

FRASER, PRATT, PERKINS  
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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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MEMBER BANK EARNINGS, 1960

Preliminary figures on member bank earnings indicate that net current earnings before income taxes were \$3,268 million, an increase of \$333 million over last year. Net profits after taxes were \$1,686 million or \$429 million larger and the ratio of net profits to average total capital accounts rose from 7.9 per cent in 1959 to 10.0 per cent in 1960.

Earnings on loans rose \$700 million as a result of larger average holdings and higher average interest rates and accounted for most of the increase in gross current operating earnings. Earnings on U. S. Government securities rose slightly as a higher average rate of return on these investments offset a substantial decline in average holdings. Earnings on loans rose more sharply during the first half, while earnings on U. S. Government securities rose in the second half after a slight decline in the first half of 1960. Expenses rose \$504 million or 10 per cent over a year ago.

The net effect of security transactions, other profit and loss adjustments, and changes in valuation reserves was a loss of \$344 million, compared to \$904 million in 1959.

Provisions for income taxes amounted to \$1,239 million, \$464 million more than last year, reflecting both the increase in net current earnings and the smaller net loss on nonoperating transactions.

Cash dividends declared amounted to \$731 million, representing a distribution of 43 per cent of net profits after taxes and an approximate yield of 4.3 per cent on average total capital accounts.

(Over)

MEMBER BANK EARNINGS, BY CLASS OF BANK, 1960 AND 1959  
(In millions of dollars. 1960 figures preliminary)

Item	All member banks		Central reserve city banks				Reserve city banks		Country banks	
	1960	1959	New York		Chicago		1960	1959	1960	1959
			1960	1959	1960	1959				
<b>Earnings</b>	8,913	8,075	1,474	1,306	353	308	3,461	3,205	3,625	3,256
On U. S. Government securities	1,412	1,399	187	182	56	60	476	508	693	649
On loans <u>1/</u>	5,721	5,021	941	812	225	182	2,323	2,059	2,232	1,968
All other	1,780	1,655	346	312	72	66	662	638	699	639
<b>Expenses</b>	5,644	5,140	774	699	181	158	2,174	2,040	2,515	2,243
<b>Net current earnings before income taxes</b>	3,268	2,935	700	607	172	150	1,287	1,165	1,109	1,013
Recoveries, profits, and transfers from valuation reserves <u>2/</u>	502	296	108	63	29	41	197	108	169	84
Losses, charge-offs, and transfers to valuation reserves <u>3/</u>	846	1,200	170	259	51	99	325	449	300	393
<b>Profits before income taxes</b>	2,925	2,032	638	411	149	92	1,159	824	979	704
<b>Taxes on net income</b>	1,239	775	293	171	65	35	529	316	352	252
<b>Net profits</b>	1,686	1,257	344	240	84	57	630	509	627	452
<b>Cash dividends declared</b>	731	690	175	166	29	28	293	278	235	217
<b>Ratios (per cent):</b>										
Net current earnings before income taxes to average total capital accounts	19.4	18.5	20.3	18.3	22.2	20.2	20.6	19.6	17.4	17.2
Net profits to average total capital accounts	10.0	7.9	10.0	7.2	10.8	7.6	10.1	8.6	9.8	7.7
Average return on U.S. Government securities	3.10	2.79	3.32	2.84	3.06	2.64	2.97	2.74	3.13	2.83
Average return on loans	5.92	5.65	5.29	4.83	5.30	4.85	5.94	5.67	6.27	6.16

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.

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