

FEDERAL RESERVE BANK OF NEW YORK
Fiscal Agent of the United States

[Circular No. 4783]
September 24, 1959]

OFFERING OF TWO SERIES OF TREASURY BILLS

**\$1,100,000,000 of 91-Day Bills, Additional Amount, Series Dated July 2, 1959, Due Dec. 31, 1959
(To Be Issued October 1, 1959)**

\$400,000,000 of 182-Day Bills, Dated October 1, 1959, Due March 31, 1960

*To All Incorporated Banks and Trust Companies, and Others
Concerned, in the Second Federal Reserve District:*

Following is the text of a notice issued by the Treasury Department, released for publication in morning newspapers, Thursday, September 24, 1959:

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of \$1,500,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing October 1, 1959, in the amount of \$1,500,204,000, as follows:

91-day bills (to maturity date) to be issued October 1, 1959, in the amount of \$1,100,000,000, or thereabouts, representing an additional amount of bills dated July 2, 1959, and to mature December 31, 1959, originally issued in the amount of \$499,965,000, the additional and original bills to be freely interchangeable.

182-day bills, for \$400,000,000, or thereabouts, to be dated October 1, 1959, and to mature March 31, 1960.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000 and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern Daylight Saving time, Monday, September 28, 1959. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection

thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for \$200,000 or less for the additional bills dated July 2, 1959, (91 days remaining until maturity date on December 31, 1959) and noncompetitive tenders for \$100,000 or less for the 182-day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on October 1, 1959, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 1, 1959. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

This Bank will receive tenders for both series up to 2 p.m., Eastern Daylight Saving time, Monday, September 28, 1959, at the Securities Department of its Head Office and at its Buffalo Branch. Tender forms for the respective series are enclosed. Please use the appropriate forms to submit tenders and return them in an envelope marked "Tender for Treasury Bills." Tenders may be submitted by telegraph, subject to written confirmation; they may not be submitted by telephone. *Payment for the Treasury bills cannot be made by credit through the Treasury Tax and Loan Account. Settlement must be made in cash or other immediately available funds or in maturing Treasury bills.*

Results of the last offering of Treasury bills (91-day bills to be issued September 24, 1959, representing an additional amount of bills dated June 25, 1959, and maturing December 24, 1959; and 182-day bills dated September 24, 1959, maturing March 24, 1960) are shown on the reverse side of this circular.

ALFRED HAYES,
President.



Please note that the closing time for the receipt of tenders has been extended to 2 p. m., Eastern Daylight Saving time.

RESULTS OF LAST OFFERING OF TREASURY BILLS (TWO SERIES ISSUED SEPTEMBER 24, 1959)

Range of Accepted Competitive Bids

	91-Day Treasury Bills Maturing December 24, 1959		182-Day Treasury Bills Maturing March 24, 1960	
	<u>Price</u>	<u>Approx. equiv. annual rate</u>	<u>Price</u>	<u>Approx. equiv. annual rate</u>
High	99.007 ^a	3.928%	97.609	4.729%
Low	98.976	4.051%	97.578	4.791%
Average	99.000	3.958%	97.591	4.766%

^a Excepting one tender of \$600,000.

(7 percent of the amount of 91-day bills
bid for at the low price was accepted.)

(70 percent of the amount of 182-day bills
bid for at the low price was accepted.)

Total Tenders Applied for and Accepted (By Federal Reserve Districts)

<u>District</u>	91-Day Treasury Bills Maturing December 24, 1959		182-Day Treasury Bills Maturing March 24, 1960	
	<u>Applied for</u>	<u>Accepted</u>	<u>Applied for</u>	<u>Accepted</u>
Boston	\$ 27,339,000	\$ 17,339,000	\$ 7,868,000	\$ 6,968,000
New York	1,342,152,000	766,152,000	520,151,000	255,251,000
Philadelphia	32,453,000	17,453,000	9,777,000	4,777,000
Cleveland	40,004,000	40,004,000	26,553,000	26,553,000
Richmond	16,141,000	16,141,000	2,978,000	2,978,000
Atlanta	27,486,000	27,486,000	5,124,000	4,424,000
Chicago	196,754,000	167,754,000	61,916,000	35,595,000
St. Louis	27,031,000	25,631,000	4,368,000	4,368,000
Minneapolis	11,399,000	11,399,000	3,392,000	3,392,000
Kansas City	33,578,000	32,578,000	8,775,000	8,675,000
Dallas	23,181,000	21,181,000	4,308,000	4,308,000
San Francisco	66,739,000	57,429,000	49,416,000	42,726,000
Total	\$1,844,257,000	\$1,200,547,000 ^b	\$704,626,000	\$400,015,000 ^c

^b Includes \$291,836,000 noncompetitive tenders accepted at the average price of 99.000.

