CONFIDENTIAL

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.

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