

II. *Income and Expenses of National Banks*

The relative shift from loans to securities during 1970 was reflected in the aggregate income and expense data for National banks. Interest on securities increased 13.7 percent over the 1969 figure, reaching \$3.6 billion for 1970. In contrast, loan income increased only 9.7 percent. The latter accounted for 67.0 percent of all operating income of National banks in 1970, compared to 68.6 percent the preceding year.

Total operating income of National banks was \$20.4 billion in 1970, representing a 12.1 percent year-to-year increase. Total operating expenses rose at an even greater rate, 14.0 percent, to reach \$16.3 billion. As a result, income before taxes and

securities transactions increased only 5.5 percent over the previous year's figure.

Interest paid on deposits increased only 3.0 percent during 1970, but the \$6.2 billion total still accounted for 38.1 percent of total operating expenses. Salaries and wages spurted 12.8 percent in 1970, with the \$3.8 billion total representing 23.6 percent of operating expenses.

With securities losses lower in 1970 than in 1969, and applicable income taxes virtually unchanged, net income of National banks rose 11.6 percent, from \$2.5 billion to \$2.8 billion. Cash dividends declared during 1970 totalled \$1.3 billion.

TABLE 2
Income and expenses of National banks*, 1969 and 1970

[Dollar amounts in millions]

	Dec. 31, 1969		Dec. 31, 1970		Change, 1969-1970	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Number of banks	4,669		4,621			
Operating income:						
Interest and fees on loans	\$12,492.6	68.55	\$13,698.4	67.04	\$1,205.8	9.65
Income on Federal funds sold and securities purchased under agreements to resell	473.2	2.60	602.9	2.95	129.7	27.41
Interest and dividends on investments:						
U.S. Treasury securities	1,524.7	8.37	1,654.1	8.09	129.4	8.49
Securities of other U.S. Government agencies and corporations	264.2	1.45	327.0	1.60	62.8	23.77
Obligations of States and political subdivisions	1,302.2	7.15	1,535.3	7.51	233.1	17.90
Other securities	81.6	.45	90.7	.44	9.1	11.15
Trust department income	562.4	3.09	626.2	3.07	63.8	11.34
Service charges on deposit accounts	659.1	3.62	686.4	3.36	27.3	4.14
Other service charges, collection and exchange charges, commissions, and fees	426.8	2.34	534.8	2.62	108.0	25.30
Other operating income	434.5	2.38	677.9	3.32	243.3	56.02
<i>Total operating income</i>	<i>18,221.2</i>	<i>100.00</i>	<i>20,433.7</i>	<i>100.00</i>	<i>2,212.5</i>	<i>12.14</i>
Operating expense:						
Salaries and wages of officers and employees	3,402.6	23.78	3,838.6	23.55	436.0	12.81
Pensions and other employee benefits	530.0	3.71	625.2	3.84	95.2	17.96
Interest on deposits	6,036.2	42.19	6,215.2	38.12	179.0	2.97
Expense of Federal funds purchased and securities sold under agreements to repurchase	777.1	5.43	937.5	5.75	160.4	20.64
Interest on borrowed money	255.8	1.79	169.8	1.04	-86.0	-33.62
Interest on capital notes and debentures	56.3	.39	55.2	.34	-1.1	-1.95
Occupancy expense of bank premises, net	618.8	4.33	723.8	4.44	105.0	16.97
Furniture and equipment, depreciation, rental costs, servicing, etc.	467.4	3.27	546.6	3.35	79.2	16.94
Provision for loan losses (or actual net loan losses)	296.2	2.07	405.6	2.49	109.5	36.93
Other operating expenses	1,865.6	13.04	2,784.7	17.08	919.1	49.27
<i>Total operating expense</i>	<i>14,306.0</i>	<i>100.00</i>	<i>16,302.0</i>	<i>100.00</i>	<i>1,996.0</i>	<i>13.95</i>
Income before income taxes and securities gains or losses	3,915.2		4,131.7		216.5	5.53
Applicable income taxes	1,259.1		1,239.9		-19.2	-1.52
Income before securities gains or losses	2,656.1		2,891.8		235.7	8.87
Net securities gains or losses (after tax effect)	-125.7		-64.5		61.2	48.69
Net income before extraordinary items	2,530.3		2,827.3		297.0	11.74
Extraordinary charges or credits	4.0		2.1		-1.9	-47.50
Minority interest in consolidated subsidiaries	—		—		0	
Net income	2,534.3		2,829.3		295.0	11.64
Cash dividends declared:						
On common stock	1,063.7		1,273.0		209.3	19.68
On preferred stock	4.4		—		3	6.82
<i>Total cash dividends declared</i>	<i>1,068.1</i>		<i>1,273.0</i>		<i>209.6</i>	<i>19.62</i>
Ratio to income before income taxes and securities:						
Applicable income taxes		32.16		30.01		
Net securities losses		3.21		1.56		
Extraordinary charges or credits10		.05		
Ratio to total operating income:						
Salaries and wages		18.67		18.79		
Interest on deposits		33.13		30.42		
All other operating expenses		26.71		13.63		
<i>Total operating expenses</i>		<i>78.51</i>		<i>79.78</i>		
Net income		13.91		13.85		