^c Includes \$57,318,000 noncompetitive tenders accepted at the average price of 97.591.

**FEDERAL RESERVE BANK
OF NEW YORK**

September 24, 1959

*To All Member Banks in the Second
Federal Reserve District:*

Following is an analysis of the earnings and expenses of our member banks for the first six months of this year, prepared by our Bank Examinations Department. We are pleased to send the analysis to you, with the thought that it will be helpful as a management tool in making comparisons of the operating performance of your bank with the average performance of other banks in the District.

Additional copies of the analysis will be furnished upon request.

ALFRED HAYES,
President.

Earnings and Expenses of Second District Member Banks in the First Half of 1959

Net current operating earnings of Second District member banks in the first 6 months of 1959 were \$367.7 million, a new peak for the first half of a year and a rise of 5.5 per cent over the first half of 1958. The percentage increase, while falling short of the percentage increases for the comparable periods in 1955-57, was substantially better than the 1.8 per cent increase registered for the first half of 1958 over the comparable 1957 period. Despite operating gains, net profits after income taxes were down by 35.2 per cent to \$149.2 million and resulted from nonrecurring losses from securities sales as against gains from this source during the first 6 months of 1958. At all member banks in the United States, net operating earnings rose by 8.6 per cent, while net profits after income taxes declined by 27.8 per cent.

Gross operating earnings of Second District member banks were \$954.3 million, 7.2 per cent higher than in the first half of 1958. The increase fell below the increase of all member banks in the United States, however, their rate of increase being 9.4 per cent over the first half of 1958. The improvement in this District stemmed mainly from higher interest rates on loans and investments even though earning assets were only moderately higher than a year ago. At New York central reserve city banks, interest income from loans was up by nearly 4.5 per cent despite a slight reduction in

average outstandings compared with a year ago. Interest income on Government securities, higher by \$15.4 million, or 19 per cent, also contributed substantially to higher gross earnings at such City banks this year compared with the comparable period in 1958. At other member banks in the District, higher average yields raised earnings on Governments by almost 11 per cent.

The rise in operating expenses of District member banks continued, amounting to \$45.1 million over the first six months of 1958, but the increase of 8.3 per cent represented a slackening in the rate of increase from the 12 per cent increase of a year ago. Interest paid on time and savings deposits led the expense rise (excluding minor items)—\$15.6 million, or 12.9 per cent, above last year's outlay. The sharpest increase was reported by New York central reserve city banks where interest expense amounted to 15.2 per cent over the first half of 1958. Wage and salary outlays began leveling off from the increases in earlier years, the 4 per cent rise amounting to only one half of last year's rate of increase. Additions to staff accounted for the greater part of the rise.

Nonrecurring losses from securities sales, charge-offs, and adjustments of valuation reserves resulted in lower net profits, with the decline cushioned by lighter taxes. The

reduced net profits, coupled with moderately increased cash dividend payments, caused a sharp drop in profits carried to capital accounts.

EARNINGS ON LOANS

Receipts from interest and discount on loans totaling \$577.5 million reached a new high, the rise being nearly \$34 million, or 6.2 per cent, above last year's level for all District member banks. Both groups of banks benefited from the higher average interest rates that prevailed during the half year, raising the average yield on loans to 5.0 per cent in contrast with the 4.7 per cent average yield that prevailed during the two previous reporting periods. Nonetheless, interest earnings from loans contributed a slightly lesser proportion of this year's first-half total operating earnings, accounting for 60.5 per cent thereof as against 61.1 per cent in the previous year's first half.

