

CONFIDENTIAL

Mr. Eccles

March 7, 1947

To: Board of Governors

Subject: Member bank earnings in 1946

From: Gerald M. Conkling,
Division of Bank Operations.

Preliminary earnings figures of member banks for 1946, requested in the Board's wire yesterday, have been received from the Federal Reserve Banks and show:

- (1) Net profits totaled \$749 million, a decline of \$39 million, or 5 per cent, from the \$788 million reported for 1945. This amounted to 9.5 per cent of average total capital accounts as compared with 10.9 in 1945; over one-half of the percentage decrease was due to increased capital accounts. Net profits by class of bank showed decreases of \$58 million at central reserve city banks and \$12 million at reserve city banks, and an increase of \$31 million at country banks.
- (2) Net current earnings before income taxes (current earnings less current expenses) were \$931 million, a new high, and \$96 million higher than 1945. Central reserve city banks showed a slight decrease of \$11 million, reserve city banks an increase of \$29 million, and country banks an increase of \$79 million, or 30 per cent. Current earnings were \$295 million higher than in 1945, partially offset by a \$199 million increase in current expenses.
- (3) Net recoveries and profits amounted to only \$102 million, considerably less than the \$224 million reported in 1945, and even \$4 million less than reported for the first half of 1946. Although detail figures are not available except for the first half of 1946, it appears that profits on securities sold were considerably less than in 1945 and that losses and charge-offs showed either little change or an increase.
- (4) Cash dividends totaled \$263 million, \$17 million higher than in 1945. Apparently dividend policies were little, if any, affected by the question included on the 1946 corporate income tax return as to whether as much as 70 per cent of net profits had been paid as dividends.

Member Bank Earnings by Class of Bank, 1945 and 1946

(In millions of dollars)

	All Member Banks		Central Reserve City Banks				Reserve City Banks		Country Banks	
	1945	1946	New York		Chicago		1945	1946	1945	1946
			1945	1946	1945	1946				
Earnings	2,102	2,397	432	456	105	111	783	890	782	940
Expenses	1,268	1,467	216	250	56	63	479	557	517	596
Net current earnings before income taxes	835	931	216	206	49	48	304	333	265	344
Profits on securities sold, and recoveries, less losses and charge-offs	224	102	89	27	5	3	55	21	74	52
Profits before income taxes	1,058	1,033	305	233	55	50	359	354	340	396
Taxes on net income	270	284	91	75	16	13	90	98	73	98
Net profits	788	749	214	158	39	37	268	256	267	298
Cash dividends ^{1/}	246	263	73	75	13	14	88	96	71	78

Ratios to total capital
accounts

Net current earnings before income taxes	11.5	11.8	10.7	9.5	13.6	12.2	12.5	12.5	11.0	13.0
Net profits	10.9	9.5	10.6	7.3	10.8	9.5	11.0	9.6	11.0	11.2

^{1/} Includes interest on capital notes and debentures (such interest, and dividends on preferred stock, are estimated for 1946).