks, with the approval of the Comptroller, authorized the payment of stock dividends having a par value of $113 million. During the 10-year period from January 1, 1950, to December 31, 1959, 1,901 national banks strengthened their capital structures $1,463 million through the sale of additional common stock.

The combined capital structures of national banks represent 9.6 percent of their deposit liability and 8.6 percent of total assets. Gross assets at the year-end, without deduction of reserves for bad debts and valuation reserves, were $133.8 billion. After deducting $64.8 billion, representing cash or its equivalent, U.S. Government obligations, and loans or portions of loans guaranteed or insured by Federal Government agencies, the remaining $69 billion of the national banking system's resources was placed in loans, municipal and corporate bonds, and other assets. To support each $6 invested in these types of assets there is held $1 of capital funds and reserves ($5.78 at the close of 1958, $5.80 at the close of 1957, and $5.88 at the close of 1956).

Reports of examination by national bank examiners indicate that the volume of assets containing substantial and unwarranted degrees of risk is very moderate when measured against the protection afforded by the proprietary funds of national banks.

Earnings and Net Additions to Reserves

The national banks paid a total of $2,888 million in salaries and wages, taxes, and interest on deposits in 1959. Salaries and wages amounted to $1,372 million, of which $899 million went to 258,746 employees, $449 million was paid to 47,825 officers, and fees to directors accounted for $24 million. National banks paid $482 million in Federal income taxes, $24 million in State income taxes, and $143 million in various local taxes, for a total tax payment of $649 million. Interest on savings and other time deposits of $867 million approximated 2.35 percent on total time deposits of $36.9 billion outstanding at the year end, compared to $762 million interest paid in 1958 on year-end time money of $35.7 billion, which approximated 2.13 percent.

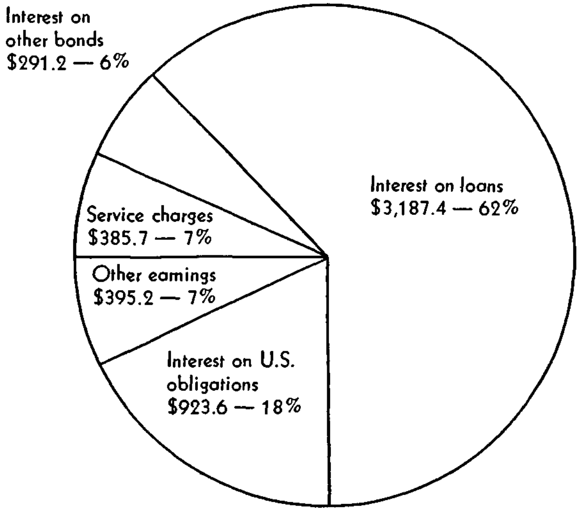
The sources and disposition of the income dollar of all national banks in 1959 is shown by the following illustration.

NATIONAL BANKS — 1959

SOURCE AND DISPOSITION OF THE INCOME DOLLAR

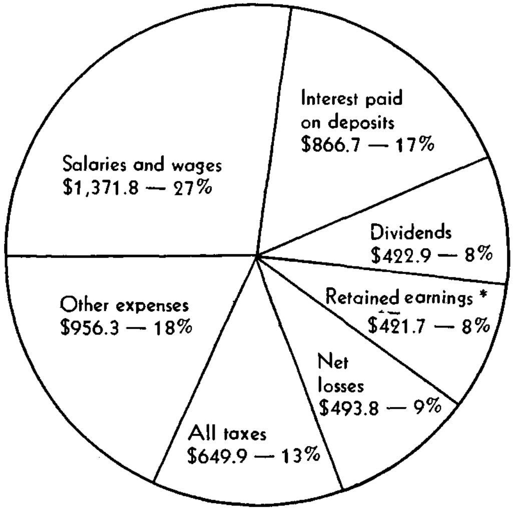
(In millions of dollars and percent of one dollar)

SOURCE



Total earnings from current operations	$5,183.1
Total source	5,183.1

DISPOSITION



*Reserve for bad debts (tax free)	$122.7
Valuation reserve — Loans	13.8
Valuation reserve — Bonds	—92.3
Retained earnings	377.5
	421.7
Expenses, dividends and net losses	4,761.4
Total disposition	5,183.1

Net earnings from current operations in 1959 rose 18 percent above the 1958 figure of $1,568.7 million to $1,844.8 million. Gross income rose to $5,183.1 million, $644.2 million above 1958 results, and outpaced the greater cost of doing business which was noted particularly in wages and higher rates of interest paid on an enlarged volume of time money.

Actual losses on loans, bonds, and other assets, recoveries on assets previously charged off, and bond profits, resulted in a net reduction in profits of $493.8 million. This was due to net losses on the sale of securities amounting to $440.4 million, and $53.4 million of losses on various other types of assets. Income taxes of $506.5 million amounted to 41.2 percent on taxable income of $1,228.3 million. The latter figure consists of net operating income of $1,844.8 million, less the above-mentioned $493.8 million of net losses, less $122.7 million net increase in initially tax-free bad debt reserves.

After the payment of taxes net profits before dividends for all national banks in 1959 were $800.3 million, compared to $889.1 million in 1958, a decline of 10 percent. The figure given is exclusive of $44.3 million of both taxable and initially nontaxable earnings transferred to effect a net increase in bad debt and valuation reserves. The sum of such net profits and net additions to reserves is equivalent to 8.2 percent of year-end capital accounts, down from 11.4 percent the preceding year. Cash dividends of $422.9 million (4.1 percent of year-end capital accounts) were paid to shareholders, as compared with $393 million in 1958. Net earnings retained, including net additions to reserves, amounted to $421.7 million, compared with $709.3 million retained in 1958.

Set forth below is a 5-year schedule of earnings, expenses, dividends, etc., per $100 (1) of assets and (2) capital funds.

Earnings, expenses, etc., of national banks for the years ended Dec. 31, 1955, 1956 1957, 1958 and 1959

[In dollars.* Indicates amounts in millions]

	1955	1956	1957	1958	1959
*Total assets at close of year	113,750	117,702	120,523	128,797	132,636
*Total capital accounts at close of year	7,936	8,472	9,093	9,669	10,302
*Gross earnings	3,437	3,833	4,284	4,539	5,183
Per $100 of assets	3.02	3.26	3.55	3.52	3.91
Per $100 of capital funds	43.31	45.24	47.11	46.94	50.31
*Gross expenses	2,105	2,336	2,707	2,970	3,338
Per $100 of assets	1.85	1.99	2.25	2.30	2.52
Per $100 of capital funds	26.53	27.57	29.77	30.71	32.40
*Net earnings from operations	1,332	1,497	1,577	1,569	1,845
Per $100 of assets	1.17	1.27	1.31	1.22	1.39
Per $100 of capital funds	16.78	17.67	17.34	16.23	17.91
*Net asset losses or recoveries (including bond profits, etc.) [1]	−154	−275	−180	+224	−494
Per $100 of assets	−.14	−.23	−.15	+.17	−.37
Per $100 of capital funds	−1.94	−3.25	−1.98	+2.31	−4.80
*Taxes (income)	446	432	545	690	506
Per $100 of assets	.39	.37	.45	.54	.38
Per $100 of capital funds	5.62	5.10	5.99	7.14	4.91
*Net profits before dividends	732	790	852	1,103	845
Per $100 of assets	.64	.67	.71	.85	.64
Per $100 of capital funds	9.22	9.32	9.37	11.40	8.20
*Cash dividends	310	330	364	393	423
Per $100 of assets	.27	.28	.30	.30	.32
Per $100 of capital funds	3.90	3.89	4.00	4.06	4.11
*Retained earnings	[2] 422	[2] 460	[2] 488	[2] 710	[2] 422
Per $100 of assets	.37	.39	.40	.55	.32
Per $100 of capital funds	5.32	5.43	5.37	7.34	4.10

[1] Exclusive of transfers to and from reserve for bad debts and other valuation reserves on loans and securities but including net losses charged to these reserves.

[2] Includes funds transferred to reserve for bad debts and valuation reserves less the amount of assets charged off against such reserve accounts. Includes $89 million in 1955, $143 million in 1956, $121 million in 1957, $213 million in 1958, and $44 million in 1959 transferred to effect a net increase in reserves for bad debts and valuation reserves. (Taxes would have absorbed a portion of these amounts had the transfers not been made.)

