



# FEDERAL RESERVE

## statistical release

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### MEMBER BANK INCOME, 1975

Income before securities gains and losses (after taxes) increased \$74 million, or 1.4 percent at Federal Reserve member banks during 1975. This increase was far below the \$404 million (8.0 percent) gain recorded in 1974. Securities transactions, however, posted a net gain after two successive years of decline. As a result, member bank net income rose \$181 million, or 3.4 percent during 1975 (only about one-half as much as in 1974). The ratio of net income to average equity capital and reserves also declined from 10.8 percent in 1974 to 10.3 percent in 1975.

Total operating income at member banks in 1975 declined 4.6 percent after increasing 29.1 percent the previous year. Revenues from loans in 1975 amounted to \$35,454 million, down \$5,323 million or 13.1 percent from the 1974 level. Contributing significantly to this decline was a sharp drop in the average return on loans from 9.90 percent in 1974 to 8.44 percent in 1975. Investment income at member banks increased \$1,322 million, or 18.3 percent in 1975 to \$8,558 million, up sharply from the 1974 level. Average investments at member banks rose 11.1 percent, substantially more than the 2.1 percent and 3.0 percent increases recorded in 1974 and 1973, respectively. Slightly higher average returns on securities also contributed to the increase in revenue from this source. Income from U.S. Treasury securities rose 35.1 percent, or \$822 million, due both to larger holdings of these securities and to higher return rates in 1975. Holdings of "other securities" also increased substantially as did the rate of return on these investments, thus, resulting in a 10.2 percent increase in revenue from this source. "All other" income, which includes revenues from trust departments, service charges on deposit accounts, and trading account activities, rose \$1,530 million, or 26.3 percent.

Total operating expenses at member banks during 1975 decreased \$2,408 million, or 5.1 percent as compared to a 33.6 percent increase in 1974. Contributing significantly to this decline was a \$5,100 million decline (17.8 percent) in interest paid on time deposits. Salaries, wages and benefits, however, continued to rise in 1975, although the 8.9 percent increase was significantly less than the 13.1 percent increase of a year earlier. "All other" expenses, which includes net occupancy expense, equipment, provision for loan losses, and other operating expenses rose \$1,903 million, or 20.3 percent. Nearly 63 percent of this increase was the result of a \$1,193 million or 64.2 percent increase in loan loss provisions.

Reflecting all of the above changes income before securities gains and losses (after taxes) rose \$74 million, or 1.4 percent in 1975, significantly less than the 8 percent increase posted in 1974. Security transactions at member banks in 1975 resulted in a very slight gain after two successive years of losses. As a result, net income at member banks increased 3.4 percent in 1975 to \$5,545 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 1975 and 1974  
(In millions of dollars)

| Item   | All member banks |        | Large Banks   |        |                 |       | All other banks |        |        |        |
|--|------------------|--------|---------------|--------|-----------------|-------|-----------------|--------|--------|--------|
|  | 1975             | 1974   | New York City |        | City of Chicago |       | Other           |        |        |        |
|  |                  |        | 1975          | 1974   | 1975            | 1974  | 1975            | 1974   |        |        |
| <b>Revenue:</b>  | 51,356           | 53,828 | 9,375         | 10,299 | 2,725           | 3,216 | 19,399          | 20,925 | 19,855 | 19,388 |
| On loans <sup>1/</sup>   | 35,454           | 40,777 | 6,304         | 8,024  | 1,966           | 2,617 | 13,692          | 16,175 | 13,492 | 13,961 |
| On U.S. Treasury securities  | 3,165            | 2,343  | 415           | 278    | 145             | 90    | 1,052           | 722    | 1,554  | 1,253  |
| On other securities  | 5,393            | 4,893  | 550           | 504    | 196             | 198   | 1,661           | 1,591  | 2,986  | 2,601  |
| All other  | 7,343            | 5,813  | 2,107         | 1,494  | 418             | 311   | 2,995           | 2,437  | 1,824  | 1,572  |
| <b>Expenses:</b>   | 44,398           | 46,806 | 7,864         | 8,817  | 2,298           | 2,818 | 16,964          | 18,562 | 17,272 | 16,609 |
| Salaries, wages, and benefits  | 9,621            | 8,832  | 1,660         | 1,474  | 360             | 326   | 3,630           | 3,370  | 3,972  | 3,662  |
| Interest on time deposits  | 23,508           | 28,608 | 4,029         | 5,669  | 1,464           | 2,114 | 9,097           | 11,707 | 8,918  | 9,118  |
| All other  | 11,268           | 9,366  | 2,175         | 1,675  | 474             | 378   | 4,238           | 3,484  | 4,381  | 3,829  |
| Income bef. inc. taxes & sec. gains & losses                                 | 6,957            | 7,021  | 1,511         | 1,482  | 427             | 397   | 2,435           | 2,363  | 2,584  | 2,779  |
| Applicable income taxes  | 1,453            | 1,591  | 386           | 390    | 130             | 114   | 580             | 555    | 357    | 532    |
| Income before sec. gains and losses  | 5,505            | 5,431  | 1,125         | 1,093  | 298             | 284   | 1,855           | 1,808  | 2,228  | 2,246  |
| Net gains & credits (+) or losses & charges (-)<br>after taxes <sup>2/</sup> | 41               | -63    | 17            | 15     | -4              | -4    | 8               | -36    | 21     | -10    |
| Net income   | 5,545            | 5,364  | 1,140         | 1,076  | 294             | 280   | 1,863           | 1,772  | 2,249  | 2,237  |
| Cash Dividends declared  | 2,476            | 2,271  | 503           | 454    | 133             | 132   | 978             | 852    | 862    | 832    |
| <b>Ratios (percent): <sup>3/</sup></b>                                       |                  |        |               |        |                 |       |                 |        |        |        |
| To equity capital (incl. reserves):  |                  |        |               |        |                 |       |                 |        |        |        |
| Income (after taxes) before sec. gains & losses                              | 10.20            | 10.88  | 10.53         | 11.17  | 11.25           | 11.60 | 10.06           | 10.60  | 10.03  | 10.89  |
| Net Income   | 10.27            | 10.75  | 10.67         | 11.00  | 11.09           | 11.43 | 10.11           | 10.39  | 10.12  | 10.85  |
| Average return on loans  | 8.44             | 9.90   | 7.97          | 10.33  | 8.10            | 10.96 | 8.55            | 10.23  | 8.61   | 9.17   |
| Average return on U.S. Treasury securities                                   | 6.69             | 6.39   | 6.80          | 6.80   | 7.17            | 7.19  | 6.52            | 6.11   | 6.74   | 6.42   |
| Average return on other securities   | 5.58             | 5.27   | 6.33          | 5.49   | 5.54            | 5.57  | 5.34            | 5.23   | 5.60   | 5.24   |
| Interest on time deposits to average time deposits                           | 5.95             | 7.14   | 6.37          | 8.95   | 6.46            | 8.76  | 6.01            | 7.43   | 5.71   | 6.10   |

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

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

<sup>3/</sup> 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.

<sup>4/</sup> Less than \$500,000.

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