



FEDERAL RESERVE

statistical release

For immediate release
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MEMBER BANK INCOME, 1970

Net income after taxes rose substantially in calendar 1970 at Federal reserve member banks but less than the record growth in 1969. According to preliminary information net income after taxes increased by \$373 million, or 10.8 per cent of the 1969 level. Contributing factors in this growth were a modest advance in net earnings from current operations before income taxes coupled with lower taxes on operating income and smaller after tax net security losses and other extraordinary charges.

Gross operating revenue increased \$2,922 million (11.7 per cent) during 1970, of which nearly three-fifths represented larger earnings from loans. An expansion in average loan volume and an increase in the rate of return combined to produce loan revenue that was \$1,734 million (9.8 per cent) higher than in 1969. Income from all major types of investments (excluding those in trading account) also rose. Interest on U. S. Treasury securities increased by \$167 million (8.2 per cent) as a higher yield more than offset a reduction in average holdings of these securities. The advance in income from all other securities--a major portion of which represented State and local obligations--amounted to \$401 million or 18 per cent. This was the result of a rise in yield as well as in average amount outstanding. Growth of \$619 million (20.8 per cent) in earnings from all other sources was in part attributable to a sizable rise in income from trading account.

At the same time operating expenses advanced by \$2,668 million (14 per cent) in 1970, or at a somewhat faster rate than operating revenue. Two-fifths of the increase in expenses represented higher interest rates paid on a much larger volume of time deposits. This expense increased by \$1,080 million, or 15 per cent. Salaries and wages, the second largest expense item, rose by \$720 million (13 per cent) and all other expenses by \$869 million (12 per cent).

Net income from current operations (before income taxes) in 1970 was \$253 million (4.6 per cent) above 1969. Due in part to the mid-year expiration of the surtax, taxes applicable to operating income were \$38 million lower than in 1969 and net security losses and other extraordinary charges (after taxes) were \$82 million less than in the preceding year. Reflecting these developments, net income of all member banks rose to a record high of \$3,823 million--\$373 million, or nearly 11 per cent, more than in 1969.

Income and expense reports from these member banks usually represent about four-fifths of the accounts of all insured commercial banks in the country.

(Over)

MEMBER BANK INCOME, BY CLASS OF BANK, 1970 and 1969
(In millions of dollars, 1970 figures preliminary)

Item	All member banks		Reserve city banks						Country banks	
	1970	r 1969	New York City		City of Chicago		Other		1970	r 1969
			1970	r 1969	1970	r 1969	1970	r 1969		
Revenue:	27,913	24,991	5,116	4,668	1,230	1,085	10,450	9,332	11,117	9,906
On loans <u>1/</u>	19,487	17,753	3,616	3,441	848	794	7,518	6,862	7,503	6,656
On U. S. Treasury securities	2,208	2,041	279	247	81	70	671	598	1,177	1,125
On other securities	2,623	2,222	359	294	93	79	842	729	1,330	1,120
All other	3,594	2,975	862	687	207	141	1,419	1,142	1,107	1,004
Expenses:	22,193	19,525	4,051	3,650	961	849	8,385	7,326	8,796	7,699
Salaries, wages, and benefits	6,158	5,438	1,081	939	219	186	2,321	2,045	2,537	2,268
Interest on time deposits	8,139	7,059 <u>2/</u>	995	826	288	249	3,084	2,738 <u>2/</u>	3,770	3,245
All other	7,896	7,027	1,975	1,884	454	414	2,979	2,543	2,489	2,186
Income bef. inc. taxes & sec. gains & losses	5,720	5,467	1,065	1,018	269	236	2,065	2,005	2,321	2,207
Applicable income taxes	1,775	1,813	370	390	92	81	670	679	644	663
Income before sec. gains and losses	3,945	3,653	695	628	178	155	1,395	1,326	1,677	1,544
Net gains & credits (+) or losses & charges (-) after taxes <u>3/</u>	-122	-204	-52	-78	-16	-5	-52	-73	-2	-47
Net income	3,823	3,450	642	550	162	150	1,343	1,252	1,675	1,496
Cash dividends declared	1,754	1,523	423	345	88	70	651	593	592	515
Ratios (per cent): <u>4/</u>										
To equity capital (incl. reserves):										
Income (after taxes) before sec. gains & losses	10.75	10.70	9.76	9.23	9.77	8.99	10.80	11.06	11.31	11.32
Net income	10.44	10.10	9.03	8.08	8.91	8.70	10.40	10.44	11.35	10.97
Average return on loans	7.91	7.57	7.73	7.45	7.71	7.47	8.11	7.75	7.83	7.47
Average return on U. S. Treasury securities	5.62	4.90	6.00	4.99	5.97	4.77	5.59	4.76	5.53	4.97
Average return on other securities	4.56	4.07	5.11	4.22	4.60	3.95	4.36	3.89	4.56	4.15
Interest on time to average time deposits	4.97	4.47	5.71	4.79	5.42	4.66	5.11	4.60	4.67	4.28

r - Revised.

1/ Includes income on Federal funds sold and charges on loans other than interest.

2/ An estimated \$101 million of interest on Eurodollars was excluded from interest on time deposits and included in all other operating expenses to conform with 1970 reporting procedures.

3/ Includes effect of minority interest in consolidated subsidiaries.

4/ The asset, liability, and capital account items used in calculating these ratios are averages of the June and December call dates for the calendar year and the December call date for the preceding year.

NOTE: Details may not add to totals because of rounding.