

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 67-50

March 13, 1967

## CONDITION AND INCOME OF MEMBER BANKS ELEVENTH FEDERAL RESERVE DISTRICT

To All Member Banks

in the Eleventh Federal Reserve District:

The rapid growth of the national economy during most of 1966, the concomitant demands for borrowed funds, and a gradual tightening of monetary policy produced the highest interest rates in nearly 40 years, augmented both bank revenues and expenses, and caused sharp alterations in the composition of member bank assets and liabilities. Total assets of member banks in the Eleventh Federal Reserve District advanced \$887 million to an end-of-year figure of \$18,096,254,000.

During 1966, interest and discount on loans at District member banks rose 13.9 percent (\$66.5 million), thus providing the major impetus to the 13.8-percent (\$96.5 million) increase in total current operating revenue. At the same time, the 24.0-percent (\$45.4 million) rise in interest on time and savings deposits accounted for over one-half of the 15.2-percent (\$77.3 million) increase in total current operating expenses. Because expenses rose faster than revenue in 1966, net current operating earnings expanded at a slower rate than revenue (10.0 percent versus 13.8 percent). Total losses, charge-offs, and transfers to valuation reserves continued to rise rapidly in 1966; but taxes on net income advanced only 3.7 percent, resulting in an 11.5-percent increase in net income, or somewhat above the gain in 1965.

As interest rates rose in 1966, banks shifted their portfolios in favor of higher-yielding loans and tax-exempt securities and away from U.S. Government securities. Holdings of U.S. Government securities declined 5.7 percent, but holdings of non-U.S. Government securities (primarily tax-exempts) rose 14.0 percent. Net loans increased a more modest 5.9 percent, as liquidity considerations inhibited growth in the second half of the year.

Rising interest rates induced a rapid expansion of time deposits relative to non-interest-bearing demand deposits. Time deposits of individuals, partnerships, and corporations rose 9.1 percent, but their demand deposits increased only 2.2 percent. Similarly, time deposits of state and local governments rose 13.5 percent, in contrast to a 4.1-percent increase in their demand deposits. Total deposits of the U.S. Government fell 7.7 percent during the year.

On December 31, 1966, the ratio of total loans to total deposits was 56.0 percent, or 0.6 percentage point higher than the year-earlier figure but 2.1 percentage points lower than the June 30, 1966, ratio. The ratio of total capital accounts to risk assets declined from 12.6 percent on December 31, 1965, to 12.3 percent on December 31, 1966.

Yours very truly,

Watrous H. Irons

President

**COMPARATIVE STATEMENT OF CONDITION OF MEMBER BANKS  
ELEVENTH FEDERAL RESERVE DISTRICT**

(Amounts in thousands of dollars)

| Item   | Dec. 31,<br>1966p | June 30,<br>1966  | Dec. 31,<br>1965  |
|--|-------------------|-------------------|-------------------|
| Loans (net), including overdrafts <sup>1</sup> .....   | 29,008,844        | 28,697,580        | 8,509,564         |
| U.S. Government obligations, direct and guaranteed.....  | 2,355,901         | 2,282,741         | 2,498,091         |
| Obligations of states and political subdivisions.....  | 1,878,393         | 1,783,579         | 1,691,921         |
| Other securities.....  | 2383,773          | 2387,950          | 291,629           |
| <b>TOTAL LOANS (NET) AND INVESTMENTS</b> .....   | <b>13,626,911</b> | <b>13,151,850</b> | <b>12,991,205</b> |
| Cash and balances due from banks.....  | 3,930,459         | 3,254,386         | 3,730,727         |
| <b>TOTAL ASSETS</b> .....  | <b>18,096,254</b> | <b>16,911,827</b> | <b>17,209,296</b> |
| Individual — Demand deposits.....  | 7,183,610         | 6,479,071         | 7,032,046         |
| Individual — Time deposits.....  | 5,026,952         | 4,959,925         | 4,608,185         |
| Deposits of U.S. Government, including postal savings.....   | 172,113           | 375,657           | 186,559           |
| Deposits of states and political subdivisions.....   | 1,761,789         | 1,661,848         | 1,611,149         |
| Deposits of banks.....   | 1,745,190         | 1,345,698         | 1,743,211         |
| Certified and officers' checks, etc.....   | 183,557           | 136,027           | 184,852           |
| <b>TOTAL DEPOSITS</b> .....  | <b>16,073,211</b> | <b>14,958,226</b> | <b>15,366,002</b> |
| <b>TOTAL CAPITAL ACCOUNTS</b> .....  | <b>1,454,663</b>  | <b>1,436,338</b>  | <b>1,378,642</b>  |
| Borrowings from Federal Reserve Bank.....  | 400               | 7,324             | 19,646            |
| All other borrowings.....  | 312,377           | 284,468           | 246,262           |
| Ratio of loans to total deposits.....  | 56.0%             | 58.1%             | 55.4%             |
| Ratio of cash and balances due from banks<br>to total deposits.....  | 24.5%             | 21.8%             | 24.3%             |
| Ratio of total capital accounts to risk assets (total assets<br>less Government securities and cash assets)..... | 12.3%             | 12.6%             | 12.6%             |
| Number of member banks.....  | 673               | 676               | 675               |