*Includes all banks operating as National banks at year-end, and full year data for those State banks converting to National banks during the year.

II. *Income and Expenses of National Banks*

The sources of operating income for National banks reflected both the faster growth of securities holdings than loans, and the more pronounced impact of lower rates on the latter. Total interest and fees on loans actually declined in 1971 by \$30 million, or 0.2 percent. Total interest and dividends on investments showed a healthy increase of 18.4 percent during the year, from \$3.6 billion to \$4.3 billion. The proportion of total operating income accounted for by interest and fees on loans declined from 67 percent in 1970 to 64.1 percent in 1971.

Total operating income of National banks showed only a 4.3 percent increase in 1971 over that of 1970, \$21.3 billion to \$20.4 billion. With total operating expense increasing by 6.9 percent, from \$16.3 billion to \$17.4 billion, income before income taxes and secu-

rities transactions registered a 6.1 percent decline, from \$4.1 billion to \$3.9 billion. Lower applicable income taxes and a net gain on securities transactions of \$107 million, compared with a net loss on similar transactions of \$65 million in 1970, led to a gain of 7.5 percent in net income, from \$2.8 billion to \$3 billion.

Interest paid on deposits totalled \$7.2 billion, representing 41.5 percent of total operating expense of National banks. In 1970, interest paid on deposits had accounted for 38.1 percent of total operating expense. Salaries and wages of officers and employees increased by 7.9 percent, from \$3.8 billion to \$4.1 billion. That item accounted for 23.8 percent of all operating expense for National banks in 1971, compared to 23.6 percent in 1970.

TABLE 2
Income and expenses of National banks*, 1970 and 1971
 [Dollar amounts in millions]