As between the two bank groups, the almost \$16 million improvement in loan income at central reserve city banks lagged behind the sharper rate of increase reported by reserve city and country banks, the increase in total earnings from loans and discounts amounting to 4.5 per cent for the

central reserve city banks compared with 9.5 per cent for reserve city and country banks combined. For the central reserve city banks, however, the gain represented a sharply accelerated increase over an only nominal gain in income from this source during the first half of 1958, the increase accounting for nearly one-half of the total increase in this year's first-half operating gross in contrast with only nominal assistance to last year's first-half earnings' increase.

In other Second District member banks loan income rose to \$207.2 million, higher by \$18.0 million, or 9.5 per cent, over the comparable 1958 period.

INTEREST ON U. S. GOVERNMENT AND OTHER SECURITIES

Interest received on U. S. Government securities contributed sizably to operating gross of both bank groups, although holdings were only moderately higher—7.5 per cent above the first half of 1958—as many banks sold their holdings to acquire loanable funds and reserves. For all District member banks, interest on Governments increased by almost \$21 million and resulted from the rise in average yields from 2.48 per cent to 2.67 per cent between the two

Table 1
Earnings and Expenses of Member Banks in the Second Federal Reserve District During the First Six Months of 1958-1959
(Dollar amounts in millions)

Item	New York central reserve city banks				Reserve city and country banks				All Second District member banks			
	1958	1959	\$ Change	% Change	1958	1959	\$ Change	% Change	1958	1959	\$ Change	% Change
Number of banks.....	18	17	—	—	527	500	—	—	545	517	—	—
Earnings												
On United States Government securities.....	80.9	96.3	+ 15.4	+ 19.0	50.9	56.4	+ 5.5	+ 10.8	131.8	152.7	+ 20.9	+ 15.9
On other securities.....	29.8	33.7	+ 3.9	+ 13.1	21.8	24.1	+ 2.3	+ 10.6	51.6	57.8	+ 6.2	+ 12.0
On loans (including service charges and fees on loans).....	354.4	370.3	+ 15.9	+ 4.5	189.2	207.2	+ 18.0	+ 9.5	543.6	577.5	+ 33.9	+ 6.2
Service charges on deposit accounts and other charges.....	28.0	27.2	— .8	— 2.9	27.8	29.3	+ 1.5	+ 5.4	55.8	56.5	+ .7	+ 1.3
Trust department earnings.....	59.5	66.1	+ 6.6	+ 11.1	7.3	8.2	+ .9	+ 12.3	66.8	74.3	+ 7.5	+ 11.2
Other current earnings.....	32.6	27.5	— 5.1	— 15.6	7.9	8.0	+ .1	+ 1.3	40.5	35.5	— 5.0	— 12.3
Total current operating earnings.....	585.2	621.1	+ 35.9	+ 6.1	304.9	333.2	+ 28.3	+ 9.3	890.1	954.3	+ 64.2	+ 7.2
Expenses												
Salaries and wages—officers and employees*.....	150.1	155.7	+ 5.6	+ 3.7	87.5	91.5	+ 4.0	+ 4.6	237.6	247.2	+ 9.6	+ 4.0
Interest on time deposits (including savings deposits).....	54.6	62.9	+ 8.3	+ 15.2	66.6	73.9	+ 7.3	+ 11.0	121.2	136.8	+ 15.6	+ 12.9
Interest and discount on borrowed money.....	3.5	7.8	+ 4.3	+ 122.9	.4	1.5	+ 1.1	+ 275.0	3.9	9.3	+ 5.4	+ 138.5
Taxes other than on net income.....	8.2	9.3	+ 1.1	+ 13.4	7.5	8.2	+ .7	+ 9.3	15.7	17.5	+ 1.8	+ 11.5
Recurring depreciation on banking house, furniture and fixtures.....	6.6	7.2	+ .6	+ 9.1	7.0	7.8	+ .8	+ 11.4	13.6	15.0	+ 1.4	+ 10.3
Other current operating expenses.....	94.9	100.4	+ 5.5	+ 5.8	54.6	60.4	+ 5.8	+ 10.6	149.5	160.8	+ 11.3	+ 7.6
Total current operating expenses.....	317.9	343.3	+ 25.4	+ 8.0	223.6	243.3	+ 19.7	+ 8.8	541.5	586.6	+ 45.1	+ 8.3
Net current operating earnings before income taxes.....	267.3	277.8	+ 10.5	+ 3.9	81.3	89.9	+ 8.6	+ 10.6	348.6	367.7	+ 19.1	+ 5.5
Recoveries, charge-offs, transfers to and from valuation reserves, and securities profits-Net**.....	+ 61.4	— 100.3	—	—	+ 12.7	— 25.0	—	—	+ 74.1	— 125.3	—	—
Net profits before income taxes.....	328.7	177.5	— 151.2	— 46.0	94.0	64.9	— 29.1	— 31.0	422.7	242.4	— 180.3	— 42.7
Taxes on net income.....	156.2	72.5	— 83.7	— 53.6	36.2	20.7	— 15.5	— 42.8	192.4	93.2	— 99.2	— 51.6
Net profits after income taxes.....	172.5	105.0	— 67.5	— 39.1	57.8	44.2	— 13.6	— 23.5	230.3	149.2	— 81.1	— 35.2
Cash dividends paid or declared on common stock-holdings.....	77.3	79.1	+ 1.8	+ 2.3	22.7	24.2	+ 1.5	+ 6.6	100.0	103.3	+ 3.3	+ 3.3
Net profits after dividend payments.....	95.2	25.9	— 69.3	— 72.8	35.1	20.0	— 15.1	— 43.0	130.3	45.9	— 84.4	— 64.8

