

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 72-158
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CONDITION AND INCOME OF MEMBER BANKS ELEVENTH FEDERAL RESERVE DISTRICT

**To All Member Banks
in the Eleventh Federal Reserve District**

Member banks in the Eleventh Federal Reserve District experienced a year of record postwar growth in deposits and bank credit during 1971. A more expansive monetary policy stimulated inflows of demand deposits and contributed to a decline in market interest rates, making commercial bank time deposit rates more attractive to investors. Total loans rose substantially in 1971, reflecting improvement in the regional economy, especially in the last half of the year. And a sizable portion of the deposit inflows was used to purchase securities, especially those issued by states and political subdivisions. Although operating expenses increased more than operating income, net gains on securities transactions and reductions in income taxes contributed to a moderate rise in net income.

Total assets of member banks in the District increased by \$3.5 billion in 1971, or 13.6 percent. Increases in loans and investments of \$2.8 billion, or 14.1 percent, provided the majority of the increase. This increase in bank credit at member banks in the District was the largest since World War II in both absolute and percentage terms. Gross loans including overdrafts increased by \$1.7 billion in 1971, or 12.8 percent. All major types of loans contributed to the increase, but real estate loans to finance construction of new homes and apartments were particularly buoyant, rising \$402 million, or 28.2 percent. Loans to individuals, especially through credit cards or to finance instalment purchases, also rose significantly. Business loans declined during the first six months of 1971 but rose in the last six months as the regional economy gathered strength. This resulted in a net gain in business loans for the year of \$331 million, or 6.2 percent. Loans to financial institutions, which includes Federal funds sold, increased by 17.2 percent in 1971, and loans to farmers were up 23.1 percent.

Even though loan demand was fairly strong in 1971, the ample supply of funds permitted District member banks to add slightly more than \$1.0 billion to their holdings of securities. Net acquisitions of obligations of states and political subdivisions accounted for more than half of this increase. A fairly large volume of other securities was also acquired, but the increase in holdings of U.S. Treasury securities was moderate.

Total deposits at District member banks were \$2.8 billion higher in 1971 than in 1970, an increase of 13.1 percent. This was also the largest increase in deposits at District member banks since World War II in both absolute and percentage terms. This gain mainly occurred in both individual time and demand deposits, up \$1,052 million and \$785 million, respectively. Deposits of states and political subdivisions and the U.S. Government also posted sizable increases in 1971.

Total operating income of member banks in the Eleventh Federal Reserve District rose by \$100 million in 1971, or 7.1 percent. Interest and dividends on securities were responsible for 44 percent of this advance. Total operating expenses for District member banks increased, however, by \$112 million in 1971, or 10.2 percent. This was due primarily to an increase of \$77 million, or 18.6 percent, in interest paid on time and savings deposits. As a result, income before taxes or gains or losses on securities decreased by \$12 million, or 3.7 percent. However, net income rose by \$17 million, or 7.7 percent, due principally to net gains on securities of \$12 million and reductions in income taxes of \$15 million.

Yours very truly,

P. E. Coldwell

President

COMPARATIVE STATEMENT OF CONDITION OF MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT

(Amounts in thousands of dollars)

Item	Dec. 31, 1971	June 30, 1971	Dec. 31, 1970
Loans (gross), including overdrafts ¹	15,223,814	13,701,508	13,496,198
U.S. Treasury securities	2,365,542	2,246,757r	2,194,238
Obligations of states and political subdivisions.....	3,696,171	3,480,592r	3,115,573
Other securities (including trading account securities)....	1,182,703	950,626r	887,014
TOTAL LOANS (GROSS) AND INVESTMENTS	22,468,230	20,379,483	19,693,023
Cash and balances due from banks.....	5,460,387	4,650,472	4,877,358
TOTAL ASSETS	28,884,891	25,917,324	25,424,845
Individual — Demand deposits	9,637,036	8,683,296	8,852,029
Individual — Time deposits	8,402,382	7,847,728	7,350,691
Deposits of U.S. Government.....	568,944	343,967	339,469
Deposits of states and political subdivisions.....	2,821,285	2,381,468	2,246,860
Deposits of banks	2,363,241	2,012,958	2,241,465
Certified and officers' checks, etc.....	312,315	219,172	280,361
TOTAL DEPOSITS	24,105,203	21,488,589	21,310,875
TOTAL CAPITAL ACCOUNTS	2,002,638	1,951,947	1,872,565
Borrowings from Federal Reserve Bank.....	575	25,320	0
All other borrowings	1,851,518	1,605,881	1,401,813
Ratio of loans to total deposits.....	63.2%	63.8%	63.3%
Ratio of cash and balances due from banks to total deposits	22.7%	21.6%	22.9%
Ratio of total capital accounts to risk assets (total assets less Government securities and cash assets).....	9.5%	10.3%	10.2%
Number of member banks.....	633	633	634

¹ Includes Federal funds sold.

r — Revised.