	Dec. 31, 1970		Dec. 31, 1971		Change, 1970-71	
	Amount	Percent distribution	² Amount	Percent distribution	Amount	Percent
Number of banks	4, 621		4, 600		-21	- . 45
Operating income:						
Interest and fees on loans	\$13, 698. 4	67. 04	\$13, 668. 1	64. 14	-30. 3	- . 22
Income on Federal funds sold and securities purchased under agreements to resell	602. 9	2. 95	533. 8	2. 50	-69. 1	-11. 46
Interest and dividends on investments:						
U.S. Treasury securities	1, 654. 1	8. 09	1, 849. 5	8. 68	195. 4	11. 81
Obligations of other U.S. Government agencies and corporations	327. 0	1. 60	442. 9	2. 08	115. 9	35. 44
Obligations of States and political subdivisions	1, 535. 3	7. 51	1, 841. 0	8. 64	305. 7	19. 91
Other securities	90. 7	. 44	137. 8	. 65	47. 1	51. 92
Trust department income	626. 2	3. 07	700. 9	3. 29	74. 7	11. 92
Service charges on deposit accounts	686. 4	3. 36	709. 7	3. 33	23. 3	3. 39
Other service charges, collection and exchange charges, commissions, and fees	534. 8	2. 62	624. 6	2. 93	89. 8	16. 79
Other operating income	677. 9	3. 32	801. 2	3. 76	123. 3	18. 18
<i>Total operating income</i>	20, 433. 7	100. 00	21, 309. 5	100. 00	875. 8	4. 29
Operating expense:						
Salaries and wages of officers and employees	3, 838. 6	23. 55	4, 140. 2	23. 75	301. 6	7. 86
Pensions and other employee benefits	625. 2	3. 84	698. 4	4. 01	73. 2	11. 71
Interest on deposits	6, 215. 2	38. 12	7, 228. 7	41. 47	1, 013. 5	16. 30
Expense of Federal funds purchased and securities sold under agreements to repurchase	937. 5	5. 75	739. 6	4. 24	-197. 9	-21. 10
Interest on borrowed money	169. 8	1. 04	80. 7	. 46	-89. 1	-52. 47
Interest on capital notes and debentures	55. 2	. 34	67. 8	. 39	12. 6	22. 83
Occupancy expense of bank premises, net	723. 8	4. 44	811. 0	4. 65	87. 2	12. 04
Furniture and equipment, depreciation, rental costs, servicing, etc.	546. 6	3. 35	606. 6	3. 48	60. 0	10. 97
Provision for loan losses (or actual net loan losses)	405. 6	2. 49	514. 1	2. 95	108. 5	26. 75
Other operating expenses	2, 784. 7	17. 08	2, 543. 3	14. 59	-241. 4	-8. 66
<i>Total operating expense</i>	16, 302. 0	100. 00	17, 430. 4	100. 00	1, 128. 4	6. 92
Income before income taxes and securities gains or losses	4, 131. 7		3, 879. 1		-252. 6	-6. 11
Applicable income taxes	1, 239. 9		942. 7		-297. 2	-23. 97
Income before securities gains or losses	2, 891. 8		2, 936. 3		44. 5	1. 54
Net securities gains or losses (after tax effect)	-64. 5		106. 9		171. 4	265. 74
Net income before extraordinary items	2, 827. 3		3, 043. 3		216. 0	7. 64
Extraordinary charges or credits	2. 1		-1. 8		-3. 9	-185. 71
Minority interest in consolidated subsidiaries	—		—		—	—
Net income	2, 829. 3		3, 041. 3		212. 0	7. 49
Cash dividends declared:						
On common stock	1, 273. 0		1, 386. 2		113. 2	8. 89
On preferred stock	4. 7		4. 0		- . 7	-14. 89
<i>Total cash dividends declared</i>	1, 277. 7		1, 390. 2		112. 5	8. 80
Ratio to income before income taxes and securities:						
Applicable income taxes		30. 01		24. 30		
Net securities losses		1. 56		2. 76		
Extraordinary charges or credits 05		. 05		
Ratio to total operating income:						
Salaries and wages		18. 79		19. 43		
Interest on deposits		30. 42		33. 92		
All other operating expenses		13. 63		11. 94		
<i>Total operating expenses</i>		79. 78		81. 80		
Net income		13. 85		14. 27		

*Includes all banks operating as National banks at year-end, and full year data for those State banks converting to National banks during the year.

NOTE: Dashes indicate amounts of less than \$500,000. Data may not add to totals because of rounding.

II. *Income and Expenses of National Banks*

Both operating income and net income of National banks increased significantly in 1972, but the rates of increase were well below the rates of increase in total assets and total loans, and slightly below the rate of increase of total capital. As a result, rates of return on earning assets and on capital were somewhat lower in 1972 than in 1971.

Operating income of National banks rose 10.5 percent in 1972, totalling \$23.5 billion compared to \$21.3 billion in 1971. The proportionate shares of the major sources of operating income did not shift substantially in 1972. Interest and fees on loans of \$15.1 billion accounted for 64.1 percent of operating income in 1972, just as in 1971. Interest on investments of \$4.6 billion contributed 19.7 percent of operating income in 1972, down slightly from 20.0 percent in 1971. Gains were registered in 1972 in the relative contribution of income on Federal funds sold and "other income" to op-

erating income, while the relative contribution of trust department income remained virtually unchanged.

Total operating expense of National banks was \$19.3 billion in 1972, a 10.8 percent increase over the 1971 figure. Interest on deposits climbed 11.8 percent, reaching \$8.1 billion and accounting for 41.9 percent of operating expense. That share of expenses is almost twice as great as that of the next highest expense item, salaries and wages, which accounted for 23.1 percent of the total.

Income after applicable income taxes but before securities transactions totalled \$3.2 billion for National banks in 1972, a 10.5 percent increase over 1971's \$2.9 billion. With net gains on securities transactions lower in 1972 than in 1971, net income of National banks showed a smaller percentage increase of 8.8 percent, totalling \$3.3 billion in 1972.