* Includes fees paid to directors and members of executive, discount, and other committees.

** No breakdown of nonrecurring items is shown because these figures are usually highly tentative at the midyear.

Note: Certain columns of figures may not add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System; 1958 and 1959 figures compiled by the Federal Reserve Bank of New York.

review periods. The favorable impact was more in evidence at central reserve city banks where interest income on Government securities was \$15.4 million, or 19 per cent, above the 1958 half-year, on average holdings that were 8 per cent higher. Earnings from this source accounted for 15.5 per cent of the central reserve city banks' total earnings in the first six months of 1959 contrasted with 13.8 per cent during the same period of 1958.

At reserve city and country banks, average yield on Government investments was also running higher this year, 2.74 per cent compared with 2.62 per cent in the first half of 1958, and raised their earnings from this source by \$5.5 million, or 10.8 per cent, above a year ago.

OPERATING EXPENSES

Operating expenses continued their unbroken rise, but at a notably slower rate than in 1958. For all Second District member banks, total operating costs of \$586.6 million were 8.3 per cent higher than a year ago in contrast with the 12 per cent rise in costs between the first halves of 1957 and 1958. The increase was paced by the \$15.6 million rise in interest payments on time and savings deposits. Compared with the first half of 1958, a higher effective interest rate on a 12 per cent higher volume of time and savings deposits resulted in an increase in interest payments of 12.9 per cent above last year's outlay for all District member banks.

The sharper increase was registered by New York central reserve city banks where interest expenses rose by \$8.3 million, or 15.2 per cent, above the January-June 1958

outlays. Elsewhere in the District, interest costs on time and savings deposits rose by 11 per cent, \$7.3 million above the outlay in the comparable review period. For all District member banks combined, the heavier interest outlays accounted for more than one-third of the total increase in operating expenses, absorbing approximately one quarter of total growth in operating earnings for the reporting period.

Interest and discount on borrowed money, normally a minor expense, this year reflected tighter money conditions and the greater volume of borrowings from the Federal Reserve and among banks. Outlays of \$7.8 million at the central reserve city banks more than doubled those of last year. Banks elsewhere in the District likewise reported a substantial percentage rise in this expense item.

Wage and salary payments continued their upward climb at nearly the same rate for both groups of banks under review, but at a slackening rate this year compared with last. The increase of 4.0 per cent in aggregate outlays was only slightly more than half of the rate of increase in 1958 over 1957. For the review period, wages and salary expense, compared to other outlays, accounted for a slightly lower portion of total current expenses than a year ago, 42.1 per cent as against 43.9 per cent. All remaining items of expense also rose above their 1958 levels.

