

I. State of the National Banking System

During 1965, the assets of National banks rose by \$29.0 billion, or 15.2 percent. Of this increase, the conversion of Chase Manhattan Bank accounted for 7.3 percent. At year's end, the 4,815 National banks and the seven District of Columbia non-National banks supervised by the Comptroller of the Currency had total assets of \$220.2 billion, or 58.1 percent of the assets of all commercial banks. The 1965 rate of increase in assets of National banks exceeded the 1963 and 1964 increases of 6.0 and 11.7 percent, respectively.

The 1965 growth of National banks was greater than that of State member or insured nonmember banks. The number of National banks increased by 42, or 0.9 percent, while the number of banking offices increased by 840, or 6.6 percent. The comparable percentage changes for State member banks and banking offices were -3.2 and -0.3, while for insured nonmember banks, they were 0.8 and 3.4.

The relative growth rates of different classes of finan-

cial institutions have been of considerable interest in recent years. The commercial banking system experienced a rate of growth of assets of 8.8 percent—below the 10.9 percent of 1964 but greater than the 1963 performance of 5.3 percent. This was similar to the experience of other financial institutions. Asset growth for mutual savings banks fell from a 9.1 percent rate in 1964 to 7.4 percent in 1965. Savings and loan associations, whose assets increased by 11.0 percent in 1964, had an 8.5 percent increase in 1965. Credit unions' growth declined from 15.1 percent during 1964 to 12.2 percent during 1965.

The impressive gains of the National banking and the commercial banking system were a part of the continued expansion of the economy. The gross national product (in current dollars) climbed from \$631.7 billion in 1964 to \$681.2 billion in 1965, or 7.8 percent. Corporate profits before taxes increased 13.0 percent, personal income rose 7.9 percent, and the money supply grew 4.7 percent.

TABLE 1
Commercial banks, banking offices, and total assets, by class of bank, end of 1964 and 1965

[Dollar amounts in billions]

Class of bank	Number of banks			Number of banking offices			Total assets		
	1964	1965	Percent change 1964-65	1964	1965	Percent change 1964-65	1964	1965	Percent change 1964-65
All commercial banks	13, 771	13, 811	0. 3	† 28, 274	29, 453	4. 2	\$348. 4	\$378. 9	8. 8
National banks*	4, 780	4, 822	0. 9	† 12, 773	13, 613	6. 6	191. 2	220. 2	15. 2
State member banks	1, 448	1, 402	-3. 2	4, 695	4, 681	-0. 3	98. 1	93. 6	-4. 6
Insured nonmember banks	7, 266	7, 324	0. 8	† 10, 472	10, 824	3. 4	55. 8	61. 5	10. 2
Noninsured banks	277	263	-5. 1	334	335	0. 3	3. 3	3. 5	6. 1

*Includes 7 non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

NOTE: Data may not add to totals because of rounding.
† Revised.

I. *The National Banking System in 1966*

A. Assets, Liabilities, and Capital Accounts

Total assets of National banks grew to \$236.0 billion at the end of 1966, an increase of \$16.9 billion or 7.7 percent from the end of 1965. The principal asset categories showed the following increases during 1966: Loans and discounts, 8.6 percent, from \$116.8 to \$126.9 billion; securities, 0.6 percent, from \$57.3 to \$57.7 billion; cash and cash items, 13.0 percent, from \$36.8 to \$41.7 billion. As a result of these differential rates of growth, the proportion of loans and discounts to total assets inched upward from 53.3 percent to 53.8 percent, while the ratio of securities to total assets dropped, from 26.1 percent to 24.4 percent.

National bank holdings of U.S. Government obligations declined by 4.8 percent during 1966, to \$30.4 billion. This movement nearly duplicated the 1965 decline of 4.9 percent. Meanwhile, holdings of State and local obligations increased by 5.5 percent, from \$22.5 billion to \$23.8 billion. Holdings of securities of Federal agencies and corporations showed by far the largest percentage increase, 27.0 percent, although the dollar amount, \$3.0 billion at the end of 1966, remained relatively small.