Bad Debt Reserves

Bad debt reserve accounts aggregated $1,137, 094, 000 at the close of 1959 in the 2,884 national banks which were then using the reserve method of accounting for income tax purposes. Those national banks held loans aggregating $57,762,698,000 (94 percent of loans totaling $61,163,850,000 owned by all national banks at the end of the year) and the bad debt reserves equalled 1.97 percent of such loans.

There was a net increase of $122,743,000 in bad debt reserve accounts during the year in those national banks which had such accounts on December 31, 1959. The net increase was accomplished by transfers and recoveries credited to these reserve accounts in the respective total amounts of $153,699,000 and $44,349,000, less losses of $68,391,000 and withdrawals of $6,914,000.

Branch Banking

A record number of applications for de novo branches was filed with the Comptroller by national banks during 1959. The applications numbered 691, representing a 40 percent increase as compared to the number received during 1958, and exceeding by 159 applications the previous record of 532 received in 1955.

The following represents the disposition of the 691 branch applications received during 1959:

	Number	Percentage
Approved (primary approvals of applications for permission to establish branches)	419	61.0
Rejected	124	18.0
Withdrawn	44	6.0
In process of investigation and study	104	15.0
Total	691	100.0

In 1959, certificates of authorization for the establishment and operation of 456 branches were issued, including 12 which had not yet opened for business on December 31, 1959. Seven branches which were authorized in 1958 did not open for business until 1959. This resulted in 451 branches opening for business during 1959. During this same period of time changes took place in existing branches, and at year-end there were 4,798 branches, including four seasonal agencies, being operated by 811 of the total 4,542 active national banks, and seven nonnational banks in the District of Columbia, reconciled as follows.

State	Branches in operation Dec. 31, 1958	Branches opened for business during 1959	Existing branches discontinued or consolidated during 1959	Branches in operation Dec. 31, 1959
Alabama	50	12		62
Alaska	11	4		15
Arizona	104	5		109
Arkansas	8	4		12
California	1,077	74	8	1,143
Connecticut	76	15	4	87
Delaware	1		1	
District of Columbia	55	10	6	[1] 59
Georgia	40	5		45
Hawaii	24	1		25
Idaho	66			66
Indiana	124	33	2	155
Iowa		4		4
Kansas	7	1		8
Kentucky	53	11	1	63
Louisiana	83	2		85
Maine	35	4		39
Maryland	57	8	2	63
Massachusetts	167	26	1	192
Michigan	174	12	3	183
Minnesota	[2] 6			6
Mississippi	17	3		20
Missouri		1		1
Nebraska	[2] 1			1
Nevada	19	1		20
New Hampshire	[2] 1			1
New Jersey	208	14	2	220
New Mexico	19	6		25
New York	385	39	6	418
North Carolina	86	14	8	92
North Dakota	1			1
Ohio	264	26	4	286
Oklahoma	8	2		10
Oregon	142	11	1	152
Pennsylvania	375	59		434
Rhode Island	47	1		48
South Carolina	87	3	2	88
South Dakota	23			23
Tennessee	102	14		116
Utah	37	1		38
Vermont	16	1		17
Virginia	106	10	3	113
Washington	222	14		236
Wisconsin	16			16
Virgin Islands	1			1
Total	4,401	451	54	4,798

[1] Includes 30 branches in operation by 6 nonnational banks in the District of Columbia under the supervision of the Comptroller of the Currency.
[2] Established prior to enactment of McFadden Act, Feb. 25, 1927.

The increased number of branch offices established during 1959 is largely attributable to the increasing population in suburban areas, requiring new or additional banking services. Traffic congestion and parking problems continued to prompt applicant banks to provide drive-in facilities, and 127 of the 451 branches opened for business during 1959 provided for this type of service. Branch offices were established in 61 communities without previous banking service.

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Branches opened for business during 1959 were distributed among areas with various population density, and established by banks of various sizes, as follows:

In suburban areas of large cities	28
In cities with population less than 5,000	101
In cities with population from 5,000 to 25,000	131
In cities with population from 25,000 to 50,000	38
In cities with population over 50,000	153
Total	451
By banks with less than $10MM total resources	68
By banks with total resources of $10MM to $25MM	49
By banks with total resources over $25MM	334
Total	451

In addition to reflecting the number of all banking units in relation to population and total banking resources, the following tabulation briefly summarizes the current status of branch banking statutes of States, the District of Columbia, and possessions of the United States.

State	Number of all banks	Number of all branches	Total banking units as of Dec. 31, 1959	Number of all banking units in relation to population: 1 per—	Total banking resources (in millions of dollars)
States permitting statewide branch banking:					
Alaska	18	18	36	5,300	197
Arizona	9	145	154	8,200	1,285
California	115	1,515	1,630	9,100	26,066
Connecticut	73	184	257	9,500	2,597
Delaware	20	52	72	6,400	754
District of Columbia	12	59	71	12,000	1,607
Hawaii	11	73	84	8,000	729
Idaho	32	80	112	6,000	695
Louisiana	187	159	346	9,300	3,199
Maine	54	119	173	5,500	716
Maryland	140	213	353	8,700	2,564
Nevada	7	34	41	7,000	445
North Carolina	192	448	640	7,200	3,118
Oregon	53	179	232	7,700	2,203
Rhode Island	9	88	97	9,100	984
South Carolina	145	128	273	8,900	1,113
Utah	49	65	114	7,900	1,037
Vermont	57	32	89	4,200	435
Washington	87	262	349	8,200	2,986
Total	1,270	3,853	5,123	8,400	52,730
States permitting branch banking within limited areas:					
Alabama	237	71	308	10,500	2,222
Arkansas [1]	236	40	276	6,300	1,367
Georgia	401	79	480	8,100	3,154
Indiana	450	272	722	6,500	5,033
Iowa [1]	671	172	843	3,400	3,358
Kansas [1]	593	15	608	3,600	2,510
Kentucky	358	129	487	6,500	2,533
Massachusetts	168	350	518	9,600	5,989

See footnotes at end of table.

State	Number of all banks	Number of all branches	Total banking units as of Dec. 31, 1959	Number of all banking units in relation to population: 1 per—	Total banking resources (in millions of dollars)
States permitting branch banking within limited areas—Continued					
Michigan	383	531	914	8,800	9,222
Mississippi	193	128	321	6,900	1,446
Missouri [1]	623	7	630	6,800	6,590
Nebraska [1]	426	1	427	3,400	1,792
New Jersey	258	391	649	9,300	7,608
New Mexico	52	45	97	9,200	750
New York	415	1,286	1,701	9,800	47,901
North Dakota [1]	156	27	183	3,500	840
Ohio	588	595	1,183	8,300	12,147
Oklahoma [1]	388	14	402	5,700	2,852
Pennsylvania	722	732	1,454	7,900	15,519
South Dakota	173	53	226	3,100	790
Tennessee	297	190	487	7,300	3,536
Virginia	309	237	546	7,400	3,526
Wisconsin	555	152	707	5,700	4,842
Total	8,652	5,517	14,169	7,300	145,527
States prohibiting branch banking, or with no laws regarding branch banking:					
Colorado	181	1	182	9,400	2,098
Florida	293		293	16,700	5,213
Illinois	955		955	10,800	18,550
Minnesota	687	6	693	5,000	4,479
Montana	116		116	6,000	874
New Hampshire [2]	75	2	77	7,800	455
Texas	988	8	996	9,700	12,884
West Virginia	183		183	10,800	1,415
Wyoming [2]	53		53	6,100	442
Total	3,531	17	3,548	9,500	46,410
Total United States	13,453	9,387	22,840	7,800	244,667
Possessions:					
Canal Zone [3]					22
Guam [3]					27
Puerto Rico [4]	10	104	114	20,600	665
American Samoa	1		1	21,000	3
Virgin Islands	2	1	3	8,000	31
Total possessions	13	105	118	16,500	748
Total—United States and possessions	13,466	9,492	22,958	7,900	245,415

[1] State laws permit offices with limited powers only.
[2] State laws silent regarding branch banking.
[3] Figures represent foreign branches of banks in United States.
[4] Figures include foreign branches of banks in United States.

NOTE.—Above figures do not include 518 mutual savings banks operating 447 branches with total resources of $38,943 million.