<sup>1</sup> Includes Federal funds sold.

<sup>2</sup> Commodity Credit Corporation certificates of interest and Export-Import Bank participations are now included in "Other securities," rather than "Loans (net), including overdrafts."

p—Preliminary.

**PRINCIPAL ASSET AND LIABILITY ITEMS OF MEMBER BANKS**

1957-66

**ELEVENTH FEDERAL RESERVE DISTRICT**

(In thousands of dollars)

| Date            | Total<br>Deposits | Total<br>Loans<br>(Net) <sup>1</sup> | Total<br>Investments | Total Loans<br>(Net) and<br>Investments | Total U.S.<br>Gov. Secs. | Total<br>Capital<br>Accounts |
|-----------------|-------------------|--------------------------------------|----------------------|---|--------------------------|------------------------------|
| <b>Dec. 31,</b> |                   |                                      |                      |   |                          |                              |
| 1957            | 9,701,443         | 4,163,708                            | 3,098,982            | 7,262,690                               | 2,397,877                | 798,713                      |
| 1958            | 10,659,885        | 4,617,590                            | 3,544,026            | 8,161,616                               | 2,711,203                | 849,568                      |
| 1959            | 10,669,985        | 4,857,870                            | 3,469,554            | 8,327,424                               | 2,594,655                | 909,042                      |
| 1960            | 11,215,770        | 5,154,181                            | 3,501,845            | 8,656,026                               | 2,620,601                | 973,089                      |
| 1961            | 12,167,914        | 5,645,684                            | 3,893,949            | 9,539,633                               | 2,904,526                | 1,034,789                    |
| <b>Dec. 28,</b> |                   |                                      |                      |   |                          |                              |
| 1962            | 12,456,678        | 6,167,837                            | 4,099,016            | 10,266,853                              | 2,910,190                | 1,132,235                    |
| <b>Dec. 20,</b> |                   |                                      |                      |   |                          |                              |
| 1963            | 12,968,887        | 6,854,157                            | 4,200,729            | 11,054,886                              | 2,767,547                | 1,202,411                    |
| <b>Dec. 31,</b> |                   |                                      |                      |   |                          |                              |
| 1964            | 14,489,488        | 7,740,423                            | 4,268,358            | 12,008,781                              | 2,669,966                | 1,298,084                    |
| 1965            | 15,366,002        | 8,509,564                            | 4,481,641            | 12,991,205                              | 2,498,091                | 1,378,642                    |
| 1966p           | 16,073,211        | 29,008,844                           | 24,618,067           | 13,626,911                              | 2,355,901                | 1,454,663                    |

<sup>1</sup> Includes Federal funds sold.

<sup>2</sup> Commodity Credit Corporation certificates of interest and Export-Import Bank participations are now included in "Total Investments," rather than "Total Loans (Net)."

p—Preliminary.

