



# FEDERAL RESERVE

## statistical release

C.4  
Immediate Release

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Income before securities gains and losses (after taxes) increased \$404 million, or 8.0 per cent at Federal Reserve member banks during 1974. This increase was substantially less than the \$687 million (15.8 per cent) rise posted by member banks in 1973. Member banks also recorded net security losses in 1974 for the second consecutive year. Consequently, net income of member banks rose \$352 million or 7.0 per cent in 1974, substantially less than the 13.9 per cent increase recorded in 1973. The ratio of net income to average equity capital and reserves also declined from 11.0 per cent in 1973 to 10.8 per cent in 1974.

Total operating revenue at member banks in 1974 rose sharply -- \$12,120 million or 29.1 per cent -- although this rate was slightly below the 33.1 per cent increase of 1973. Revenues from loans rose \$10,670 million or 35.4 per cent and accounted for 88 per cent of the overall increase in total operating revenue. For nearly all categories of loans, however, the rates of increase of average loans outstanding in 1974 were below those of 1973, although the average rate of return on loans increased. Investment income at member banks increased \$705 million or 10.8 per cent in 1974, up sharply from the 1973 increase of \$446 million. Average investments at member banks rose 2.1 per cent, slightly less than the 3.0 per cent increase recorded in 1973; however, the rate of return on these securities was higher in 1974. Income on U. S. Treasury securities declined \$49 million due to smaller holdings of these securities. Holdings of "other securities," however, increased as did the average rate of return on these securities so that member banks were able to post an 18.2 per cent or \$754 million increase in revenue from this source. "All other" income increased \$743 million or 14.7 per cent in 1974. Included in this category is trust department income, service charges on deposit accounts, and other fees.

Total operating expenses at member banks increased \$11,779 million in 1974 -- an increase of 33.6 per cent over the 1973 level of \$35,027. About three-fourths of this overall increase was due to an \$8,789 million (44.3 per cent) increase in interest paid on time deposits. Salaries and wages, also a major expense item, rose substantially in 1974, with member banks recording a 13.1 per cent increase in this expense item. "All other" expenses, which include such items as net occupancy expense, furniture and equipment, and provision for loan losses rose sharply -- \$1,964 million or 26.5 per cent. This is substantially more than the \$1,042 million increase recorded in 1973 and largely reflects increased loan loss provision expenses.

As a result of these changes income before income taxes and net securities gains and losses rose \$340 million, or 5.1 per cent over the 1973 level. This compares to a 1973 increase of \$985 million (17.3 per cent). Applicable income taxes declined \$63 million or 3.8 per cent during 1974. Member banks also recorded losses in security transactions in 1974. Net income at member banks nonetheless increased in 1974, although the 7.0 per cent increase of \$352 million was substantially below the 1973 increase \$612 million.

Income and expenses of member banks usually represent about three-fourths of the total for all insured commercial banks in the country.

(over)

MEMBER BANK INCOME, BY CLASS OF BANK 1974 and 1973  
(In millions of dollars)

Item	All member banks		Large Banks						All other banks	
	1974	1973	New York City		City of Chicago		Other		1974	1973
			1974	1973	1974	1973	1974	1973		
Revenue:	53,828	41,708	10,299	7,483	3,216	2,147	20,925	15,829	19,388	16,249
On loans <sup>1/</sup>	40,777	30,107	8,024	5,448	2,617	1,638	16,175	11,769	13,961	11,251
On U. S. Treasury securities	2,343	2,392	278	249	90	79	722	730	1,253	1,334
On other securities	4,893	4,139	504	433	198	159	1,591	1,294	2,601	2,252
All other	5,813	5,070	1,494	1,352	311	271	2,437	2,035	1,572	1,411
Expenses:	46,806	35,027	8,817	6,159	2,818	1,826	18,562	13,548	16,609	13,494
Salaries, wages, and benefits	8,832	7,806	1,474	1,293	326	281	3,370	2,963	3,662	3,268
Interest on time deposits	28,608	19,819	5,669	3,611	2,114	1,284	11,707	7,884	9,118	7,041
All other	9,366	7,402	1,675	1,255	378	261	3,484	2,701	3,829	3,185
Income bef. inc. taxes & sec. gains & losses	7,021	6,681	1,482	1,324	397	321	2,363	2,281	2,779	2,754
Applicable income taxes	1,591	1,654	390	393	114	84	555	593	532	584
Income before sec. gains and losses	5,431	5,027	1,093	931	284	237	1,808	1,689	2,246	2,170
Net gains & credits (+) or losses & charges (-) after taxes <sup>2/</sup>	-66	-14	-17	-12	-4	-3	-36	2	-10	--- <sup>4/</sup>
Net income	5,364	5,012	1,076	919	280	233	1,772	1,690	2,237	2,169
Cash dividends declared	2,271	2,018	454	353	132	101	852	828	832	737
Ratios (percent): <sup>3/</sup>										
To equity capital (incl. reserves):										
Income (after taxes) before sec. gains & losses	10.88	11.00	11.17	10.53	11.60	10.50	10.60	10.68	10.89	11.56
Net Income	10.75	10.97	11.00	10.39	11.43	10.34	10.39	10.69	10.85	11.55
Average return on loans	9.90	8.34	10.33	8.39	10.96	8.53	10.23	8.46	9.17	8.16
Average return on U. S. Treasury securities	6.39	5.89	6.80	5.93	7.19	5.57	6.11	5.51	6.42	5.96
Average return on other securities	5.27	4.76	5.49	4.83	5.57	4.91	5.23	4.56	5.24	4.85
Interest on time deposits to average time deposits	7.14	5.82	8.95	7.03	8.76	6.89	7.43	5.95	6.10	5.26

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

2/ Includes primarily net gains and losses on sales of securities. Also included are net miscellaneous losses and credits and minority interest in consolidated subsidiaries.

3/ 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.

4/ Less than \$500,000

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