Applications To Organize National Banks

Seventy-nine applications to organize new national banks were received during 1959. Preliminary approval was granted to 21 applications, 17 were disapproved, 8 were withdrawn or abandoned, and 33 continue under investigation and study. The 21 approved cases have resulted in, or are expected to result in, the organization of new national banks in the following 10 States:

State	Number of approvals	Number of banks opened	Approvals total capital structure	Banks opened total capital structure
			Thousands	*Thousands*
California	2		$2,250	
Colorado		1		$400
Florida	5	2	3,636	1,310
Georgia	1	1	300	300
Hawaii	1		2,800	
Idaho		1		400
Illinois	2	1	600	300
Kentucky	1		500	
Louisiana		1		750
Maryland		2		1,500
Missouri		3		1,300
Ohio	1		500	
Oklahoma	2		1,500	
Oregon		1		500
Texas	5	7	2,900	3,500
Virginia	1		900	
Washington		2		1,100
Wisconsin		1		350
	[1] 21	[2] 23	15,886	11,710

[1] Approvals include 12 which actually opened for business in 1959. The remaining 9 had not completed organization.
[2] Includes 11 that were originally approved in 1957 and 1958, but did not open for business until 1959.

Information pertaining to the following factors, plus any peculiar to a particular case, are studied prior to acting upon applications for new charters.

A. *Management*
   1. Character, experience and financial responsibility of the proposed management.
   2. Purposes of the organizers.
   3. Proposed salaries of principal officers.
   4. Personal history of each organizer, proposed director, and proposed officer.
      a. Previous and current borrowing record.
      b. Years of banking experience.
      c. Occupational background.
      d. Personality, character, and general standing in the community.
      e. Financial statement.

B. *Ownership*
   1. Concentrated or reasonably well distributed.
   2. Consideration of principal shareholders other than organizers, proposed directors, and proposed officers.

C. *Capital*
   1. Adequacy of capital structure in relation to estimated deposits and assets.
   2. Legality.
   3. Adequacy in relation to competitive banks.
   4. Relationship of capital funds to proposed fixed asset investment.

D. *Earnings*
  1. Earnings prospects.
  2. Availability of banking business to support the proposed bank.
  3. Three-year projection of earnings and expenses.

E. *Convenience and needs*
  1. Economy and banking history of community.
  2. Population and size of area to be served.
  3. Future growth prospects of area.
  4. Location of proposed bank in relation to—
     a. Existing banking facilities.
     b. Financial needs of immediate trade area to be served. (Is area reasonably well or inadequately served by existing banks and branches).
     c. Would the bank require approval of branches in order to to achieve desired growth.
  5. Major type of loaning demands proposed bank expects to serve.

F. *Other*
  1. Recommendations of National Bank Examiner, District Chief National Bank Examiner, Assistant Chief National Bank Examiner, Chief National Bank Examiner, four deputy comptrollers.
  2. Recommendations from Board of Governors of the Federal Reserve System and from the Federal Deposit Insurance Corporation.
  3. Pending applications for establishment of branches or new banks in same area.
  4. Protests against establishment of proposed bank.
  5. Favorable comments made by parties outside the organizing group.
  6. Sampling of local opinion regarding proposed bank.

Bank Consolidations, Mergers, and Sales

During 1959, the Comptroller approved 86 consolidations, mergers, or cash absorptions as compared to 83 during 1958. In 1959, 78 national banks absorbed 46 national and 39 State banks. In addition, one District of Columbia nonnational bank was purchased by a District of Columbia nonnational bank. Twenty-seven national banks and 58 State banks were absorbed by other State banks as compared to 68 such absorptions the previous year. The following schedule contains details of the absorptions which occurred during 1959.

Consolidations, mergers, purchases—1959

Number of banks	Type	Total resources (in millions of dollars)
39	National banks consolidated or merged with and into 33 national banks	394
34	State banks consolidated or merged with and into 33 national banks	804
7	National banks purchased by 7 national banks	43
5	State banks purchased by 5 national banks	19
1	District of Columbia nonnational bank purchased by District of Columbia nonnational bank	47
86	Approved by Comptroller of Currency	1,307
25	National banks consolidated or merged with and into 25 State banks	296
2	National banks purchased by 2 State banks	2
58	State banks merged, consolidated or purchased by other State banks	2,083
85	Approved by State banking departments	2,381
171	Total banks absorbed	3,688

Conversions

	Number	Resources (in millions of dollars)	Capital structure (in millions of dollars)
State banks converted into national banks	9	354.82	49.0—converted into 9 national banks.
National banks converted into State banks	2	3.49	0.5—converted into 2 State banks.
	11	358.31	49.5[1].

[1] Reserves included in capital structure.

The shareholders of 73 national and State banks consolidated with 66 national banks received cash and book value stock from the 66 continuing banks aggregating $122,766,154 or $15,129,552 in excess of the aggregate book value of assets which those banks contributed to the consolidations. The excess amounted, on the average, to 1.39 percent of the aggregate deposits acquired by the continuing banks. On an estimated fair value assumption basis, the shareholders of the 73 absorbed banks contributed assets having an estimated fair value, in excess of liability to creditors, of $104,171,069 and received cash and fair value stock of the continuing banks aggregating $117,129,583 or $12,958,514 in excess of the aggregate fair value of assets which those banks contributed to the mergers or consolidations. The difference is accounted for through an estimated or fair appraisal value of fixed assets (bank premises, furniture, and fixtures), bond appreciation or depreciation, allowances for pension fund adjustments, excess reserves for taxes, etc., and amounted on the average to approximately 1.19 percent of the aggregate deposits acquired by the continuing banks.

The shareholders of 7 national banks and 5 State banks, which were purchased by 12 national banks, and the shareholders of 1 District of Columbia nonnational bank, which was purchased by a District of Columbia nonnational bank, received $10,841,799 in cash or $1,957,340 in excess of the selling banks' aggregate capital structures. This amounted, on the average, to 1.97 percent of the selling banks' deposits.

In the 10-year period from January 1, 1950, to December 31, 1959, the Comptroller's office approved the acquisition by national banks of 397 national banks and 416 State banks through consolidation, merger, or sale. After approval by their respective State banking departments, State-chartered banks absorbed 254 national banks. In addition, 432 State-chartered banks consolidated or merged with or were purchased by other State-chartered institutions. The following table shows the number of banks which have been absorbed since 1950 and their total resources.

Data on consolidations, mergers, purchases, and sales, and conversions—1950 to Dec. 31, 1959

Number of banks	Type	Total resources (in millions of dollars)
161	National banks consolidated with and into other national banks	3,780
84	National banks merged with other national banks	1,870
152	National banks purchased by other national banks	1,443
397	Total	7,093
141	State-chartered banks consolidated with and into national banks	3,041
77	State-chartered banks merged with national banks	922
198	State-chartered banks purchased by national banks	1,341
416	Total	5,304
1	District of Columbia nonnational bank consolidated with and into District of Columbia national bank	55
1	District of Columbia national bank purchased by District of Columbia nonnational bank	75
2	District of Columbia nonnational banks purchased by District of Columbia nonnational banks	86
4	Total	216
817	Approved by Comptroller of the Currency	12,613
158	National banks consolidated or merged with State-chartered banks	9,299
96	National banks purchased by State-chartered banks	911
432	State-chartered banks, merged, consolidated, or purchased by other State-chartered banks	7,297
686	Approved by State banking departments	17,507
1,503	Total for absorbed banks	30,120
	CONVERSIONS—1950 TO DEC. 31, 1959	
25	National banks converted into State-chartered banks	182
58	State-chartered banks converted into national banks	904

Fiduciary Activities of National Banks

As of December 31, 1959, the Board of Governors of the Federal Reserve System had authorized 1,736 national banks or 38.2 percent of all national banks to exercise either full, limited, or specific trust powers. Twenty-four national banks had specific powers only and four others had combinations of specific and limited powers. In addition three nonnational banks located in the District of Columbia were exercising trust powers. Some 243 national banks were not exercising their trust powers or 14.0 percent of the number having trust powers. Of this group 19 were granted powers during the year 1959, and it is presumed that these 19 will become active.

During the year 1959, 42 national banks were added to the list of those with trust powers and 4 received supplemental powers. The trust powers of 28 national banks were absorbed through consolidation or merger, and the specific trust powers of 2 national banks expired and were surrendered.

There is no uniform system for carrying values of trust department assets among corporate fiduciaries. Essentially there are two systems employed which are cost for assets purchased with appraised values for assets received in kind and unit value. Unit value systems carry bonds at $1 per $1,000 and stock at $1 per share or sometimes par value is used. A combination of both systems is usually found in any trust department and figures taken from trust ledgers have little meaning in relation to the actual value of the property held. The unit value system has the advantage of permitting assets to be set up immediately at a permanent carrying figure for audit purposes but usually requires the keeping of another set of books for tax purposes.

