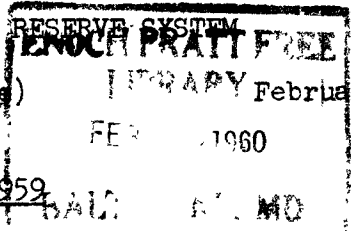


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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



E.5

(For Immediate Release)

February 18, 1960

MEMBER BANK EARNINGS, 1959

A preliminary tabulation of member bank earnings reports indicates that gross operating earnings of all member banks amounted to \$8,061 million, \$935 million more than in 1958. The increase was partly offset by a rise of \$514 million in current operating expenses, resulting in net current earnings before taxes of \$2,930 million, \$420 million more than for 1958. However, net profits after taxes of \$1,252 million were \$205 million lower than in 1958, due to a net loss of \$898 million resulting from the net effect of security transactions, other profit and loss adjustments, and transfers to and from valuation reserves; in 1958 these transactions resulted in a net gain of \$96 million. The ratio of net profits to average total capital accounts declined from 9.7 per cent in 1958 to 7.9 per cent.

Earnings on loans and on U. S. Government securities increased \$682 million and \$128 million, respectively. The larger earnings on loans were due to an \$8.1 billion increase in average holdings of loans and a rise in the average rate of return on these assets from 5.35 per cent to 5.63 per cent. The larger earnings on U. S. Government securities were due entirely to an advanced rate of return, from 2.45 per cent to 2.78 per cent, as average holdings of these obligations declined.

Provisions for income taxes were \$369 million lower than in 1958, reflecting the shift from a gain to a loss on nonoperating transactions.

Cash dividends declared in 1959 amounted to \$705 million, representing 56 per cent of net profits and 4.4 per cent of average total capital accounts. In 1958, cash dividends declared represented 44 per cent of net profits and 4.3 per cent of total capital accounts.

(Over)

MEMBER BANK EARNINGS, BY CLASS OF BANK, 1959 AND 1958
(In millions of dollars. 1959 figures preliminary)

Item	All		Central reserve city banks				Reserve		Country banks	
	member banks		New York		Chicago		city banks			
	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958
Earnings	8,061	7,127	1,306	1,164	308	272	3,190	2,835	3,257	2,856
On U. S. Government securities	1,394	1,266	182	170	60	58	505	478	647	560
On loans <u>1/</u>	5,008	4,326	814	699	182	157	2,049	1,759	1,964	1,712
All other	1,659	1,534	310	295	66	57	636	598	646	584
Expenses	5,131	4,617	699	636	158	142	2,031	1,823	2,244	2,016
Net current earnings before income taxes	2,930	2,510	607	528	150	130	1,160	1,012	1,013	840
Recoveries, profits, and transfers from valuation reserves <u>2/</u>	293	777	63	112	41	56	108	354	81	255
Losses, charge-offs, and transfers to valuation reserves <u>3/</u>	1,191	681	259	64	99	46	445	313	388	257
Profits before income taxes	2,031	2,606	411	576	92	140	822	1,053	707	837
Taxes on net income	780	1,148	171	276	35	69	315	490	258	313
Net profits	1,252	1,457	240	300	57	71	507	563	448	524
Cash dividends declared	705	646	166	160	28	26	292	258	218	202
Ratios (per cent):										
Net current earnings before income taxes to average total capital accounts	18.4	16.6	18.4	16.4	20.2	18.4	19.5	18.1	17.2	15.0
Net profits to average total capital accounts	7.9	9.7	7.2	9.3	7.6	9.9	8.5	10.1	7.6	9.4
Average return on U.S. Government securities	2.78	2.45	2.84	2.39	2.64	2.37	2.73	2.45	2.82	2.49
Average return on loans	5.63	5.35	4.82	4.40	4.86	4.47	5.63	5.39	6.15	5.94

1/ Includes charges on loans other than interest.

2/ Does not include recoveries credited directly to valuation reserves.

3/ Does not include losses charged directly to valuation reserves.

(Over)