TABLE 2
Income and expenses of National banks*, 1971 and 1972
[Dollar amounts in millions]

	Dec. 31, 1971		Dec. 31, 1972		Change, 1971-1972	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Number of banks.....	4,600		4,614		14	.30
Operating income:						
Interest and fees on loans.....	13,668.1	64.14	15,084.9	64.07	1,416.8	10.37
Income on Federal funds sold and securities purchased under agreements to resell.....	533.8	2.50	641.8	2.73	108.0	20.23
Interest and dividends on investments:						
U.S. Treasury securities.....	1,849.5	8.68	1,844.5	7.84	-5.0	-.27
Obligations of other U.S. Government agencies and corporations.....	442.9	2.08	567.2	2.41	124.3	28.07
Obligations of States and political subdivisions.....	1,841.0	8.64	2,039.7	8.66	198.7	10.79
Other securities.....	137.8	.65	175.6	.75	37.8	27.43
Trust department income.....	700.9	3.29	770.9	3.27	70.0	9.99
Service charges on deposit accounts.....	709.7	3.33	718.3	3.05	8.6	1.21
Other service charges, collection and exchange charges, commissions, and fees.....	624.6	2.93	695.8	2.96	71.2	11.40
Other operating income.....	801.2	3.76	1,003.9	4.26	202.7	25.30
Total operating income.....	21,309.5	100.00	23,542.7	100.00	2,233.2	10.48
Operating expense:						
Salaries and wages of officers and employees.....	4,140.2	23.75	4,461.0	23.10	320.8	7.75
Pensions and other employee benefits.....	698.4	4.01	778.7	4.03	80.3	11.50
Interest on deposits.....	7,228.7	41.47	8,084.7	41.86	856.0	11.84
Expense of Federal funds purchased and securities sold under agreements to repurchase.....	739.6	4.24	976.2	5.05	236.6	31.99
Interest on borrowed money.....	80.7	.46	77.9	.40	-2.8	-3.47
Interest on capital notes and debentures.....	67.8	.39	111.3	.58	43.5	64.16
Occupancy expense of bank premises, net.....	811.0	4.65	903.6	4.68	92.6	11.42
Furniture and equipment, depreciation, rental costs, servicing, etc.....	606.6	3.48	651.2	3.37	44.6	7.35
Provision for loan losses (or actual net loan losses).....	514.1	2.95	584.3	3.02	70.2	13.65
Other operating expenses.....	2,543.3	14.59	2,685.8	13.91	142.5	5.60
Total operating expense.....	17,430.4	100.00	19,314.7	100.00	1,884.3	10.81
Income before income taxes and securities gains or losses.....	3,879.1		4,228.0		348.9	8.99
Applicable income taxes.....	942.7		982.2		39.5	4.19
Income before securities gains or losses.....	2,936.3		3,245.8		309.5	10.54
Net securities gains (after tax effect).....	106.9		54.1		-52.8	-49.39
Net income before extraordinary items.....	3,043.3		3,299.9		256.6	8.43
Extraordinary charges or credits.....	-1.8		8.3		10.1	561.11
Minority interest in consolidated subsidiaries.....	—		—		—	—
Net income.....	3,041.3		3,307.9		266.6	8.77
Cash dividends declared:						
On common stock.....	1,386.2		1,307.6		-78.6	-5.67
On preferred stock.....	4.0		2.7		-1.3	-32.50
Total cash dividends declared.....	1,390.2		1,310.3		-79.9	-5.75
Ratio to income before income taxes and securities:						
Applicable income taxes.....		24.30		23.23		
Net securities gains.....		2.76		1.28		
Extraordinary charges or credits.....		.05		.20		
Ratio to total operating income:						
Salaries and wages.....		19.43		18.95		
Interest on deposits.....		33.92		34.34		
All other operating expenses.....		11.94		11.41		
Total operating expenses.....		81.80		82.04		
Net income.....		14.27		14.05		

*Includes all banks operating as National banks at year-end, and full year data for those State banks converting to National banks during the year.

NOTE: Dashes indicate amounts of less than \$500,000. Data may not add to totals because of rounding.

II. *Income and Expenses of National Banks*

Both total operating income and total operating expenses of National banks increased at unprecedented rates during 1973—32.6 percent and 35.9 percent respectively. With net securities losses being only a nominal \$13.5 million, net income totalled \$3.8 billion, a 13.9 percent increase over 1972 results. Since the rate of increase of total assets was slightly less, 12.6 percent, the rate of return on assets increased by a small amount.