The trust figures as to dollar value which appear in this report and its appendix, except for figures on employee welfare and pension benefit plans for which national banks are trustees, are valuable primarily for comparative purposes from year to year. It is believed that to require national banks to furnish market values as of any given date would place a substantial and unjustified burden upon the banks and would be subject to other objections.

Of the total liabilities for accounts held by trust departments as of December 31, 1959, 39.5 percent were in living trusts and court accounts, and 60.0 percent in agency type accounts, and 0.5 percent in all other liabilities. Figures compiled for trust departments with total assets of $75 million and over show 79.15 percent of the total assets is held by 6.77 percent of the number of active trust departments. Gross earnings for 1959 were $182,016,000 which is an increase of $40,543,000 over the previous year and an alltime high.

At the end of 1959 there were 204 common trust funds operated under section 17(c) of Regulation F in 154 national banks. These funds showed a total ledger value of $684,122,301. Three nonnational banks in the District of Columbia operated four such funds with total ledger value of $13,034,410.

Tables Nos. 22 and 23 of the appendix show for the second time the market value of securities held in employee benefit accounts for which national banks are trustees. Most of the valuations were made during the year 1959, but a few 1958 and 1960 valuations have been used. Agency accounts held by banks which are not the trustee of any such plan are not included in the agency figure. The figures submitted cover 744 national banks and 3 nonnational banks. The increase since the previous report is 29.9 percent and 52.3 percent in number of plans and market value where the bank is trustee and has investment authority. For plans where the bank is trustee with no investment authority the increase is 9.3 and 36.1 percent respectively.

Litigation

In June 1959, the Commercial State Bank of Roseville, Mich., and the State Bank of Fraser, Mich., brought suit in the U.S. District Court for the District of Columbia seeking a declaratory judgment and an injunction preventing the Comptroller from issuing a certificate of approval for the establishment and operation by the Manufacturers National Bank of Detroit, Mich., of a branch bank in Clinton Township, Macomb County, Mich., on grounds that the branch could not legally be established. At the time the suit was brought the Comptroller had not yet given consideration to the application, and consequently had reached no decision as to whether the branch could be legally established nor as to whether he should approve or disapprove it. Nevertheless, plaintiffs' motion for a preliminary injunction was granted. On appeal to the U.S. Court of Appeals for the District of Columbia this decision was affirmed.

In July 1959, the First National Bank of Charleroi, Pa., brought suit against the Comptroller in the U.S. District Court for the District of Columbia seeking a declaratory judgment and an injunction preventing the Comptroller from permitting the use of the name "First National Bank of Pittsburgh, Charleroi Office," by a branch of a national bank to be located in Pittsburgh. Subsequently, the name of the proposed bank in Pittsburgh was changed to "Pittsburgh National Bank," and the suit was voluntarily dismissed.

In August 1959, the Broad Street Trust Co., Philadelphia, Pa., brought an action in the U.S. District Court in Philadelphia, Pa., for an injunction against the Comptroller and the Philadelphia National Bank, Philadelphia, Pa., seeking to prevent the establishment by the bank of a branch in Ridley Township, Delaware County, Pa. The Comptroller had approved the application. Upon motion by the Comptroller and the Philadelphia National Bank, this case was dismissed. Subsequently, the case was renewed against the Comptroller in the U.S. District Court for the District of Columbia, but later was voluntarily dismissed by the plaintiff.

In August 1959, the Bank of Livonia, Livonia, Mich., brought suit in the U.S. District Court for the District of Columbia seeking an injunction preventing the Comptroller from issuing a certificate of approval for the establishment and operation by the National Bank of Detroit, Mich., of a branch in Plymouth Township, Wayne County, Mich., on the grounds that the branch could not legally be established. At the time the suit was brought the Comptroller had not yet given consideration to the application, and consequently had reached no decision as to whether the branch could be legally established nor as to whether he should approve or disapprove it. A motion to dismiss filed on behalf of the Comptroller was denied and plaintiff's motion for a preliminary injunction was granted. The Comptroller has appealed the order granting the motion for a preliminary injunction to the U.S. Court of Appeals for the District of Columbia.

In September 1959, the Community National Bank of Pontiac, Mich., brought suit in the U.S. District Court in Detroit, Mich., against the Comptroller to require the Comptroller to revoke his certificate of authority and approval for the establishment and operation of a branch of the Manufacturers National Bank of Detroit, Mich., in Bloomfield Township, Oakland County, Mich. Pursuant to the authority granted by the Comptroller the branch had been established and was operating. In March 1960, a motion to dismiss on the ground that the Comptroller could not be sued in Michigan was denied without prejudice. The case is presently awaiting trial.

Legislation Enacted

Public Law 86–114, approved July 28, 1959, made several important changes in the law relating to reserves required to be maintained by member banks of the Federal Reserve System, and by holding company affiliates. (1) It permits the counting of currency and coin as reserves as authorized by regulation of the Board of Governors of the Federal Reserve System; (2) it requires the elimination by the end of 3 years of the classification "central reserve city," and provides that the reserve requirements against demand deposits for banks in reserve cities and central reserve cities shall be a minimum of 10 per centum of the aggregate amount of demand deposits, and a maximum of 22 per centum; (3) it amends R.S. 5144 (12 U.S.C. 61) to provide that where there is more than one holding company affiliate with respect to the same bank or group of banks the reserve required by R.S. 5144 (12 U.S.C. 61) need be established and maintained by only one holding company affiliate, to be designated by the Board of Governors of the Federal Reserve System.

Public Law 86–137, approved August 6, 1959, amended paragraph 7 of R.S. 5136 (12 U.S.C. 24), to permit national banks to deal in or underwrite bonds, notes, and other obligations issued by the Tennessee Valley Authority in total amounts not exceeding at any one time 10 percent of their capital and surplus.

Public Law 86–147, approved August 7, 1959, amended paragraph 7 of R.S. 5136 (12 U.S.C. 24), to permit national banks to deal in or underwrite obligations issued by the Inter-American Development Bank which are at the time eligible for purchase by a national bank for its own account, in total amounts not exceeding at any one time 10 percent of their capital and surplus.

Public Law 86–230, approved September 8, 1959, repealed various obsolete provisions of the national banking laws and amended other provisions to clarify and eliminate ambiguities. It also added new authority relating to (1) change of location of national banks; (2) liabilities of national banks to the Federal Deposit Insurance Corporation; (3) length of time within which national banks must furnish condition reports; (4) declaration of dividends of national banks; (5) receipt of deposits by corporations not examined and regulated; and (6) use of the word "national" in the title of national banks.

Public Law 86–251, approved September 9, 1959, authorized the appointment of an additional Deputy Comptroller of the Currency, thus raising to four the number of authorized Deputy Comptrollers; and it also increased the amount of the bonds required of the Comptroller and the Deputy Comptrollers.

This act also enlarged the borrowing authority of national banks from sources other than the Federal Reserve banks, from a limit of 100 percent of capital to a new limit of 100 percent of capital plus 50 percent of surplus.

In addition, the act made a number of changes in the lending authority of national banks.

1. It increased from 10 percent to 25 percent of capital and surplus the amount which a national bank may lend to a single borrower where the loan is secured by refrigerated or frozen readily marketable staples with a market value at least 15 percent higher than the amount

of the loan in excess of the 10 percent limit. Such staples must be fully covered by insurance.

2. It increased from 10 percent to 25 percent the amount of paper which a national bank may discount for a dealer in dairy cattle when the paper is secured by the dairy cattle being sold.

3. It eliminated the requirement that obligations secured by Government bonds or notes must be "in the form of notes" in order to qualify under exception 8 to R.S. 5200.

4. It added to R.S. 5200 a new exception 13 designed to deal exclusively with installment consumer paper, whether negotiable or nonnegotiable. The new exception provides for a limitation of 15 percent of capital and surplus in addition to the basic 10 percent limit, but contains a proviso to the effect that if the bank's files or the knowledge of its officers of the financial condition of each maker of such obligations is reasonably adequate, and if certification is made by a designated officer that the responsibility of each such maker has been evaluated and the bank is relying primarily upon him for the payment of such obligations, the limitations of the section as to the obligations of each such maker shall be the sole applicable loan limitation. Such certification is required to be in writing and must be retained as part of the records of the bank until payment in full. Under this proviso, obligations with respect to which the responsibility of the makers have been evaluated need not be included in the dealer's line of credit for purposes of the applicability of the loan limitation to him.

