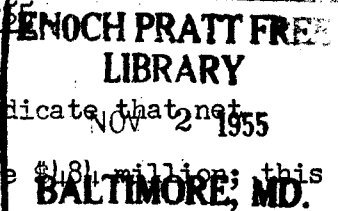


BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

E.5

(For Immediate Release)

August 10, 1955

MEMBER BANK EARNINGS, FIRST HALF OF 1955

Preliminary figures on member bank earnings indicate that net profits after taxes for the first six months of 1955 were \$481 million; this compares with \$559 million and \$438 million in the corresponding periods of 1954 and 1953, respectively. The ratio of net profits on an annual basis to average total capital accounts was 7.8 per cent compared to 9.7 and 8.0 per cent for the first six months of 1954 and 1953.

Net current earnings before income taxes were \$998 million, an increase of \$70 million over the first six months of last year. Earnings on loans rose \$108 million and earnings on United States Government securities rose \$33 million. The increases resulted from larger holdings as the average rates of return on both loans and Government securities for the first half of 1955 were practically unchanged from the corresponding period last year. Percentagewise, expenses increased somewhat more than earnings.

The net of recoveries, profits, losses, etc., during the period resulted in a loss of \$83 million, compared to a gain of \$104 million in the first six months of 1954. For 1955, this represents the usual relationship among these items, in contrast to the net gains reported in 1954 and 1946. The return to a net loss position resulted from a decline in profits on sales of securities.

Taxes on net income for the first half of 1955 were reported as \$430 million. Although this was a \$43 million decline from the first half of 1954, taxes represented about the same percentage of profits before income taxes as in corresponding periods of 1954 and 1953. Taxes on net income reported by country banks were higher than in either half of 1954.

Cash dividends declared amounted to \$232 million in the first six months of 1955. This was a 48 per cent distribution of net profits after taxes and an approximate annual yield of 3.8 per cent on average total capital accounts, compared to 38 per cent and 3.7 per cent, respectively, in the first half of 1954.

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MEMBER BANK EARNINGS, BY CLASS OF BANK, FIRST AND SECOND HALVES OF 1954 AND FIRST HALF OF 1955

(In millions of dollars; first half 1955 preliminary)

Item	All Member Banks			Central Reserve City Banks						Reserve City Banks			Country Banks		
				New York			Chicago								
	First Half 1954	Second Half 1954	First Half 1955	First Half 1954	Second Half 1954	First Half 1955	First Half 1954	Second Half 1954	First Half 1955	First Half 1954	Second Half 1954	First Half 1955	First Half 1954	Second Half 1954	First Half 1955
Earnings:	2,366	2,460	2,554	384	393	414	96	96	100	926	962	1,001	959	1,010	1,039
On U. S. Government securities	522	545	555	72	81	82	28	29	29	197	202	211	224	233	233
On loans ^{1/}	1,336	1,375	1,444	211	206	222	47	46	49	535	548	574	543	576	599
All other	508	541	554	101	106	110	22	21	21	194	213	216	191	201	207
Expenses	1,438	1,561	1,555	211	217	225	52	54	55	564	605	613	611	684	662
Net current earnings before income taxes	928	900	998	173	175	189	44	42	45	362	356	387	348	326	377
Recoveries, profits, and transfers from valuation reserves ^{2/}	307	245	97	52	60	26	16	9	5	139	108	32	100	69	35
Losses, charge-offs, and transfers to valuation reserves ^{3/}	203	277	180	27	59	42	9	9	6	104	111	64	62	97	68
Profits before income taxes	1,032	869	915	198	176	173	51	42	43	397	353	355	386	298	343
Taxes on net income	473	332	430	89	72	80	22	17	19	192	155	157	169	88	175
Net Profits	559	537	484	109	104	93	28	25	25	205	198	199	217	210	169
Cash dividends declared	211	245	232	51	62	58	12	8	13	86	95	94	61	81	67
Ratios - annual basis (in per cent):															
Net current earnings before income taxes to average total capital accounts	16.1	15.1	16.2	13.3	13.0	13.7	15.4	14.3	15.0	17.9	16.9	17.6	16.3	14.6	16.4
Net profits to average total capital accounts	9.7	9.0	7.8	8.4	7.7	6.8	10.0	8.5	8.3	10.1	9.4	9.1	10.2	9.4	7.4
Average return on U. S. Govt. securities	2.00	1.93	2.01	1.84	1.76	1.95	2.01	1.88	1.98	2.02	1.91	2.04	2.03	2.02	2.02
Average return on loans	4.68	4.75	4.67	3.57	3.53	3.52	3.60	3.60	3.64	4.75	4.79	4.66	5.39	5.55	5.47

^{1/} Includes charges on loans other than interest; these charges are estimated for 1955.

^{2/} Does not include recoveries credited to valuation reserves.

^{3/} Does not include losses charged to valuation reserves.

(Over)