The combination of the 17.8 percent increase in loans and the sharply higher loan rates led to a 39.6 percent increase in interest and fees on loans. That item accounted for 67.5 percent of total operating income in 1973, compared with 64.1 percent in 1972. Interest received on investments also increased significantly, except for Treasuries which declined 1.2 percent due to the \$6.2 billion decline in bank holdings. Income on federal funds sold and securities purchased under agreements to resell vaulted from \$641.8 million in 1972 to \$1.5 billion in 1973,

accounting for 4.7 percent of total operating income.

All of the expense items involving interest payments increased sharply in 1973. Interest on deposits—by far the largest component of operating expense, accounting for 44.5 percent of the total—reached \$11.7 billion, a 44.3 percent increase. Expense of federal funds purchased and securities sold under agreements to repurchase totalled \$2.7 billion, accounting for 10.2 percent of operating expense and representing a 174.7 percent increase over the prior year's figure. While salaries and wages of officers and employees increased 10.3 percent, to \$4.9 billion, their relative importance as a component of operating expense continued to decline, this time from 23.1 percent in 1972 to 18.8 percent in 1973.

Applicable income taxes increased from \$1.0 billion to \$1.2 billion, a rise of 21.7 percent. Cash dividends of \$1.4 billion were declared, representing a payout of 38 percent.

TABLE 2
Income and expenses of National banks*, 1972 and 1973
[Dollar amounts in millions]

	Dec. 31, 1972		Dec. 31, 1973		Change, 1972-1973	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Number of banks.....	4,614		4,661		47	1.02
Operating income:						
Interest and fees on loans.....	\$15,084.9	64.07	\$21,054.5	67.45	\$5,969.6	39.57
Income on Federal funds sold and securities purchased under agreements to resell.....	641.8	2.73	1,454.7	4.66	812.9	126.66
Interest and dividends on investments:						
U.S. Treasury securities.....	1,844.5	7.84	1,821.8	5.84	- 22.7	- 1.23
Obligations of other U.S. Government agencies and corporations.....	567.2	2.41	725.7	2.32	158.5	27.94
Obligations of States and political subdivisions.....	2,039.7	8.66	2,230.8	7.15	191.1	9.37
Other securities.....	175.6	.75	203.7	.65	28.1	16.00
Trust department income.....	770.9	3.27	820.4	2.63	49.5	6.42
Service charges on deposit accounts.....	718.3	3.05	752.7	2.41	34.4	4.79
Other service charges, collection and exchange charges, commissions, and fees.....	695.8	2.96	815.7	2.61	119.9	17.23
Other operating income.....	1,003.9	4.26	1,334.3	4.27	330.4	32.91
<i>Total operating income.....</i>	<i>23,542.7</i>	<i>100.00</i>	<i>31,214.2</i>	<i>100.00</i>	<i>7,671.5</i>	<i>32.59</i>
Operating expense:						
Salaries and wages of officers and employees.....	4,461.0	23.10	4,922.0	18.75	461.0	10.33
• Pensions and other employee benefits.....	778.7	4.03	905.3	3.45	126.6	16.26
Interest on deposits.....	8,084.7	41.86	11,666.0	44.45	3,581.3	44.30
Expense of Federal funds purchased and securities sold under agreements to repurchase.....	976.2	5.05	2,681.2	10.22	1,705.0	174.66
Interest on borrowed money.....	77.9	.40	304.0	1.16	226.1	290.24
Interest on capital notes and debentures.....	111.3	.58	130.4	.50	19.1	17.16
Occupancy expense of bank premises, net.....	903.6	4.68	999.2	3.81	95.6	10.58
Furniture and equipment, depreciation, rental costs, servicing, etc.....	651.2	3.37	718.7	2.74	67.5	10.37
Provision for loan losses (or actual net loan losses).....	584.3	3.02	758.1	2.89	173.8	29.74
Other operating expenses.....	2,685.8	13.91	3,161.9	12.05	476.1	17.73
<i>Total operating expense.....</i>	<i>19,314.7</i>	<i>100.00</i>	<i>26,246.9</i>	<i>100.00</i>	<i>6,932.2</i>	<i>35.89</i>
Income before income taxes and securities gains or losses.....	4,228.0		4,967.3		739.3	17.49
Applicable income taxes.....	982.2		1,194.9		212.7	21.66
Income before securities gains or losses.....	3,245.8		3,772.5		526.7	16.23
Net securities gains or losses (after tax effect).....	54.1		- 13.5		- 67.6	- 124.95
Net income before extraordinary items.....	3,299.9		3,758.9		459.0	13.91
Extraordinary charges or credits.....	8.3		9.0		.7	8.43
Minority interest in consolidated subsidiaries.....	—		—		—	—
Net income.....	3,307.9		3,767.7		459.8	13.90
Cash dividends declared:						
On common stock.....	1,307.6		1,447.0		139.4	10.66
On preferred stock.....	2.7		2.4		-.3	- 11.11
<i>Total cash dividends declared.....</i>	<i>1,310.3</i>		<i>1,449.4</i>		<i>139.1</i>	<i>10.62</i>
Ratio to income before income taxes and securities:						
Applicable income taxes.....		23.23		24.06		
Net securities gains.....		1.28		-.27		
Extraordinary charges or credits.....		.20		.18		
Ratio to total operating income:						
Salaries and wages.....		18.95		15.77		
Interest on deposits.....		34.34		37.37		
All other operating expenses.....		11.41		10.13		
<i>Total operating expenses.....</i>		<i>82.04</i>		<i>84.09</i>		
Net Income.....		14.05		12.07		