Total deposits of National banks increased by 6.5 percent, from \$193.9 billion to \$206.5 billion. Of the \$12.6 billion increase, time and savings deposits accounted for \$8.1 billion. At the end of 1966, total time and savings deposits stood at \$94.1 billion, equal to 45.6 percent of total deposits. The share of total deposits accounted for by time and savings has risen steadily in recent years, from 41.8 percent at the end of 1964 and 44.4 percent a year later.

Total capital of National banks reached \$18.5 billion at the end of 1966, having increased 5.9 percent during the year. The ratio of capital to total assets declined very slightly, from 7.96 percent to 7.82 percent.

B. Income and Expenses of National Banks

The continuation in 1966 of the shift in bank assets from securities to loans influenced the pattern of bank operating revenues.

Net income after taxes of National banks in 1966 totaled \$1.58 billion, a 14.1 percent increase over the \$1.39 billion figure for 1965. Current operating revenue reached \$11.3 billion, a 16.5 percent increase. However, current operating expenses showed an even higher percentage increase of 17.6 percent, and equaled \$8.5 billion for the year. Net current operating earnings for 1966 were \$2.8 billion, a figure 13.4 percent higher than that for 1965.

Interest and discount on loans spurred by 18.8 percent, to a 1966 figure of \$7.58 billion. This represented 67.0 percent of 1966 current operating revenue, an increase from the 65.7 percent contribution of loan income in 1965. Higher interest rates led to a slight increase in the revenue received from U.S. Government obligations, \$1.23 billion from \$1.21 billion, despite the absolute decline in bank holdings of these obligations already noted. The proportion of operating revenue stemming from U.S. obligations dropped from 12.5 percent in 1965 to 10.9 percent in 1966. The contribution of other securities increased slightly, from 7.8 percent to 8.0 percent of operating revenue.

About 58 percent of the \$1.27 billion increase in current operating expenses of National banks was accounted for by the \$731 million increase in interest paid on time and savings deposits. Interest paid represented 44.0 percent of current operating expenses in 1966, having climbed from 38.2 percent in 1964 and 41.6 percent in 1965. Approximately \$200 million of the other increased expenses were due to larger amounts expended on officers' and employees' salaries and wages.

Net operating earnings of \$2.81 billion were reduced by \$624 million of nonoperating adjustments to arrive at \$2.19 billion of net income before related taxes.

Federal and State income taxes for 1966 equaled \$607 million, compared to \$612 million in 1965. Total cash dividends declared of \$738 million were larger than the 1965 figure by 8.0 percent, and represented 47 percent of the 1966 after-tax net income.

C. Structural Changes in the National Banking System

At the end of 1966, there were 4,799 operating National banks, compared with 4,815 a year earlier. Of these, 1,402 were operating 9,404 branches. The total number of banking offices operated by National banks at the end of 1966 was 14,203. This represents an increase of 630 during 1966.

Twenty-four National bank charters were issued for newly organized banks in 1966. These were scattered among 18 States, with 13 receiving one, four receiving

two (Arkansas, Florida, Missouri, and Wisconsin), and one receiving three (Texas). Twenty-five charters were issued for the conversion of State banks to National banks.

During 1966, 694 branches opened for business as National bank branches, including 548 *de novo* branches and 146 branches of either converted banks or banks acquired through merger. During the same period, 47 branches were discontinued or consolidated. Of the 548 *de novo* branches, 152, or 28 percent, were located in communities with a population of less than 5,000, and 329, or 60 percent, were in communities under 25,000. Of the same 548 branches, 220, or 40 percent, were opened by banks with less than \$25 million in total assets.

Seventy-five bank mergers, consolidations, and purchases in which the resulting bank was a National bank were consummated during 1966. This compares with 91 in 1964 and 76 in 1965.