

I. The National Banking System In 1966

I. *Condition of the National Banking System*

National banks experienced excellent growth in 1967. Total assets reached \$263.4 billion, an increase of 11.6 percent. This compares with an asset growth of 7.7 percent during 1966. The gain in liquidity within the National banking system during 1967 was dramatized by a larger absolute increase in securities holdings than in loans: the figures were \$12.0 billion and \$9.9 billion, respectively. These figures, in turn, represented increases of 20.3 percent for securities and 7.8 percent for loans during the year. By year end, securities accounted for 26.5 percent of National banks' total assets, compared with 24.4 percent a year earlier. Meanwhile, the proportion of loans to total assets declined from 53.8 percent to 51.9 percent. The differential rates of growth for securities and for loans were in sharp contrast to the 1966 picture, when loans and discounts increased by 8.6 percent, while securities increased by only 0.6 of 1 percent.

Within the securities category, for the second straight year holdings of securities of Federal agencies and corporations showed the highest rate of increase, 59.9 percent in 1967. However, the absolute total of these

holdings, \$4.8 billion, remained small relative to year end totals of \$34.3 billion for U.S. Governments and \$29.0 billion for State and local obligations. National bank holdings of the latter increased by 22.0 percent during 1967, while the increase in U.S. Governments was 13.0 percent.

Total deposits of National banks increased by \$24.9 billion, or 12.1 percent during 1967. Of this increase, \$10.7 billion was in demand deposits and \$14.3 billion in time and savings deposits. As has been the case in recent years, the rate of growth in time and savings deposits, 15.2 percent, exceeded the 9.5 percent figure for demand deposits. At year end, total time and savings deposits equalled 46.8 percent of total deposits; the comparable figures were 45.6 percent at the end of 1966, 44.4 percent in 1965, and 41.8 percent in 1964.

The total capital accounts of National banks showed a 6.9 percent increase during 1967, compared with a 5.9 percent increase in 1966. Total capital of \$19.7 billion yielded a capital-to-assets ratio of 7.49 percent at year end, compared to 7.82 percent at the end of 1966.

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The year 1968 saw continued healthy growth by the National banking system. Total assets reached \$296.6 billion, representing an increase of 12.6 percent for the year and outpacing the 1967 rise of 11.6 percent.

The differential rates of growth among asset categories shed some light on the response of National banks to the high level of demand for funds that was present during the year. Total loans showed a 13.2-percent increase in 1968, and thus exceeded the overall rate of asset growth. In contrast, total securities held increased by 10.4 percent. Within the total securities category, the rates of growth of various types of securities showed marked disparity. While U.S. Government obligations inched upward by 2.9 percent, National bank holdings of the obligations of States and political subdivisions spurted by 19.7 percent. As a result, at the end of 1968, total municipals held by National banks were nearly equal to total holdings of U.S. Governments; the respective figures were \$34.7 billion and \$35.3 billion.

The increase in total deposits during 1968 was 11.5 percent, just under the rate of asset growth. Once again, total time and savings deposits grew faster than did demand deposits, the rates being 13.8 and 9.4 percent, respectively. Although total demand deposits of National banks still exceed total time deposits, \$134.6 billion to \$123.3 billion, the reverse holds true for deposits of individuals, partnerships, and corporations (IPC deposits). As of December 31, 1968, IPC demand deposits totaled \$101.8 billion, compared to IPC time and savings deposits of \$107.7 billion.

Total capital accounts of National banks registered a 9.1 percent increase, reaching \$21.5 billion at year-end 1968. This rate of increase easily surpassed the comparable rates of 5.9 percent and 6.9 percent in 1966 and 1967, respectively. However, the capital accounts continued to grow at a slower pace than the rate of asset growth.

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The year 1969 was characterized by a continuing intensive demand for funds. With deposit rate ceilings below rates on competitive instruments, National banks had to resort to a variety of alternative sources of funds in an attempt to meet the loan demand of their customers.

The changes in balance sheet accounts during 1969 reflected the tightness of the markets for funds. In sharp contrast to 1968, which saw a 13.8 percent increase in total time and savings deposits, those deposits declined 6.4 percent during 1969. The 4.8 percent increase in demand deposits during 1969 did not quite offset the decrease in time and savings deposits; the total deposits of National banks at year-end 1969 stood at \$256.4 billion, compared to the \$257.9 billion figure

of a year before.

Certain nondeposit liabilities, including Eurodollar borrowings, other borrowings, and Federal funds purchased, increased substantially. Funds from these sources, combined with a sizable net sale of investment securities, allowed National banks to add 10.9 percent to their gross volume of outstanding loans. Total gross securities held declined 8.8 percent during 1969.

The combined effect of the indicated shifts was to slow the rate of asset growth of National banks from 12.6 percent, in 1968, to 5.9 percent, during 1969. At year-end, total assets of the National Banking System had reached \$314.0 billion. On the same date, total capital of the system aggregated \$23.3 billion, having increased 8.0 percent during 1969.

TABLE 1
Assets, liabilities, and capital accounts of National banks, 1968 and 1969

[Dollar amounts in millions]

| | <i>Dec. 31, 1968, 4,716 banks</i> | | <i>Dec. 31, 1969, 4,669 banks</i> | | <i>Change, 1968-69</i> | |
|--|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|------------------------|----------------|
| | <i>Amount</i> | <i>Percent distribution</i> | <i>Amount</i> | <i>Percent distribution</i> | <i>Amount</i> | <i>Percent</i> |
| ASSETS | | | | | | |
| Cash and due from banks | \$50,953 | 17.18 | \$54,727 | 17.43 | 3,774 | 7.41 |
| U.S. Treasury securities | 35,300 | 11.90 | 29,589 | 9.42 | -5,711 | -16.18 |
| Securities of other U.S. Government agencies and corporations | 5,160 | 1.74 | 4,640 | 1.48 | -520 | -10.08 |
| Obligations of States and political subdivisions | 34,704 | 11.70 | 34,526 | 10.99 | -178 | -.51 |
| Other securities | 1,707 | .58 | 1,362 | .43 | -345 | -20.21 |
| <i>Total securities</i> | <i>76,871</i> | <i>25.92</i> | <i>70,117</i> | <i>22.32</i> | <i>-6,754</i> | <i>-8.79</i> |
| Federal funds sold and securities purchased under agreements to resell | 4,397 | 1.48 | 5,809 | 1.85 | 1,412 | 32.11 |
| Direct lease financing | 542 | .18 | 696 | .22 | 154 | 28.41 |
| Loans | 154,862 | 52.21 | 171,702 | 54.67 | 16,840 | 10.87 |
| Fixed assets | 4,363 | 1.47 | 5,280 | 1.68 | 917 | 21.02 |
| Customers' liability on acceptances outstanding | 1,275 | .43 | 1,838 | .59 | 563 | 44.16 |
| Other assets | 3,331 | 1.13 | 3,879 | 1.24 | 548 | 16.45 |
| <i>Total assets</i> | <i>296,594</i> | <i>100.00</i> | <i>314,048</i> | <i>100.00</i> | <i>17,454</i> | <i>5.88</i> |