*Includes all banks operating as National banks at year-end, and full year data for those State banks converting to National banks during the year.

NOTE: Dashes indicate amounts of less than \$500,000. Data may not add to totals because of rounding.

II. *Income and Expenses of National Banks*

The combination of real growth in the National Banking System and strong inflationary pressures led to steep increases in both total operating income and total operating expense in 1974; 29.6 percent for the former and 34.3 percent for the latter. Those high rates of increase were, however, slightly less than the comparable rates in 1973 of 32.6 percent and 35.9 percent, respectively. The figures for both 1973 and 1974 are in sharp contrast to those of 1972, when operating income rose by 10.5 percent and operating expense by 10.8 percent.

Applicable income taxes decreased slightly in 1974 compared to 1973, from \$1.2 billion to \$1.1 billion. With net security losses totalling \$42.4 million in 1974, net income reached \$4.0 billion for all National banks, a 7.4 percent increase over 1973. That rate of increase in net income compares with 13.9 percent in 1973 and 8.8 percent in 1972. Since the rate of growth of net income was slightly less than the 9.2 percent rate of growth in total assets, the rate of return on assets fell slightly in 1974 compared to 1973.

Interest and fees on loans totalled \$28.4 billion in 1974, a 35.0 percent increase over 1973. Loan-related income accounted for 70.3 percent of total operating income, an increase from the 67.5 percent figure for 1973. Total revenues from securities holdings were \$5.6 billion in 1974, an increase over 1973 of 11.6 percent. The proportion of operating income accounted for by income from securities continued to slip, from 16.0 percent in 1973 to 13.8 percent in 1974.

As dollar volume of Treasuries held declined for the third straight year, revenues from Federal funds sales and purchases of securities under agreement

to resell surpassed revenues from Treasury holdings in 1974, \$2.2 billion to \$1.8 billion. Revenues from municipals held totalled \$2.5 billion, a 13.5 percent increase over 1973, and holdings of securities of agencies and government corporations accounted for \$1.0 billion in revenues, an increase of 40.3 percent over 1973.

On the expense side, the total cost of funds continued to burgeon, reflecting the growth in the proportion of time deposits to total deposits and ever-greater reliance on purchased non-deposit funds. Total interest on deposits reached \$16.6 billion, an increase of 42.2 percent over 1973. The proportion of total operating expense accounted for by interest on deposits continued to increase, from 44.5 percent in 1973 to 47.1 percent in 1974. Similarly, the expense of Federal funds purchased and securities sold under agreements to repurchase spurted from \$2.7 billion to \$4.3 billion, a 59.5 percent increase. As a result, the proportion of operating expense accounted for by the cost of those purchased funds moved from 10.2 percent in 1973 to 12.1 percent in 1974.

Salaries and wages of officers and employees increased by 13.6 percent, but the proportion of operating expense represented by salaries and wages continued its decline. The figure has dropped from 23.8 percent in 1971 to 23.1 percent in 1972, to 18.8 percent in 1973, to 15.9 percent in 1974. Occupancy expense has shown a similar decline in relative importance, as the cost of funds has continued to jump upward.

