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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, FIRST HALF OF 1956

Net profits after taxes for the first six months of 1956 were \$546 million, \$62 million higher than for the first half of 1955, according to preliminary tabulations of member bank earnings reports. On an annual basis, the ratio of net profits to average total capital accounts increased from 7.9 per cent to 8.4 per cent.

An increase of \$372 million in gross earnings was largely offset by greater expenses, charge-offs, and provisions for taxes. The larger earnings were primarily from increased earnings on loans. During the first half of 1956, both the average volume of loan holdings and the average rate of return were higher. In contrast, average holdings of United States Government obligations declined but, due to a higher rate of return, earnings thereon were practically unchanged.

The net of losses, recoveries, profits, etc., was a loss of \$164 million, approximately twice that of the first six months of 1955. Taxes on net income increased \$33 million.

Cash dividends declared amounted to \$253 million, \$21 million higher than for the first half of 1955. This was a 46 per cent distribution of net profits after taxes and an approximate annual yield of 3.9 per cent on average total capital accounts, compared with 46 per cent and 3.8 per cent, respectively, in the first half of 1955.

(Over)

## MEMBER BANK EARNINGS, BY CLASS OF BANK, FIRST AND SECOND HALVES OF 1955 AND FIRST HALF OF 1956

(In millions of dollars; first half 1956 preliminary)

Item	All Member Banks			Central Reserve City Banks						Reserve City Banks			Country Banks		
	First Half 1955	Second Half 1955	First Half 1956	New York			Chicago			First Half 1955	Second Half 1955	First Half 1956	First Half 1955	Second Half 1955	First Half 1956
				First Half 1955	Second Half 1955	First Half 1956	First Half 1955	Second Half 1955	First Half 1956						
Earnings:	2,555	2,788	2,927	414	452	486	100	109	117	1,001	1,094	1,151	1,039	1,133	1,173
On U. S. Government securities	556	563	553	82	74	68	29	27	26	211	209	204	233	252	256
On loans <u>1/</u>	1,447	1,636	1,773	221	263	298	48	57	67	577	655	717	601	662	691
All other	552	589	601	111	116	120	23	25	24	213	230	230	206	219	226
Expenses	1,556	1,709	1,753	225	246	259	55	56	60	614	660	692	662	746	743
Net current earnings before income taxes	999	1,079	1,174	189	206	227	45	52	58	387	433	459	377	387	431
Recoveries, profits, and transfers from valuation reserves <u>2/</u>	r/ 98	115	88	r/26	22	27	5	8	6	32	58	33	35	27	22
Losses, charge-offs, and transfers to valuation reserves <u>3/</u>	r/182	432	252	r/41	82	54	6	20	20	64	176	91	70	154	87
Profits before income taxes	915	761	1,010	174	145	201	43	40	43	355	316	401	343	260	365
Taxes on net income	431	260	464	80	52	103	19	15	19	157	121	175	175	71	167
Net profits	484	501	546	93	93	98	25	25	24	198	194	225	168	189	199
Cash dividends declared	232	269	253	58	66	63	13	8	14	94	108	102	67	87	74
Ratios - annual basis (in per cent):															
Net current earnings before income taxes to average total capital accounts	16.2	17.0	18.0	13.8	15.1	16.3	15.0	16.9	18.3	17.6	18.9	19.2	16.4	16.4	17.8
Net profits to average total capital accounts	7.9	7.9	8.4	6.8	6.8	7.0	8.2	8.0	7.7	9.0	8.5	9.5	7.3	8.0	8.2
Average return on U. S. Govt. securities	2.01	2.18	2.29	1.95	2.09	2.19	2.01	2.10	2.19	2.03	2.16	2.28	2.02	2.23	2.34
Average return on loans	4.68	4.85	4.89	3.52	3.79	3.99	3.55	3.80	4.01	4.69	4.83	4.89	5.48	5.63	5.54

r/ Revised.1/ Includes charges on loans other than interest; these charges are estimated for 1956.2/ Does not include recoveries credited to valuation reserves.3/ Does not include losses charged to valuation reserves.

(Over)