NET CURRENT OPERATING EARNINGS

The 5.5 per cent increase in net current operating earnings over the 1958 figure compares favorably with the 1.8 per cent increase registered between the first half of the 1957

Table 2
Selected Ratios, Member Banks in the Second Federal Reserve District
During the First Six Months of 1958-1959*

	Central reserve city banks		Reserve city and country banks		All Second District member banks	
	1958	1959	1958	1959	1958	1959
Per cent of average aggregate assets						
Total current operating earnings.....	3.36	3.53	4.14	4.24	3.60	3.75
Total current operating expenses.....	1.83	1.95	3.04	3.10	2.19	2.30
Net current operating earnings before taxes on net income.....	1.53	1.58	1.10	1.14	1.41	1.44
Net profits.....	.99	.59	.78	.56	.93	.58
Per cent of average aggregate capital accounts						
Net current operating earnings before taxes on net income.....	16.86	16.90	15.16	15.95	16.43	16.66
Net profits.....	10.88	6.38	10.78	7.84	10.85	6.76
Dividends on common stock.....	4.87	4.81	4.23	4.29	4.71	4.68
Net profits after dividends.....	6.00	1.57	6.54	3.54	6.14	2.08
Miscellaneous percentages						
Average yield on United States Government securities.....	2.40	2.63	2.62	2.74	2.48	2.67
Average yield on other securities.....	2.97	2.96	2.69	2.61	2.84	2.80
Interest and discount on loans and mortgages to average total loans and mortgages.....	4.33	4.58	5.75	5.83	4.74	4.96
Interest paid on deposits to average total time deposits.....	2.38	2.40	2.35	2.36	2.36	2.38
Average total time deposits to average total deposits.....	15.43	17.46	42.18	43.78	23.75	25.95
Average aggregate assets (in millions).....	\$34,740	\$35,113	\$14,696	\$15,695	\$49,436	\$50,808
Average aggregate capital accounts (in millions).....	\$ 3,170	\$ 3,287	\$ 1,072	\$ 1,127	\$ 4,243	\$ 4,414
Number of banks.....	18	17	525	502	543	519

*Half year figures placed on an annual basis.

Note: Averages of balances in the last three call reports were used to compute ratios. Ratios are based on aggregate dollar figures.

and the first half of 1958. However, the improvement fell short of the 8.6 per cent increase reported in 1959 for all member banks throughout the country. Within the District, the relatively modest 3.9 per cent increase registered by the central reserve city banks was considerably below the 10.6 per cent gain reported for banks elsewhere in the District.

NONRECURRING ITEMS, TAXES, AND DIVIDENDS

Nonoperating items, subject to later readjustment, played a more critical role than did current operations in determining net profits for the half year, with net losses on securities sales supplanting last year's gains. The weight of these nonrecurring items was mainly confined to the central reserve city banks where, as in several other years, mid-year net profits have lagged behind other banks because of higher deductions for nonrecurring items. Net losses taken by such city banks on securities, combined with other nonrecurring charge-offs and adjustments of valuation reserves, resulted in a drop in net profits before income taxes of 46 per cent below a year ago. In many cases, however, security losses resulted from transactions that assured the banks of future offsetting capital gains. Reduced taxes on the lower net income had the effect of cushioning the extent of the decline. On balance, net profits after income taxes of the central

reserve city banks came to only about 60 per cent of the 1958 six-months' net.

To a lesser degree, nonrecurring adjustments at banks elsewhere in the District likewise netted out to both lessened income tax liability and diminished net profits after income taxes. The 35.2 per cent reduction in net profits for the District as a whole was somewhat more severe than the 27.8 per cent decline reported by all member banks throughout the nation for the half-year.

Cash dividend payments were slightly increased, causing the volume of profits retained and added by both groups of banks to their capital accounts to drop sharply in contrast with substantial additions to their capital accounts last year. Although the amount of dividends paid to stockholders was only 3.3 per cent higher than in January-June 1958, the payments represented 69.2 per cent of net profits for the first half of 1959 compared with 43.4 per cent in the corresponding period of 1958. On an annual basis, dividends on common stock were \$4.68 per hundred dollars of average capital accounts, approximately the same as in the 1958 half year. However, the decline of \$84.4 million in net profits after dividends resulted in retained profits of \$2.08 per one hundred dollars of average aggregate capital accounts (annual basis) as compared with \$6.14 a year earlier. Further details may be seen in the accompanying Tables 1 and 2.