Total cash dividends of \$1.7 billion were declared by National banks in 1974, a 15.3 percent increase over 1973's \$1.4 billion. The 1974 dividends reflected a payout ratio of 41.3 percent.

TABLE 2
Income and expenses of National banks, 1973 and 1974*

[Dollar amounts in millions]

	1973		1974		Change, 1973-1974	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Number of banks	4,661		4,708		47	1.01
Operating income:						
Interest and fees on loans	\$21,054.5	67.45	\$28,418.6	70.26	\$7,364.1	34.98
Income on Federal funds sold and securities purchased under agreements to resell	1,454.7	4.66	2,173.1	5.37	718.4	49.38
Interest and dividends on investments:						
U.S. Treasury securities	1,821.8	5.84	1,752.7	4.33	-69.1	-3.79
Obligations of other U.S. Government agencies and corporations	725.7	2.32	1,018.4	2.52	292.7	40.33
Obligations of States and political subdivisions	2,230.8	7.15	2,531.3	6.26	300.5	13.47
Other securities	203.7	.65	258.9	.64	55.2	27.10
Trust department income	820.4	2.63	853.7	2.11	33.3	4.06
Service charges on deposit accounts	752.7	2.41	827.2	2.05	74.5	9.90
Other service charges, collection and exchange charges, commissions, and fees	815.7	2.61	938.5	2.32	122.8	15.05
Other operating income	1,334.3	4.27	1,676.0	4.14	341.7	25.61
<i>Total operating income</i>	31,214.2	100.00	40,448.3	100.00	9,234.1	29.58
Operating expense:						
Salaries and wages of officers and employees	4,922.0	18.75	5,593.0	15.87	671.0	13.63
Pensions and other employee benefits	905.3	3.45	1,034.0	2.94	128.7	14.22
Interest on deposits	11,666.0	44.45	16,585.0	47.06	4,919.0	42.17
Expense of Federal funds purchased and securities sold under agreements to repurchase	2,681.2	10.22	4,277.2	12.14	1,596.0	59.53
Interest on borrowed money	304.0	1.16	519.3	1.47	215.3	70.82
Interest on capital notes and debentures	130.4	.50	147.8	.42	17.4	13.34
Occupancy expense of bank premises, net	999.2	3.81	1,146.6	3.25	147.4	14.75
Furniture and equipment, depreciation, rental costs, servicing, etc.	718.7	2.74	811.9	2.30	93.2	12.97
Provision for loan losses (or actual net loan losses) ..	758.1	2.89	1,391.8	3.95	633.7	83.59
Other operating expenses	3,161.9	12.05	3,734.9	10.60	573.0	18.12
<i>Total operating expense</i>	26,246.9	100.00	35,241.4	100.00	8,994.5	34.27
Income before income taxes and securities gains or losses	4,967.3		5,206.9		239.6	4.8%
Applicable income taxes	1,194.9		1,122.6		-72.3	-6.0%
Income before securities gains or losses	3,772.5		4,084.3		311.8	8.2%
Net securities gains (after tax effect)	-13.5		-42.4		-28.9	-214.0%
Net income before extraordinary items	3,758.9		4,041.9		283.0	7.5%
Extraordinary charges or credits	9.0		2.8		-6.2	-68.8%
Minority interest in consolidated subsidiaries	—		—		—	
Net income	3,767.7		4,044.5		276.8	7.3%
Cash dividends declared:						
On common stock	1,447.0		1,670.2		223.2	15.4
On preferred stock	2.4		1.0		-1.4	-58.3
<i>Total cash dividends declared</i>	1,449.4		1,671.2		221.8	15.3
Ratio to income before income taxes and securities:						
Applicable income taxes		24.06		21.56		
Net securities gains		-.27		-.81		
Extraordinary charges or credits18		.05		
Ratio to total operating income:						
Salaries and wages		15.77		13.83		
Interest on deposits		37.37		41.00		
All other operating expenses		10.13		9.23		
<i>Total operating expenses</i>		84.09		87.13		
Net income		12.07		10.00		

* Includes all banks operating as National banks at year-end, and full year data for those State banks converting to National banks during the year.

NOTE: Dashes indicate amounts of less than \$500,000. Data may not add to totals because of rounding.