



FEDERAL RESERVE

statistical release

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C.4
Immediate Release

STATISTICAL RELEASE INSURED BANK INCOME, 1977

Net profits of all insured commercial banks increased \$1 billion to \$8.9 billion during 1977. As a per cent of assets or equity, profits were marginally higher than in 1976 but still below the pre-1975 levels. A sharp reduction in net loan losses due to improved loan portfolio credit quality was an important factor in sustaining profitability during 1977. An increase in gross interest income, resulting from a higher rate of return on loans and a shift away from lower yield securities, was offset by a proportional increase in interest expense that was incurred by a greater reliance on interest-bearing liabilities.

The aggregate profit results mask important differences within the size classes of banks. Returns on equity at banks with assets below \$100 million rose by 4 per cent. Banks with assets between \$100 million and \$1 billion experienced a 7 per cent increase in profit rates, while larger banks had a small decline. All groups were successful in reducing their loan loss provisions, but gains in interest income at the largest banks were hindered by the continued weakness in loan demand from their largest corporate customers.

INSURED BANK INCOME BY SIZE OF BANK, 1977 and 1976
(in millions of dollars)

| Item | All Insured Banks | | With Consolidated Assets: | | | | | |
|--|-------------------|--------|---------------------------|--------|------------------------------|--------|----------------------|--------|
| | | | Under \$100 million | | \$100 million to \$1 billion | | \$1 billion and over | |
| | 1977 | 1976 | 1977 | 1976 | 1977 | 1976 | 1977 | 1976 |
| Interest revenue | 81,173 | 72,137 | 20,838 | 19,175 | 17,236 | 15,411 | 43,099 | 37,552 |
| On loans | 58,811 | 51,471 | 14,603 | 12,930 | 12,300 | 10,843 | 31,908 | 27,699 |
| On securities | 15,031 | 14,227 | 5,416 | 5,451 | 4,178 | 3,870 | 5,437 | 4,906 |
| On Federal funds sold | 2,471 | 1,980 | 694 | 629 | 597 | 525 | 1,180 | 826 |
| On balances with banks | 4,860 | 4,459 | 125 | 165 | 161 | 173 | 4,574 | 4,121 |
| Interest expense | 44,445 | 39,207 | 10,001 | 9,183 | 8,412 | 7,452 | 26,032 | 22,573 |
| On domestic CD's > \$100,000 | 6,733 | 7,083 | 1,083 | 1,104 | 1,513 | 1,569 | 4,137 | 4,410 |
| On other domestic savings and time deposits | 21,753 | 19,066 | 8,715 | 7,907 | 6,053 | 5,156 | 6,985 | 6,004 |
| On deposits in foreign offices | 10,216 | 8,745 | 0 | 0 | 39 | 40 | 10,177 | 8,705 |
| On Federal funds purchased | 4,536 | 3,305 | 125 | 103 | 674 | 566 | 3,737 | 2,636 |
| On other borrowed money | 1,207 | 1,008 | 78 | 69 | 133 | 121 | 996 | 818 |
| Net interest revenue | 36,728 | 32,930 | 10,837 | 9,992 | 8,824 | 7,959 | 17,067 | 14,979 |
| Noninterest income | 8,895 | 8,250 | 1,541 | 1,426 | 1,859 | 1,775 | 5,495 | 5,048 |
| Loan loss provision | 3,244 | 3,651 | 632 | 663 | 609 | 702 | 2,003 | 2,286 |
| Other noninterest expense | 30,795 | 27,608 | 8,331 | 7,830 | 7,603 | 7,022 | 14,861 | 12,755 |
| Income before taxes and securities gains or losses | 11,585 | 9,922 | 3,416 | 2,926 | 2,470 | 2,010 | 5,698 | 4,986 |
| Income taxes | 2,829 | 2,287 | 649 | 487 | 399 | 251 | 1,780 | 1,548 |
| Gains and losses ^{1/} | 142 | 214 | 82 | 123 | 54 | 59 | 5 | 32 |
| Net income | 8,898 | 7,849 | 2,849 | 2,561 | 2,125 | 1,818 | 3,924 | 3,469 |
| Cash dividends declared | 3,299 | 3,032 | 749 | 708 | 783 | 762 | 1,767 | 1,561 |
| Number of banks | 14,397 | 14,397 | 13,157 | 13,300 | 1,096 | 971 | 144 | 126 |
| Ratio to average equity capital ^{2/} | | | | | | | | |
| Net income | 11.8 | 11.6 | 12.4 | 11.9 | 12.0 | 11.2 | 11.3 | 11.6 |
| Retained earnings | 7.4 | 7.1 | 9.1 | 8.6 | 7.6 | 6.5 | 6.2 | 6.4 |

^{1/} Includes net gains or losses from securities and extraordinary items.

^{2/} Equity capital includes common and preferred stock, surplus, contingency reserves, and undivided profits. The 1976 equity capital is adjusted for certain one-time changes that arose from a re-definition of the loan loss reserve.