**COMPARATIVE STATEMENT OF INCOME AND DIVIDENDS OF MEMBER BANKS  
ELEVENTH FEDERAL RESERVE DISTRICT**

(Amounts in thousands of dollars)

| Item  | 1966p          | 1965           | Net Change,<br>1966 from 1965 |
|---|----------------|----------------|-------------------------------|
| Interest and dividends on securities .....                                | 167,736        | 148,502        | 19,234                        |
| Interest and discount on loans .....                                      | 543,735        | 477,218        | 66,517                        |
| Service charges on deposit accounts .....                                 | 33,881         | 29,808         | 4,073                         |
| All other revenue .....   | 52,581         | 45,896         | 6,685                         |
| <b>TOTAL CURRENT OPERATING REVENUE .....</b>                              | <b>797,933</b> | <b>701,424</b> | <b>96,509</b>                 |
| Salaries and wages .....  | 159,942        | 148,587        | 11,355                        |
| Interest on time and savings deposits .....                               | 234,694        | 189,294        | 45,400                        |
| All other expenses .....  | 191,753        | 171,249        | 20,504                        |
| <b>TOTAL CURRENT OPERATING EXPENSES .....</b>                             | <b>586,389</b> | <b>509,130</b> | <b>77,259</b>                 |
| <b>NET CURRENT OPERATING EARNINGS .....</b>                               | <b>211,544</b> | <b>192,294</b> | <b>19,250</b>                 |
| Total recoveries, transfers from valuation reserves,<br>and profits ..... | 8,686          | 9,569          | —883                          |
| Total losses, charge-offs, and transfers to<br>valuation reserves .....   | 55,395         | 50,802         | 4,593                         |
| Net income before related taxes .....                                     | 164,835        | 151,061        | 13,774                        |
| Taxes on net income .....   | 47,668         | 45,961         | 1,707                         |
| <b>NET INCOME .....</b>   | <b>117,167</b> | <b>105,100</b> | <b>12,067</b>                 |
| Cash dividends declared <sup>1</sup> .....                                | 59,817         | 56,080         | 3,737                         |
| Number of member banks .....  | 673            | 675            | —2                            |

<sup>1</sup> Includes interest on capital notes and debentures.  
p—Preliminary.

**PRINCIPAL ITEMS OF INCOME AND DIVIDENDS OF MEMBER BANKS  
1957-66**

**ELEVENTH FEDERAL RESERVE DISTRICT**

(Amounts in thousands of dollars)

| Year  | Total<br>Current<br>Operating<br>Revenue <sup>1</sup> | Total<br>Current<br>Operating<br>Expenses <sup>1</sup> | Net<br>Current<br>Operating<br>Earnings | Total<br>Recoveries,<br>Transfers,<br>and Profits | Total<br>Losses,<br>Charge-offs,<br>and<br>Transfers | Net<br>Income | Cash<br>Dividends<br>Declared <sup>2</sup> | Number<br>of<br>Member<br>Banks |
|-------|---|--|---|---|--|---------------|--|---------------------------------|
| 1957  | 349,842   | 216,929  | 132,913                                 | 7,751   | 29,262   | 67,309        | 31,577                                     | 634                             |
| 1958  | 378,067   | 241,292  | 136,775                                 | 19,610  | 29,947   | 76,123        | 34,315                                     | 631                             |
| 1959  | 424,727   | 269,118  | 155,609                                 | 9,638   | 43,381   | 70,630        | 37,623                                     | 633                             |
| 1960  | 458,798   | 289,110  | 169,688                                 | 10,665  | 32,038   | 88,765        | 40,702                                     | 632                             |
| 1961  | 459,019   | 295,129  | 163,890                                 | 19,768  | 35,737   | 88,748        | 42,164                                     | 630                             |
| 1962  | 516,727   | 344,023  | 172,704                                 | 13,765  | 38,872   | 89,803        | 44,167                                     | 632                             |
| 1963  | 573,061   | 396,221  | 176,840                                 | 15,714  | 39,873   | 90,545        | 46,668                                     | 656                             |
| 1964  | 637,030   | 452,370  | 184,660                                 | 14,330  | 51,096   | 95,942        | 50,956                                     | 672                             |
| 1965  | 701,424   | 509,130  | 192,294                                 | 9,569   | 50,802   | 105,100       | 56,080                                     | 675                             |
| 1966p | 797,933   | 586,389  | 211,544                                 | 8,686   | 55,395   | 117,167       | 59,817                                     | 673                             |

<sup>1</sup> Beginning in 1961, income and expenses related to bank premises are reported net (plus or minus) under current operating expenses.

<sup>2</sup> Includes interest on capital notes and debentures.  
p—Preliminary.