5. It liberalized the restrictions on loans secured by leaseholds by providing that a loan may be made by a national bank secured by a leasehold which does not expire for at least 10 years beyond the maturity date of the loan.

6. It increased to 75 percent the percentage of the appraised value of real estate which may be loaned by a national bank upon real estate security but with a requirement that such a loan must be fully amortized so that the periodic installments will be sufficient to pay the entire amount of the principal and interest by the maturity of the loan.

7. It provided that the limitations and restrictions relating to the percentage of appraised value which may be loaned upon real estate security shall not apply to loans which are fully guaranteed or insured by a State, or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged, if under the terms of the guaranty or insurance agreement the bank will be assured of repayment in accordance with the terms of the loan.

8. It added authority for national banks to make loans to finance the construction of industrial or commercial buildings through loans having maturities not to exceed 18 months where there is a valid and binding agreement entered into by a financially responsible lender to advance the full amount of the bank's loan upon the completion of the buildings. Such loans are to be classed as ordinary commercial loans and not regarded as real estate loans. The aggregate limit on construction loans was increased from 50 percent of capital and surplus to 100 percent of capital and surplus.

9. It added a new provision permitting national banks to make working capital loans to manufacturing or industrial enterprises

secured by liens on the physical properties of the enterprise, including plant real estate, without such loans being regarded as real estate loans, where the banks look for repayment out of the operations of the borrowers' businesses, relying primarily on their general credit standings and forecasts of operations.

Public Law 86–372, approved September 23, 1959, the Housing Act of 1959, amended section 203 of the National Housing Act to provide that loans secured by mortgages insured under that section should not be taken into account in determining the amount of real estate loans which a national bank may make in relation to its capital and surplus or its time and savings deposits. In other words, loans insured under section 203 need not be included for the purposes of the aggregate limit on real estate loans which may be made by a national bank.

This act also amended R.S. 5136, which prescribes limitations and restrictions on the purchasing, dealing in, and underwriting of investment securities by national banks, to eliminate from an exception to its provisions, the 18-month maturity limitation on obligations secured by an agreement between a local public agency as defined in the Housing Act of 1949, and the Housing and Home Finance Administrator in which the local public agency agrees to borrow from the Administrator, and the Administrator agrees to lend to the local public agency moneys in an aggregate amount which (together with any other moneys irrevocably committed to the payment of interest on such obligations) will suffice to pay, when due, the interest on and all installments (including the final installment) of the principal of such obligations, which moneys under the terms of said agreement are required to be used for such payments.

Examinations Conducted

The National Bank Act requires that each national bank be examined at least twice each year in order that the Comptroller may be kept currently informed of its condition and require such corrections as are deemed necessary with a view to maintaining each bank in sound condition. However, the Comptroller is authorized to waive an examination with respect to any particular bank not more frequently than once in a 2-year period. In addition to the regular examinations, special examinations are conducted of banks the condition of which is regarded as unsatisfactory. Also, the District Code authorizes the Comptroller to examine each nonnational bank and trust company in the District of Columbia.

During the year ended December 31, 1959, 6,607 examinations of banks, 6,427 examinations of branches, 1,543 examinations of trust departments and trust branches, and 85 examinations of affiliates were conducted. Fifty-six foreign branches located in 19 countries were also examined. Two State banks were examined in connection with consolidations and mergers with, or purchase by, national banks, and nine State banks were examined in connection with conversions to national banks. Investigations were conducted in connection with applications for 76 new charters and 674 new branches.

Organization and Staff

An amendment to section 4, title 12 of the United States Code, effective September 9, 1959, provided for the appointment of an additional Deputy Comptroller of the Currency, and on September 15, 1959, Mr. Chapman C. Fleming, Assistant Chief National Bank Examiner in the Washington office, was appointed to this position. Mr. John R. Thomas, a national bank examiner from the New York district, succeeded Mr. Fleming as Assistant Chief National Bank Examiner.

The total personnel of the Office of the Comptroller of the Currency on December 31, 1959, consisted of 1,146 persons, 196 of whom were employed in the Washington office, including 32 in the Federal Reserve Issue and Redemption Division, the operating expense of which is borne by the Federal Reserve banks. The total number employed in the Washington office increased by one during the year. The total number in the field service increased by one during the year 1959.

More than 85 percent of the field personnel consisted of the national bank examining staff and, during the year, 18 national bank examiners left the service by resignation, retirement, and due to deaths, and 1 was promoted to Assistant Chief National Bank Examiner in the Washington office. Also during the year, 15 assistant examiners were promoted to examiner and a former examiner was reappointed, resulting in a net decrease of 3 examiners. Of the staff of assistant examiners, 88 left the service during the year by resignation, retirement, promotion to examiner, etc., and 89 assistant examiners were added to the staff, a net increase of 1. There were 258 examiners and 573 assistant examiners in the service at the year-end.

The educational program for national bank examiners and assistants, mentioned in previous reports, continued during the year, and at the year-end 357 examiners and assistants had completed the courses given in the interagency school established jointly in 1952 by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. Courses at the Graduate Schools of Banking, at Rutgers University, the University of Wisconsin, the University of Washington, the University of Louisiana, and Southern Methodist University, had been completed by 75 examining staff members at the year-end and 24 were still enrolled in courses at these schools. Extension courses given by the American Institute of Banking had been completed by 310 members of the examining staff at the year-end and 213 were still enrolled in these courses.

The following table which has appeared in previous reports is again included to show how the work of the entire staff of 1,146 employees is organized and their services utilized.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
I. Executive Organization			
(Policy and general supervision, all located in Washington, D.C.)			
Comptroller of the Currency	1	[1] 2	3
Deputy Comptrollers	4	[1] 4	8
Chief National Bank Examiner	1	[1] 1	2
	6	7	13
II. Field Organization			
(Located in 12 Federal Reserve districts)			
District Chief National Bank Examiners Policy and supervision, subject to executive staff in group I, above, of all field activities.	12	[1,2,3,4] 119	131
National Bank Examiners Perform examination of 4,549 banks, 4,798 branch offices, and make investigations of new branch and charter applications, etc.	246		246
Assistant National Bank Examiners Assist National Bank Examiners.		573	573
	258	692	950
III. Washington Staff Organization			
(*a*) Examining Division Assistant Chief National Bank Examiners. Receive and analyze all reports of examination of national and District banks, and investigation reports on new branches and charters. Make recommendations to executive staff in group I, above, as to dispositions of cases, and prepare letters to banks, district chiefs, and others. Confer with bankers, executive and staff representatives of the Federal Reserve System and the Federal Deposit Insurance Corporation, and District Chief National Bank Examiners, regarding banking and supervisory matters. One Assistant Chief also serves as head of the Personnel and Administrative Division, and one also serves as head of the field organization educational programs.	8	[1,2,3,4] 22	30
(*b*) Organization Division Supervises activities of all national and District banks as to corporate and organization matters; i.e., new charters, branches, consolidations, mergers, purchase and assumption cases, sale of new capital stock, stock dividends, articles of association, etc. Final decisions made by executive staff in group I, above, after review with recommendations by Assistant Chief National Bank Examiners, and usually with the benefit of facts and recommendations furnished by District Chief National Bank Examiners and National Bank Examiners.	4	[1,2,3,4] 18	22
(*c*) Legal Division Serves as counsel for the Comptroller of the Currency. Considers all legal matters arising in the organization, operation, merging, and discontinuance of national and District banks. Prepares opinions, rulings, and correspondence on legal questions. Assists on all legislative matters. Exercises general supervision over conduct of litigation.	1	[5] 3 [1] 4	8
(*d*) Personnel and Administrative Division Performs functions relating to recruitment, transfer, promotion, separation, retirement, time and leave. Supervises and includes personnel in mail and files section, supply and duplicating section, stenographic pool, and messenger pool.	1	[2,3,4,6] 24	25
(*e*) Reports and Precedents Division Maintains all legal and policy precedents: receives reports of examination of all national and District banks from District Chief National Bank Examiners for binding, recording, and distribution. Supervises and places orders for printing work that pertains to Examining Division and the field organization.	1	[1,2,3] 4	5
(*f*) Statistical Division Compiles data indicative of banking trends for the information of the Comptroller and his staff, Congress, other banking agencies, bankers, economists, and others through examination and tabulation of data incorporated in call reports of condition and reports of earnings and dividends of national and District banks.	2	[1,2,3] 22	24

See footnotes at end of table.

