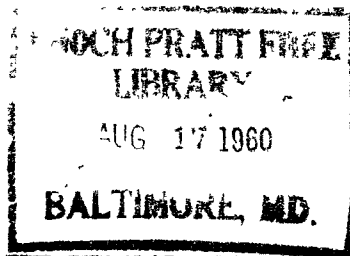


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BUS & ECON



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

E.5

(For Immediate Release)

August 11, 1960

MEMBER BANK EARNINGS, FIRST HALF OF 1960

Preliminary figures on member bank earnings indicate that net current earnings before income taxes were \$1,649 million, an increase of \$262 million over the first six months of last year. Net profits after taxes were \$821 million or \$224 million more than in the first half of last year. The ratio of net profits on an annual basis to average total capital accounts rose from 7.6 per cent in the first half of 1959 to 9.9 per cent in the first half of 1960.

Earnings on loans rose \$487 million as a result of larger average holdings and higher average interest rates and accounted for nearly all of the \$536 million increase in gross current operating earnings. Earnings on U. S. Government securities declined only slightly as a higher average rate of return on these investments nearly offset a substantial decline in average holdings. Expenses rose \$274 million or 11 per cent over the comparable period a year ago.

The net effect of security transactions, other profit and loss adjustments, and changes in valuation reserves was a loss of \$166 million, compared to \$379 million in the first six months of 1959.

Provisions for income taxes amounted to \$662 million, \$251 million more than in the corresponding period last year, reflecting both the increase in net current earnings and the smaller net loss on non-operating transactions.

Cash dividends declared amounted to \$349 million in the first half of 1960, representing a distribution of 42 per cent of net profits after taxes and an approximate yield of 4.2 per cent on average total capital accounts on an annual basis.

(Over)

MEMBER BANK EARNINGS, BY CLASS OF BANK, FIRST AND SECOND HALVES OF 1959 AND FIRST HALF OF 1960  
(In millions of dollars; first half of 1960 preliminary)

Item	All Member Banks			Central Reserve City Banks						Reserve City Banks			Country Banks		
				New York			Chicago								
	First Half 1959	Second Half 1959	First Half 1960	First Half 1959	Second Half 1959	First Half 1960	First Half 1959	Second Half 1959	First Half 1960	First Half 1959	Second Half 1959	First Half 1960	First Half 1959	Second Half 1959	First Half 1960
<b>Earnings:</b>	3,850	4,225	4,385	621	685	721	144	164	172	1,527	1,677	1,704	1,557	1,699	1,788
On U. S. Government securities	702	697	694	96	85	84	31	29	27	259	249	230	317	333	353
On loans <sup>1/</sup>	2,346	2,675	2,833	370	442	470	82	100	110	962	1,097	1,158	932	1,036	1,093
All other	801	853	858	154	158	166	32	34	35	307	331	316	308	331	342
<b>Expenses</b>	2,463	2,676	2,737	343	356	371	75	83	90	986	1,054	1,066	1,059	1,184	1,210
Net current earnings before income taxes	1,386	1,549	1,649	278	329	350	70	80	82	541	624	638	497	516	578
Recoveries, profits, and transfers from valuation reserves <sup>2/</sup>	140	156	131	28	34	25	19	22	7	51	57	53	42	42	46
Losses, charge-offs, and transfers to valuation reserves <sup>3/</sup>	519	681	297	129	130	41	40	60	24	199	250	121	152	241	110
Profits before income taxes	1,008	1,024	1,483	178	234	334	49	43	65	394	431	569	388	317	514
Taxes on net income	411	364	662	72	99	163	21	14	31	148	168	265	169	83	204
Net profits	597	660	821	105	135	171	28	29	35	246	262	305	218	234	311
Cash dividends declared	325	364	349	79	87	84	17	11	17	132	146	143	97	120	104
<b>Ratios - annual basis (in per cent):</b>															
Net current earnings before income taxes to average total capital accounts	17.7	19.2	20.0	16.9	19.8	20.7	19.0	21.4	21.7	18.5	20.7	20.8	17.2	17.2	18.6
Net profits to average total capital accounts	7.6	8.2	9.9	6.4	8.1	10.1	7.5	7.7	9.1	8.4	8.7	9.9	7.5	7.8	10.0
Average return on U. S. Govt. securities	2.69	2.91	3.13	2.72	2.98	3.38	2.51	2.82	3.04	2.65	2.84	2.95	2.73	2.95	3.20
Average return on loans	5.48	5.81	5.93	4.56	5.08	5.27	4.60	5.09	5.27	5.50	5.82	5.98	6.03	6.27	6.29

<sup>1/</sup> Includes charges on loans other than interest.

<sup>2/</sup> Does not include recoveries credited to valuation reserves.

<sup>3/</sup> Does not include losses charged to valuation reserves.