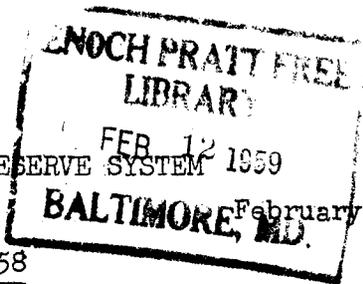


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BUS & ECON



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
(For Immediate Release) February 9, 1959
MEMBER BANK EARNINGS, 1958

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A preliminary tabulation of member bank earnings indicates that a rise of \$345 million in gross operating earnings was more than offset by a \$386 million rise in operating expenses. Net current earnings before income taxes were \$2,507 million, down \$41 million from 1957. However, as a result of larger profits on sales of securities, most of which were taken in the first half of the year, net profits after taxes and profit and loss adjustments amounted to \$1,448 million, \$279 million more than in 1957. The ratio of net profits to average total capital accounts increased from 8.3 to 9.6 per cent.

Earnings on loans advanced \$108 million as a result of larger average holdings and a slightly higher average rate of return. Earnings on U. S. Government securities increased \$96 million; a substantial increase in average holdings more than offset a decline in the average rate of return from 2.53 to 2.45 per cent.

The net effect of security transactions, other profit and loss adjustments and changes in valuation reserves resulted in an addition to member bank profits of \$88 million, in contrast to a reduction of \$485 million in 1957. The last time member banks reported a net gain from this source was in 1954 when they amounted to \$73 million. Larger profits resulted in larger provisions for income taxes, amounting to \$1,147 million in 1958, or \$253 million higher than in the previous year.

Cash dividends declared amounted to \$646 million in 1958, a distribution of 45 per cent of net profits after taxes; this represented a yield of 4.3 per cent on average total capital accounts.

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MEMBER BANK EARNINGS, BY CLASS OF BANK, 1958 AND 1957
(In millions of dollars. 1958 figures preliminary)

Item	All		Central Reserve City Banks				Reserve		Country Banks	
	Member Banks		New York		Chicago		City Banks			
	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957
Earnings	7,116	6,771	1,164	1,136	272	274	2,832	2,664	2,848	2,697
On U. S. Government securities	1,264	1,168	170	137	58	46	478	426	558	558
On loans ^{1/}	4,316	4,208	698	727	157	172	1,752	1,694	1,708	1,615
All other	1,536	1,395	296	272	57	56	601	544	582	524
Expenses	4,608	4,222	636	592	142	136	1,821	1,666	2,009	1,827
Net current earnings before income taxes	2,507	2,549	528	544	130	137	1,011	998	839	870
Recoveries, profits, and transfers from valuation reserves ^{2/}	766	170	112	21	56	16	353	73	245	60
Losses, charge-offs, and transfers to valuation reserves ^{3/}	678	655	64	123	46	60	311	221	257	251
Profits before income taxes	2,595	2,063	576	442	140	93	1,053	849	827	679
Taxes on net income	1,147	895	276	209	69	41	489	385	313	260
Net profits	1,448	1,169	300	233	71	53	563	464	514	419
Cash dividends declared	646	604	160	152	26	24	257	242	202	186
Ratios (per cent):										
Net current earnings before income taxes to average total capital accounts	16.6	18.1	16.4	18.2	18.4	20.6	18.1	19.2	15.0	16.5
Net profits to average total capital accounts	9.6	8.3	9.3	7.8	9.9	7.9	10.1	8.9	9.2	8.0
Average return on U.S. Government securities	2.45	2.53	2.39	2.46	2.37	2.36	2.44	2.53	2.48	2.57
Average return on loans	5.34	5.32	4.40	4.54	4.48	4.56	5.37	5.30	5.93	5.93

^{1/} Includes charges on loans other than interest.

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

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

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