Division	Executive or supervisory	Assistant examiners, assistant counsel, administrative assistants, auditors, secretaries, typists, clerks	Total
III. WASHINGTON STAFF ORGANIZATION—Continued			
(g) Auditor for the Comptroller Accountable to the Comptroller of the Currency only. Maintains audits for the Comptroller of all acounts covering funds under control of the Disbursing Office including detailed audits of all collections and disbursements of funds: prepares and submits periodic audit reports to Comptroller; tabulates information and statistics on special subjects.	2	[1 2 3 7] 9	11
(h) Disbursing Division Receives all checks in payment of fees for examinations and makes deposits to the Comptroller's Treasury account. Maintains accounts covering funds of Examining Division and of Federal Reserve Issue and Redemption Division and makes all disbursements from these accounts covering payrolls, travel vouchers, and miscellaneous expenses. Makes all purchases of equipment and supplies from Examining Division funds.	2	[1 2 3 6] 24	26
(i) Federal Reserve Issue and Redemption Division All expenses of this division paid by Federal Reserve banks. Handles the issuance and redemption of Federal Reserve currency as provided under the Federal Reserve Act. Maintains detailed records of all shipments of original currency issues and of unfit currency notes destroyed.	2	[1 2 3 8] 30	32
	23	160	183
Grand total	287	859	1,146

[1] Secretarial. [2] Typists. [3] Clerical. [4] Administrative. [5] Attorney. [6] Messengers. [7] Accountants. [8] Money counters.

Expenses of the Bureau

A summary statement of the operating expenses of the Bureau for the year ended December 31, 1959, follows:

	Bank supervision	Currency issue and redemption	Total
Salaries	$7,526,583.91	$154,354.77	$7,680,938.68
Per diem	1,618,450.42	0	1,618,450.42
Transportation	582,444.33	0	582,444.33
Supplies	25,539.48	1,016.03	26,555.51
Printing, books, and periodicals	71,907.88	309.24	72,217.12
Rent	152,633.20	0	152,633.20
Furniture and fixtures	24,863.78	0	24,863.78
Communications	77,819.85	638.00	78,457.85
Fixed charges	0	15,996.90	15,996.90
Maintenance	0	324.94	324.94
Treasurer's Federal Reserve note audit expense	0	11,688.00	11,688.00
Employer's F.I.C.A. and Insurance Fund contributions	25,100.92	485.85	25,586.77
Employer's civil service retirement contributions	482,306.40	10,034.04	492,340.44
Miscellaneous	35,006.37	6,959.77	41,966.14
Total	10,622,656.54	201,807.54	10,824,464.08

Funds used in payment of the bank supervision costs are derived from assessments against the banks supervised. The cost of operating the division which handles the currency issue and redemption functions is paid by the Federal Reserve banks.

A comparison of the assets and liabilities of the banks in the national banking system as of December 31, 1958, March 12, June 10, October 6, and December 31, 1959, reported pursuant to calls for condition statements by the Comptroller of the Currency, is shown in the following table.

Assets and liabilities of national banks on dates indicated

[In thousands of dollars]

	Dec. 31, 1958 (4,585 banks)	Mar. 12, 1959 (4,569 banks)	June 10, 1959 (4,559 banks)	Oct. 6, 1959 (4,550 banks)	Dec. 31, 1959 (4,542 banks)
ASSETS					
Loans and discounts, including overdrafts	52,796,224	53,217,140	55,815,846	58,453,887	59,961,989
U.S. Government securities, direct obligations	35,821,327	34,787,430	33,147,723	31,429,322	31,723,878
Obligations guaranteed by U.S. Government	3,433	3,045	4,604	21,408	37,092
Obligations of States and political subdivisions	8,845,522	9,005,281	9,071,985	9,204,383	9,036,149
Other bonds, notes, and debentures	1,836,523	1,769,676	1,650,551	1,596,997	1,553,557
Corporate stocks, including stocks of Federal Reserve banks	281,419	288,263	291,561	297,045	302,179
Total loans and securities	*99,584,448*	*99,070,835*	*99,982,270*	*101,003,042*	*102,614,844*
Cash, balances with other banks, including reserve balances, and cash items in process of collection	26,864,820	24,198,819	23,834,503	24,828,861	27,464,245
Bank premises owned, furniture and fixtures	1,326,352	1,365,748	1,399,868	1,451,092	1,476,979
Real estate owned other than bank premises	33,575	35,941	38,935	41,906	45,113
Investments and other assets indirectly representing bank premises or other real estate	127,075	125,461	130,657	134,684	142,737
Customers' liability on acceptances	321,852	272,213	261,640	281,660	291,947
Other assets	538,844	511,462	606,918	593,599	600,248
Total assets	128,796,966	125,580,479	126,254,791	128,334,844	132,636,113
LIABILITIES					
Demand deposits of individuals, partnerships, and corporations	61,785,222	59,483,011	58,917,809	59,274,141	62,496,399
Time deposits of individuals, partnerships, and corporations	32,614,707	33,229,040	33,779,747	34,289,639	34,385,356
Deposits of U.S. Government and postal savings	2,574,937	1,632,249	1,764,845	2,874,947	2,945,079
Deposits of States and political subdivisions	8,426,763	8,168,870	8,072,361	7,749,004	8,469,237
Deposits of banks	9,809,186	8,585,962	8,522,813	8,735,201	9,460,445
Other deposits (certified and cashiers' checks, etc.)	1,875,313	1,618,181	1,601,688	1,681,835	1,881,161
Total deposits	117,086,128	112,717,313	112,659,263	114,604,767	119,637,677
Demand deposits	*81,351,799*	*76,442,827*	*75,776,926*	*77,701,515*	*82,703,114*
Time deposits	*35,734,329*	*36,274,486*	*36,882,337*	*36,903,252*	*36,934,563*
Bills payable, rediscounts, and other liabilities for borrowed money	43,035	917,898	1,419,817	1,363,830	340,362
Mortgages or other liens on bank premises and other real estate	1,626	1,549	1,566	3,140	3,424
Acceptances outstanding	330,616	281,528	270,010	292,696	307,511
Other liabilities	1,666,760	1,802,034	1,863,497	1,766,889	2,045,022
Total liabilities	119,128,165	115,720,322	116,214,153	118,031,322	122,333,996

1959

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CAPITAL ACCOUNTS					
Capital stock (see memoranda below)	2, 951, 279	3, 054. 457	3, 078, 875	3, 136, 757	3, 169, 742
Surplus	4, 718, 459	4, 821, 012	4, 857, 509	4, 963, 740	5, 062, 084
Undivided profits	1, 711, 435	1, 712, 065	1, 843, 558	1, 948, 004	1, 814, 637
Reserves and retirement account for preferred stock	287, 628	272, 623	260, 696	255, 021	255, 654
Total capital accounts	9, 668, 801	9, 860, 157	10, 040, 638	10, 303, 522	10, 302, 117
Total liabilities and capital accounts	128, 796, 966	125, 580, 479	126, 254, 791	128, 334, 844	132, 636, 113
MEMORANDA					
Par value of capital stock:					
Common stock	2, 947, 787	3, 051, 015	3, 075, 784	3, 133, 666	3, 166, 651
Preferred stock	3, 492	3, 442	3, 091	3, 091	3, 091
Total	2, 951. 279	3, 054, 457	3, 078, 875	3, 136, 757	3, 169, 742
Retirable value of preferred capital stock	3, 692	3, 642	3, 291	3, 291	3, 291
Assets pledged or assigned to secure liabilities and for other purposes (including notes and bills rediscounted and securities sold with agreement to repurchase)	15, 977, 013	16, 488, 034	16. 936, 993	17, 092, 993	16, 568, 144

TRENDS IN BANKING

The following table shows the changes that have occurred in recent years in the relationships of the major asset and liability accounts of national banks to the aggregate of assets and liabilities.