PRINCIPAL ASSET AND LIABILITY ITEMS OF MEMBER BANKS
1962-71

ELEVENTH FEDERAL RESERVE DISTRICT

(In thousands of dollars)

Date	Total Deposits	Total Loans (Gross) ¹	Total Investments	Total Loans (Gross) and Investments	Total U.S. Treasury Securities	Total Capital Accounts
Dec. 28, 1962	12,456,678	6,272,027	4,099,016	10,371,043	2,910,190	1,132,235
Dec. 20, 1963	12,968,887	6,973,324	4,200,729	11,174,053	2,767,547	1,202,411
Dec. 31, 1964	14,489,488	7,887,222	4,268,358	12,155,580	2,669,966	1,298,084
1965	15,366,002	8,669,530	4,481,641	13,151,171	2,498,091	1,378,642
1966	16,073,230	² 9,176,977	² 4,618,385	13,795,362	2,355,472	1,454,963
Dec. 30, 1967	17,708,732	9,957,491	5,275,204	15,232,695	2,610,139	1,539,474
Dec. 31, 1968	19,603,344	11,370,944	5,744,992	17,115,936	2,649,477	1,630,114
1969	19,403,693	12,138,578	5,322,856	17,461,434	2,148,747	1,730,892
1970	21,310,875	13,496,198	6,196,825	19,693,023	2,194,238	1,872,565
1971	24,105,203	15,223,814	7,244,416	22,468,230	2,365,542	2,002,638

¹ Includes Federal funds sold.

² Commodity Credit Corporation certificates of interest and Export-Import Bank participations are henceforth included in "Total Investments," rather than "Total Loans (Gross)."

**COMPARATIVE STATEMENT OF INCOME, EXPENSES AND DIVIDENDS
OF MEMBER BANKS**

ELEVENTH FEDERAL RESERVE DISTRICT

(Amounts in thousands of dollars)

Item	1971	1970	Net Change, 1971 from 1970
Interest and dividends on securities.....	309,108	265,200	43,908
Interest and fees on loans.....	963,241	936,572	26,669
Service charges on deposit accounts.....	50,768	48,679	2,089
All other operating income ¹	185,612	157,882	27,730
TOTAL OPERATING INCOME	1,508,729	1,408,333	100,396
Salaries and wages	262,210	244,486	17,724
Interest on time and savings deposits.....	494,133	416,773	77,360
All other operating expenses	449,565	432,646	16,919
TOTAL OPERATING EXPENSES	1,205,908	1,093,905	112,003
INCOME BEFORE INCOME TAXES AND SECURITIES			
GAINS OR LOSSES	302,821	314,428	-11,607
Applicable income taxes	78,783	94,126	-15,343
Net securities gains or losses	12,500	80	12,420
Extraordinary items and other charges or credits.....	258	-588	846
NET INCOME	236,796	219,794	17,002
Cash dividends declared ²	94,471	82,034	12,437
Number of member banks	633	634	-1

¹ Includes income from Federal funds sold and securities purchased under agreements to resell.

² Includes interest on capital notes and debentures.

**PRINCIPAL ITEMS OF INCOME, EXPENSES AND DIVIDENDS
OF MEMBER BANKS**

ELEVENTH FEDERAL RESERVE DISTRICT

(Amounts in thousands of dollars)

Year	Total Operating Income	Total Operating Expenses	Income before Taxes and Securities Gains or Losses	Net Income	Cash Dividends Declared ¹	Number of Member Banks
1962	516,727	344,023	172,704	89,803	44,167	632
1963	573,061	396,221	176,840	90,545	46,668	656
1964	637,030	452,370	184,660	95,942	50,956	672
1965	701,424	509,130	192,294	105,100	56,080	675
1966	797,834	586,397	211,437	116,744	59,816	673
1967	883,093	651,566	231,527	130,011	64,604	667
1968	1,035,225	765,580	269,645	152,949	78,065	651
1969	1,250,222	960,470	289,752	189,681	72,812	640
1970	1,408,333	1,093,905	314,428	219,794	82,034	634
1971	1,508,729	1,205,908	302,821	236,796	94,471	633

¹ Includes interest on capital notes and debentures.