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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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(For Immediate Release)

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MEMBER BANK EARNINGS, 1954

Preliminary figures on member bank earnings indicate that net profits after taxes amounted to \$1,089 million in 1954. The increase of \$224 million over 1953 resulted, for the most part, from increased profits on sales of securities. The ratio of net profits to average total capital accounts was 9.3 per cent as compared with 7.8 in 1953.

Net current earnings before income taxes were \$1,824 million in 1954, \$15 million above the previous year. A rise of \$222 million in gross operating earnings was largely offset by a concurrent rise of \$206 million in operating expenses.

The rise in current earnings reflected an increase in average holdings of loans of about 2 per cent and of United States Government securities of about 7 per cent. Average rates of return on loans and United States Government securities were 4.69 and 1.95, respectively, practically unchanged from the previous year. This is the first year since 1945 that the average rate of return on loans ~~did~~ not increase.

Sixty per cent of net current earnings were carried to net profits in 1954 compared with about 48 per cent in 1953. This reflects the fact that increased profits on sales of securities were sufficient to change the net of profits, recoveries, losses, etc., from a loss of \$251 million in 1953 to a gain of \$68 million in 1954. This was the first year since 1946 in which profits and recoveries have exceeded losses and charge-offs. Because of larger net profits, provisions for income taxes rose \$112 million over the previous year despite the removal of the excess profits tax.

Cash dividends declared amounted to \$456 million in 1954, representing a distribution of about 42 per cent of net profits after taxes and an annual yield of 3.9 per cent on average total capital accounts; comparable ratios for 1953 were 48 per cent and 3.8 per cent, respectively.

(Over)

MEMBER BANK EARNINGS, BY CLASS OF BANK, 1953 and 1954

(In millions of dollars. 1954 figures preliminary)

Item	All		Central Reserve City Banks				Reserve		Country Banks	
	Member Banks		New York		Chicago		City Banks		Country Banks	
	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953
Earnings	4,812	4,590	778	757	192	188	1,878	1,798	1,965	1,847
On U. S. Government securities	1,063	1,011	153	137	56	53	397	376	456	445
On loans ^{1/}	2,700	2,632	418	434	92	95	1,073	1,059	1,116	1,045
All other	1,049	947	206	187	44	40	408	363	392	357
Expenses	2,988	2,782	428	404	106	102	1,161	1,083	1,292	1,192
Net current earnings before income taxes	1,824	1,809	349	353	86	86	717	715	672	655
Recoveries, profits, and transfers from valuation reserves ^{2/}	546	132	111	21	25	15	244	50	167	47
Losses, charge-offs, and transfers to valuation reserves ^{3/}	478	383	86	61	19	23	215	155	158	145
Profits before income taxes	1,893	1,558	374	312	92	78	745	610	681	556
Taxes on net income	804	692	161	151	39	35	347	282	257	224
Net profits	1,089	865	213	161	53	43	398	328	424	333
Cash dividends declared	456	419	113	103	20	20	180	167	143	129
Ratios (per cent):										
Net current earnings before income taxes to average total capital accounts	15.6	16.4	13.2	13.9	14.8	15.7	17.4	18.5	15.4	16.0
Net profits to average total capital accounts	9.3	7.8	8.0	6.3	9.1	7.9	9.6	8.5	9.7	8.1
Average return on U. S. Government securities	1.95	1.98	1.79	1.91	1.91	1.94	1.94	1.99	2.02	2.00
Average return on loans	4.69	4.69	3.55	3.55	3.57	3.61	4.72	4.75	5.45	5.49

^{1/} Includes charges on loans other than interest; these charges are estimated for 1954.^{2/} Does not include recoveries credited to valuation reserves.^{3/} Does not include losses charged to valuation reserves.

(Over)