Distribution of assets and liabilities of national banks, Dec. 31, 1956–59

	1956	1957	1958	1959
ASSETS				
Securities:	*Percent*	*Percent*	*Percent*	*Percent*
U.S. Government, direct and guaranteed	26.91	26.00	27.81	23.95
Obligations of States and political subdivisions	5.97	6.22	6.87	6.81
Stock of Federal Reserve banks	.17	.18	.18	.19
Other bonds and securities	1.36	1.60	1.47	1.21
Total securities	34.41	34.00	36.33	32.16
Loans and discounts	40.99	41.90	40.99	45.21
Cash and balances with other banks, excluding reserves	13.27	12.77	12.21	12.23
Reserve with Reserve banks	9.74	9.53	8.65	8.48
Bank premises, furniture, and fixtures	.93	.98	1.03	1.11
Other real estate owned	.03	.03	.03	.03
All other assets	.63	.79	.76	.78
Total assets	100.00	100.00	100.00	100.00
LIABILITIES				
Deposits:				
Demand of individuals, partnerships, and corporations	50.62	48.72	47.97	47.12
Time of individuals, partnerships, and corporations	22.32	24.18	25.32	25.92
U.S. Government	2.00	2.00	1.99	2.21
States and political subdivisions	6.34	6.53	6.54	6.39
Banks	8.37	7.87	7.62	7.13
Other deposits (including postal savings)	1.68	1.50	1.46	1.43
Total deposits	91.33	90.80	90.90	90.20
Demand deposits	*67.14*	*64.62*	*63.16*	*62.35*
Time deposits	*24.19*	*26.18*	*27.74*	*27.85*
Other liabilities	1.47	1.65	1.59	2.03
Capital funds:				
Capital stock	2.24	2.33	2.29	2.39
Surplus	3.52	3.67	3.67	3.82
Undivided profits and reserves	1.44	1.55	1.55	1.56
Total capital funds	7.20	7.55	7.51	7.77
Total liabilities and capital funds	100.00	100.00	100.00	100.00

EARNINGS, EXPENSES, AND DIVIDENDS OF NATIONAL BANKS FOR YEAR ENDED DECEMBER 31, 1959

Summaries of the earnings, expenses, and dividends of national banks for the years ended December 31, 1958 and 1959, are shown in the following table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1958 and 1959

[In millions of dollars]

	1959	1958	Change since 1958
Number of banks [1]	4,542	4,585	−43
Capital stock (par value) [2]	3,066.6	2,875.1	+191.5
Capital accounts [2]	10,003.9	9,412.6	+591.3
Earnings from current operations:			
Interest and dividends on—			
U.S. Government obligations	923.6	839.1	+84.5
Other securities	291.2	267.6	+23.6
Interest and discount on loans	3,187.4	2,739.2	+448.2
Service charges on deposit accounts	294.8	269.6	+25.2
Other current earnings	486.1	423.4	+62.7
Total	5,183.1	4,538.9	+644.2
Current operating expenses:			
Salaries, wages, and fees	1,371.8	1,263.9	+107.9
Interest on time deposits (including savings deposits)	866.7	762.3	+104.4
Taxes other than on net income	143.4	125.9	+17.5
Recurring depreciation on banking house, furniture, and fixtures	104.7	91.2	+13.5
Other current operating expenses	851.6	726.9	+124.7
Total	3,338.2	2,970.2	+368.0
Net earnings from current operations	1,844.8	1,568.7	+276.1
Recoveries, transfers from valuation reserves, and profits:			
On securities:			
Recoveries	15.7	5.5	+10.2
Transfers from valuation reserves	69.7	33.1	+36.6
Profits on securities sold or redeemed	24.8	353.1	−328.3
On loans:			
Recoveries	9.4	11.3	−1.9
Transfers from valuation reserves	23.7	27.6	−3.9
All other	27.3	30.6	−3.3
Total	170.5	461.1	−290.6
Losses, chargeoffs, and transfers to valuation reserves:			
On securities:			
Losses and chargeoffs	361.6	54.8	+306.8
Transfers to valuation reserves	96.7	159.7	−63.0
On loans:			
Losses and chargeoffs	11.1	11.6	−.5
Transfers to valuation reserves	184.3	157.7	+26.6
All other	54.9	66.6	−11.7
Total	708.5	450.4	+258.1
Profits before income taxes	1,306.8	1,579.4	−272.6
Taxes on net income:			
Federal	482.5	658.6	−176.1
State	24.0	31.7	−7.7
Total	506.5	690.3	−183.8

See footnotes at end of table.

Earnings, expenses, and dividends of national banks for years ended Dec. 31, 1958 and 1959—Continued

[In millions of dollars]

	1959	1958	Change since 1958
Net profits before dividends	800.3	889.1	−88.8
Cash dividends declared:			
On preferred stock	.2	.2	.0
On common stock	422.7	392.8	+29.9
Total	422.9	393.0	+29.9
Memoranda items:			
Recoveries credited to valuation reserves (not included in recoveries above):			
On securities	2.6	6.9	−4.3
On loans	45.4	38.9	+6.5
Losses charged to valuation reserves (not included in losses above):			
On securities	121.9	12.6	+109.3
On loans	69.4	76.8	−7.4
Stock dividends (increases in capital stock)	113.4	108.5	+4.9
Ratios:	*Percent*	*Percent*	*Percent*
Expenses to gross earnings	64.41	65.44	−1.03
Net profits before dividends to capital accounts	8.00	9.45	−1.45
Cash dividends to capital stock	13.79	13.67	+.12
Cash dividends to capital accounts	4.23	4.18	+.05

[1] Number at end of period. Remaining figures include earnings, expenses, etc., of those banks which were in operation a part of the year but were inactive at the close of the year.

[2] Figures are averages of amounts reported for the June and December call dates in the current year and the December call date in the previous year.

NOTE.—Figures are rounded to the nearest 10th of a million and may not equal totals.

STRUCTURAL CHANGES IN THE NATIONAL BANKING SYSTEM

The authorized capital stock of the 4,539 national banks in existence on December 31, 1959, consisted of common capital stock aggregating $3,167,696,778, a net increase during the year of $208,837,549, and preferred capital stock of $3,090,670, a net decrease during the year of $401,000. These figures include one bank recently chartered but not yet open for business and two banks which resulted from the conversions of two State banks into national banks at the close of business on December 31, 1959. The figures exclude six banks which furnished reports of condition in response to the call, although two of them had converted into State banks, three had merged or consolidated with other national banks, and one had merged or consolidated with a State bank, all effective as of the close of business on December 31, 1959.

In addition to 57 applications with proposed common capital stock of $25,928,000 carried over from the previous year, 94 applications were received to organize national banks and to convert State banks into national banking associations with proposed capital stock of $27,260,000. Of these applications, 44 with proposed common capital stock of $13,135,000 were approved; 25 with proposed common capital stock of $5,370,000 were rejected; and the remainder had been abandoned or were still pending on December 31. From the applications carried over from the previous year and those approved during 1959, 33 national banking associations with common capital stock of $21,225,000 were authorized to commence business. Of the charters issued, nine with common capital stock of $14,685,000 resulted from the conversions of State banks.

Changes in the number and capital stock of national banks during the year ended December 31, 1959, are shown in the following summary.

Organization, capital stock changes, and national banks closed as reported during the year ended Dec. 31, 1959

	Number of banks	Capital stock	
		Common	Preferred
Increases:			
Banks newly chartered:			
Primary organizations	24	$6,540,000	
Reorganizations			
Conversions of State banks	9	14,685,000	
Capital stock—Common:			
262 cases by statutory sale		45,816,570	
484 cases by statutory stock dividend		113,416,504	
28 cases by statutory consolidation		22,018,225	
26 cases by statutory merger		14,798,250	
Total increases	33	217,274,549	
Decreases:			
Banks ceasing operations:			
Voluntary liquidations:			
Succeeded by national banks	7	1,400,000	
Succeeded by State banks	2	75,000	
Statutory consolidations	17		
Statutory mergers	22		
Conversions into State banks	2	126,000	
Merged or consolidated with State banks (Public Law 706)	25	5,705,000	
Receivership			
Capital stock:			
Preferred: 2 cases by retirement			$401,000
Common:			
2 cases by statutory reduction		210,000	
2 cases by statutory consolidation		211,000	
5 cases by statutory merger		710,000	
Total decreases	75	8,437,000	401,000
Net change	−42	208,837,549	−401,000
Charters in force Dec. 31, 1958, and authorized capital stock	4,581	2,958,859,229	3,491,670
Charters in force Dec. 31, 1959, and authorized capital stock	4,539	3,167,696,778	3,090,670

NATIONAL BANK NOTES OUTSTANDING

There were, as of December 31, 1959, $56,749,403 of national bank notes outstanding.

