

FEDERAL RESERVE BANK  
OF DALLAS

February 20, 1926.

**To the Member Bank Addressed:**

The Federal Advisory Council at its meeting on December 1, 1925, gave consideration to the cause and probable effect of the present trend toward lower ratios of capital assets to current liabilities in the banking institutions of this country.

The chart on the inside page discloses that there has been a downward trend in the proportion of capital funds of national banks to deposit liabilities, and that the ratio in 1925 reached its lowest point since 1865.

On the following page there is a table which shows, by Federal reserve districts, the ratio of capital to deposits of national banks. An examination of this table discloses that there is considerable variation in the ratios for the various districts. The ratios for banks in reserve cities as of June 30, 1925, show a variation from 13 to 22, and the variation among country banks is from 14 to 23.

It will be noted that the average ratio for banks in reserve cities of the Eleventh Federal Reserve District is the same as the average for banks in all reserve cities. On the other hand, the ratio for country banks in this district is not only considerably above the general average, but is higher than that for any other Federal reserve district. It is probable that this high ratio can be accounted for by the large number of banking institutions in the rural sections of this district. It must be borne in mind that an abnormally high ratio may be undesirable, as well as an abnormally low ratio.

It is thought that banks in this district would be interested in giving close study to this trend, and other interesting facts which the table and chart disclose.

Yours very truly,



Chairman of the Board and Federal Reserve Agent.

**INVESTED CAPITAL PER \$100 OF INDIVIDUAL DEPOSITS, NATIONAL BANKS,  
OCTOBER 31, 1914, AND JUNE 30, 1925**

	All Banks		Banks in Reserve Cities*		Country Banks	
	October 31, 1914	June 30, 1925	October 31, 1914	June 30, 1925	October 31, 1914	June 30, 1925
Total .....	\$34	\$18	\$37	\$18	\$32	\$17
Boston .....	38	19	31	17	43	20
New York .....	33	17	28	13	26	14
Philadelphia .....	33	21	37	22	32	21
Cleveland .....	36	20	45	22	31	19
Richmond .....	39	21	44	22	36	21
Atlanta .....	46	17	43	18	46	17
Chicago .....	30	16	31	15	27	17
St. Louis .....	41	19	51	20	35	18
Minneapolis .....	23	14	27	14	21	14
Kansas City .....	29	14	29	14	30	15
Dallas .....	49	21	42	18	53	23
San Francisco .....	33	15	38	15	29	15
New York City .....	---	---	37	18	---	---
City of Chicago .....	---	---	36	16	---	---

\* Exclusive of the cities of New York and Chicago.

PER CENT

