



(For immediate release)

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MEMBER BANK INCOME, 1967

A substantial expansion in the volume of loans and in investments in state and municipal securities, along with a somewhat higher rate of return, raised the net income after taxes of Federal Reserve member banks in calendar 1967 despite increased expenses.

Summaries of preliminary figures show that net income after taxes for the approximately 6,000 member banks rose \$400 million or 18 per cent over 1966. The marked increase in gross revenue was offset in large part by increases in bank expenses. 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 \$736 million. The ratio of net income to average total capital accounts for all member banks was 9.6 per cent compared to 8.6 per cent for the previous year.

Gross current operating revenue increased by \$1,787 million or approximately 11 per cent. Revenue on loans accounted for about three-fifths of the rise. Substantial increases in average holdings and a slight increase in the average rate of return on loans were responsible. Revenue on U. S. Government securities rose \$232 million over the preceding year as a result of a higher average rate of return on these investments. The \$296 million increase in revenue from other securities resulted from a substantial increase in the average holdings of these types of securities--mostly state and municipal securities--and a modest increase in the average rate of return.

Total current operating expenses was nearly 13 per cent, or \$1,566 million higher than 1966. About three-fifths, or \$878 million, of this increase was from an increase in interest payments on time and savings deposits. The increase resulted from a very large increase in average holdings of these liabilities and a slight increase in the average rate paid. The cost of salaries, wages, and other employee benefits rose \$414 million and all other expenses \$274 million.

Net current earnings before income taxes was \$4,353 million, about 5 per cent higher than 1966. The reduction of \$736 million from the net effect of security transactions and other profit and loss adjustments on loans and other assets compared to a record net reduction of \$1,046 million for 1966. The smaller net reduction was primarily due to smaller losses on securities sold in 1967.

Net income before taxes was \$3,616 million, \$532 million more than last year. Taxes on net income were \$1,007 million, \$131 million higher than 1966. Net income after taxes rose to \$2,609 million.

Income and expense reports from these member banks usually represent a little more than 80 per cent of the accounts of all commercial banks in the country.

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MEMBER BANK INCOME, BY CLASS OF BANK, 1967 and 1966
(In millions of dollars. 1967 figures preliminary)

	All		Reserve City Banks						Country banks	
	member banks		New York City		City of Chicago		Other		1967	1966
	1967	1966	1967	1966	1967	1966	1967	1966		
Revenue:	17,859	16,072	3,080	2,775	763	689	6,673	6,036	7,344	6,571
On U.S. Government securities	1,934	1,702	245	175	69	58	611	519	1,009	950
On other securities	1,561	1,265	232	210	60	52	578	446	691	556
On loans <u>1/</u>	12,128	11,086	2,159	1,986	527	479	4,598	4,285	4,843	4,337
All other	2,236	2,018	444	405	106	100	885	786	800	728
Expenses:	13,507	11,941	2,189	1,985	558	479	5,092	4,500	5,667	4,977
Salaries, wages, and benefits	4,211	3,797	666	582	150	133	1,572	1,421	1,823	1,661
Interest on time deposits	6,091	5,213	1,037	949	274	231	2,331	1,992	2,449	2,042
All other	3,205	2,931	485	455	134	115	1,190	1,086	1,396	1,274
Net current earnings before income taxes	4,353	4,130	891	790	205	209	1,580	1,537	1,676	1,594
Recoveries, transfers from valuation reserves, and profits <u>2/</u>	352	284	20	19	20	28	173	143	138	94
Losses, charge-offs, and transfers to valuation reserves <u>3/</u>	1,088	1,330	191	282	36	77	421	514	440	457
Net income before related taxes	3,616	3,084	721	528	189	161	1,332	1,165	1,375	1,231
Taxes on net income	1,007	876	237	145	58	51	362	352	351	328
Net income	2,609	2,209	484	383	131	110	970	813	1,024	902
Cash dividends declared	1,248	1,145	284	259	52	49	493	453	420	383
Ratios (per cent):										
Net current earnings before income taxes to average total capital accounts	16.0	16.1	16.1	15.2	16.3	18.0	16.2	16.6	15.7	15.9
Net income to average total capital accounts	9.6	8.6	8.7	7.4	10.4	9.5	9.9	8.8	9.6	9.0
Average return on U. S. Govt. securities	4.48	4.02	4.59	3.59	4.41	3.60	4.56	3.94	4.41	4.20
Average return on other securities	3.49	3.29	3.67	3.45	3.54	3.39	3.61	3.37	3.34	3.17
Average return on loans	6.39	6.24	5.81	5.68	5.88	5.62	6.45	6.33	6.69	6.53
Interest on time to average time deposits	4.32	4.11	5.32	5.08	4.93	4.56	4.34	4.14	3.93	3.72

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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