ASSETS AND LIABILITIES OF ALL BANKS IN THE UNITED STATES AND POSSESSIONS

The total assets of all classes of active banks in the United States and possessions on December 31, 1959, amounted to $284,358 million, an increase of $6,478 million since December 31, 1958.

The total deposits at the end of 1959 amounted to $255,497 million, an increase of $4,165 million over 1958. Included in the latter aggregate are deposits of individuals, partnerships, and corporations of $214,343 million, an increase of $4,667 million in the year. Deposits of the U.S. Government, including postal savings deposits, were $5,372 million, an increase of $706 million; deposits of States and political subdivisions amounting to $14,749 million showed an increase of $27 million, and deposits of banks of $17,104 million were $1,100 million less than in 1958.

Loans and discounts amounted to $136,410 million in December 1959 after deducting reserves of $2,402 million for possible future losses. The net loans were $14,123 million over the amount reported as of the end of 1958. Commercial and industrial loans of $40,490 million were $281 million less than the 1958 figure; real estate loans of $53,137 million were up $4,351 million, and all other loans of $45,205 million increased $10,287 million.

The banks held obligations of the U.S. Government, direct and guaranteed of $65,882 million in December 1959, a decrease of $8,053 million in the year. Obligations of States and political subdivisions held amounted to $17,715 million, an increase of $404 million, and other securities held amounted to $8,416 million, a decrease of $663 million. The total of all securities held at the end of 1959 was $92,013 million, and represented 32 percent of the banks' total assets. At the end of the previous year the ratio was 36 percent.

Cash and balances with other banks, including reserve balances, in 1959 were $50,362 million, an increase of $215 million since the previous year end.

Total capital accounts were $22,973 million, compared to $21,822 million at the end of 1958, an increase of 5 percent.

A statement of the assets and liabilities of all classes of active banks at the end of December 1958 and 1959 follows.

Assets and liabilities of all banks in the United States and possessions, 1958 and 1959

[In millions of dollars]

	Dec. 31, 1959	Dec. 31, 1958	Change since 1958
Number of banks	13,984	14,034	−50
ASSETS			
Real estate loans	53,137	48,786	+4,351
Loans to financial institutions:			
Domestic commercial and foreign banks	825	723	+102
Other	7,132	(1)	+7,132
Loans to brokers and dealers in securities and other loans for the purpose of purchasing or carrying securities	4,877	4,698	+179
Loans to farmers directly guaranteed by the Commodity Credit Corporation	200	814	−614
Other loans to farmers	4,830	4,179	+651
Commercial and industrial loans (including open-market paper)	40,490	40,771	−281
Other loans to individuals	24,509	21,034	+3,475
All other loans (including overdrafts)	2,812	3,470	−658
Total gross loans	138,812	124,475	+14,337
Less valuation reserves	2,402	2,188	+214
Net loans	136,410	122,287	+14,123
U.S. Government obligations, direct and guaranteed	65,882	73,935	−8,053
Obligations of States and political subdivisions	17,715	17,311	+404
Other bonds, notes, and debentures	7,015	7,661	−646
Corporate stocks, including stocks of Federal Reserve banks	1,401	1,.18	−17
Total securities	92,013	100,325	−8,312
Currency and coin	3,170	3,452	−282
Balances with other banks, including reserve balances, and cash items in process of collection	47,192	46,695	+497
Bank premises owned, furniture and fixtures	2,884	2,578	+306
Real estate owned other than bank premises	83	66	+17
Investments and other assets indirectly representing bank premises or other real estate	218	204	+14
Customers' liability on acceptances outstanding	776	868	−92
Other assets	1,612	1,405	+207
Total assets	284,358	277,880	+6,478
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	116,460	115,664	+796
Time deposits of individuals, partnerships, and corporations	97,883	94,012	+3,871
U.S. Government and postal savings deposits	5,372	4,666	+706
Deposits of States and political subdivisions	14,749	14,722	+27
Deposits of banks	17,104	18,204	−1,100
Other deposits (certified and cashiers' checks, etc.)	3,929	4,064	−135
Total deposits	255,497	251,332	+4,165
Demand deposits	152,652	150,902	+1,750
Time deposits	102,845	100,430	+2,415
Bills payable, rediscounts, and other liabilities for borrowed money	649	96	+553
Acceptances executed by or for account of reporting banks and outstanding	829	907	−78
Other liabilities	4,410	3,723	+687
Total liabilities	261,385	256,058	+5,327
CAPITAL ACCOUNTS			
Common stock	5,933	5,491	+442
Capital notes and debentures	56	58	−2
Preferred stock	17	19	−2
Surplus	11,760	11,207	+553
Undivided profits	4,469	4,258	+211
Reserves and retirement account for preferred stock and capital notes and debentures	738	789	−51
Total capital accounts	22,973	21,822	+1,151
Total liabilities and capital accounts	284,358	277,880	+6,478

[1] Previously included in commercial and industrial loans and all other loans.

NOTE.—Figures for nonnational banks obtained from the Federal Deposit Insurance Corporation.

REPORTS FROM BANKS

National banks in the continental United States, Hawaii, and the Virgin Islands of the United States were, in accordance with the provisions of section 5211 of the Revised Statutes, called upon to submit four reports of condition during the year ended December 31, 1959. Reports were required as of March 12, June 10, October 6, and December 31. Summaries from all condition reports, by States, are published in pamphlet form. National banks were also required by statute to obtain reports, unless waived by the Comptroller, of their affiliates and holding company affiliates other than member banks as of the four dates for which condition reports of the banks were obtained and to submit such reports to the Comptroller.

Under the general powers conferred upon him by law, the Comptroller obtained from each national bank during the period indicated semiannual reports of earnings, expenses, and dividends; also reports of condition of foreign branches as of December 31, 1959.

National banking associations authorized to act in a fiduciary capacity were called upon to submit reports of their trust departments as of the close of business on December 31, 1959.

In accordance with the code of law for the District of Columbia, banks other than national in the District were required to make to the Comptroller condition reports and reports of earnings, expenses, and dividends identical with those obtained from national banks during the year.

Detailed figures from reports of condition and earnings and dividends will be found in the appendix of this report.

AFFILIATES AND HOLDING COMPANY AFFILIATES OF NATIONAL BANKS

The Federal statute requires each national bank to obtain and submit to the Comptroller periodically reports of its affiliates, as defined in sections 2 (b) and (c) of the Banking Act of 1933, as amended. However, section 21 of the Federal Reserve Act, as amended, provides in part that the Comptroller may waive the requirement for the submission of the report of an affiliate if in his judgment such a report is not necessary to disclose fully the relations between an affiliate and a bank and the effect thereof upon the affairs of the bank. Pursuant to this latter section the Comptroller's waiver of requirement for reports of affiliates provides principally that reports of affiliates (other than holding company affiliates) need not be submitted and published in a newspaper unless the affiliate is indebted to the national bank or the bank owns obligations of the affiliate and the aggregate of such indebtedness and/or investment is carried as an asset on the bank's books at a value in excess of $5,000, or 1 percent of the bank's capital and surplus, whichever is the greater.

At the end of December 1959, 386 member national banks in the United States submitted 429 reports of affiliates. Included in these figures are 198 banks in 27 States which are members of 24 holding company groups. The number of banks in each holding company group varied from 1 to 58. The actual number of reporting affiliates and holding company affiliates was 255.

In addition there was one nonnational bank in the District of Columbia which is a member of the Federal Reserve System that reported one affiliate to the Comptroller pursuant to the provisions of the code of law for the District of Columbia.

ISSUE AND REDEMPTION OF NOTES

There were 826 shipments of new Federal Reserve notes (556,270,000 notes—aggregate value $6,547 million) made to the Federal Reserve agents and the Federal Reserve branch banks. In addition, there were 28 deliveries of such notes (5,181,000 notes—aggregate value $115 million) made to the Treasurer of the United States.

There was a total of 4,817 lots of unfit Federal Reserve notes and Federal Reserve bank notes (494,783,363 notes—aggregate value $5,926,895,109) received for verification and certification for destruction.

There were 33 lots of national bank notes (117,060 notes—aggregate value $1,959,654) received for verification and certification for destruction.

There was a total of 261,627 badly damaged Federal Reserve notes, Federal Reserve bank notes and national bank notes (aggregate value $4,751,670) presented, by the Treasurer of the United States, for identification approval.