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MEMBER BANK INCOME, 1965

Summaries of preliminary figures for income and expenses reported by Federal Reserve member banks for the calendar year 1965, that net income after taxes rose nearly 10 per cent over the previous year, but that more than three-fifths of the increase was directly attributable to lower income related taxes. A marked increase in gross revenues, due primarily to larger loan portfolios, was largely offset by increases in bank expenses, with interest paid on time and savings deposits accounting for most of the higher costs. The ratio of net current earnings before taxes to average total capital accounts was lower in 1965 than in previous years; and showed the largest year to year decrease since 1962. The ratio of net income after taxes to average total capital accounts, at 8.8 per cent was the same as in 1964.

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Gross current operating revenue increased about 12 per cent, or \$1,487 million. Loan revenue accounted for about four-fifths of the rise, and came as a result of a substantial increase in average holdings as the average return was slightly below the 1964 level. The \$170 million increase in revenue from other securities over the previous year, resulted from a higher average rate of return and some increase in the average holdings of these types of securities. Although the average rate of return on U. S. Government securities increased, average holdings declined so that revenue from this source was \$50 million lower than the previous year.

Total expenses were nearly 15 per cent, or \$1,328 million higher than 1964. Over three-fifths, \$836 million, of this increase came as a result of an increase in interest payments on time deposits. The 25 per cent increase in interest costs resulted from large increases in both the average rate paid on time deposits and in average holdings of these liabilities. Salaries, wages, and other employee benefits rose \$218 million and all other expenses, \$273 million. Net current earnings before income taxes were \$3,650 million, about 5 per cent higher than in 1964.

The net effect of security transactions, other profit and loss adjustments on loans and other assets, and changes in valuation reserves was to reduce net income by \$659 million the largest since 1959. This compares with a net reduction of \$570 million in 1964.

Taxes on net income were \$884 million, down from \$998 million in 1964. Net income after taxes rose to \$2,108 million, \$185 million higher than 1964.

(Over)

MEMBER BANK INCOME, BY CLASS OF BANK, 1965 AND 1964
(In millions of dollars. 1965 figures preliminary)

	All		Reserve city banks						Country banks	
	member banks		New York City		City of Chicago		Other		Country banks	
	1965	1964	1965	1964	1965	1964	1965	1964	1965	1964
Revenue	13,873	12,386	2,296	2,017	577	505	5,237	4,739	5,764	5,125
On U.S. Government securities	1,692	1,742	180	214	60	64	549	580	903	883
On other securities	1,081	911	204	171	52	48	374	313	451	379
On loans ^{1/}	9,317	8,111	1,563	1,300	382	324	3,614	3,205	3,757	3,282
All other	1,783	1,622	349	332	82	69	700	640	653	581
Expenses	10,223	8,895	1,607	1,345	401	340	3,868	3,391	4,346	3,818
Salaries, wages, and benefits	3,478	3,260	533	505	119	114	1,300	1,236	1,526	1,406
Interest on time deposits	4,220	3,384	713	515	192	156	1,632	1,319	1,684	1,394
All other	2,524	2,251	362	326	90	70	936	836	1,136	1,019
Net current earnings before income taxes	3,650	3,491	688	671	175	165	1,368	1,347	1,418	1,307
Recoveries, transfers from valuation reserves, and profits ^{2/}	324	275	34	32	29	21	131	124	130	98
Losses, charge-offs, and transfers to valuation reserves ^{3/}	983	845	212	122	40	69	360	334	370	320
Net income before related taxes	2,992	2,921	510	581	165	118	1,139	1,137	1,178	1,085
Taxes on net income	884	998	131	199	51	37	358	413	344	349
Net income	2,108	1,923	379	382	114	81	782	724	833	736
Cash dividends declared	1,061	961	240	213	45	41	425	394	351	313
Ratios (per cent):										
Net current earnings before income taxes to average total capital accounts	15.2	15.9	14.0	15.7	16.0	16.2	15.6	16.7	15.3	15.2
Net income to average total capital accounts	8.8	8.8	7.7	8.9	10.4	8.0	8.9	9.0	9.0	8.6
Average return on U.S. Govt. securities	3.72	3.63	3.33	3.62	3.48	3.66	3.71	3.59	3.83	3.66
Average return on other securities	3.12	3.01	3.23	3.12	3.21	3.00	3.16	3.05	3.02	2.92
Average return on loans	5.87	5.88	5.14	5.20	5.07	5.03	5.89	5.91	6.33	6.28
Interest on time to average time deposits	3.74	3.47	4.24	3.93	4.00	3.78	3.82	3.52	3.48	3.26

^{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.

(Over)