

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 77-61
May 26, 1977

**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 District experienced strong growth in both loans and deposits in the last half of 1976 as the economic recovery gathered momentum. During the first half, loan demand was weak and the volume of loans outstanding at mid-year was essentially the same as at the beginning. Banks continued to acquire a sizable volume of U.S. Government securities last year, but with the improvement in loan demand, the relative growth in holdings of these obligations was only about half as large as the record increase of 1975. Total deposits increased more than in 1975, but less than the increase in total bank credit; consequently banks increased their borrowings somewhat.

Total loans at member banks increased 13.5 percent in 1976—nearly double the 7.6-percent growth in 1975. Loans to commercial and industrial firms rose moderately, about 11 percent, reflecting a generally conservative posture of business managements or inventories and capital outlays. There was some acceleration in growth of commercial and industrial loans in the second half of the year as economic activity continued to rise. Also, a decline of 85 basis points in the prime rate during this period may have attracted some business borrowing to banks.

Residential construction activity in the District rebounded strongly last year as mortgage rates softened slightly and personal income rose. Real estate loans increased 19.3 percent. All of the growth in mortgage loans at banks took place in construction and land development loans and in loans secured by residential properties for five or more families.

Consumer loans at District member banks increased 14.6 percent in 1976, reflecting growth in personal consumption expenditures as both personal income and consumer prices advanced strongly. The demand for automobile loans was strong throughout the year. Loans outstanding under credit card plans were up sharply at year-end. The growth in those loans attributable to retail purchases occurred in the final half of the year. Instalment loans for the repair and modernization of existing homes increased sharply in the first half of 1976 and less rapidly in the final six months.

Sales of Federal funds and loans to other commercial banks rose almost 72 percent in the last half of 1976, reflecting a sharp inflow of deposits and the policy of bank managements to increase liquidity. Sizable deposit inflows at other financial institutions were reflected in a sharp reduction in their borrowing from member banks last year.

Member banks in the District continued to acquire a substantial volume of U.S. Government securities in 1976—although at an increasingly slower rate as loan demand picked up. More than half the net acquisitions were Treasury notes and bonds maturing in 1 to 5 years, but banks also purchased a substantial volume of even shorter-term securities. Holdings of municipal securities were reduced slightly, partially as the result of general uncertainties created by the financial difficulties of some governmental units. Larger internally-generated tax credits and increased loan loss reserves also may have reduced the attractiveness of tax-exempt municipal securities.

Total deposits at member banks in the District increased 11.2 percent in 1976, which was in line with the strong recovery in personal income and corporate profits. Net inflows of time deposits accelerated in the final half of the year, as yields on many short-term market instruments declined to levels below the rates banks were paying on time and savings deposits.

Net income of member banks in the District rose 14.1 percent in 1976—considerably more than the 1.6-percent increase of a year earlier. Total operating income was up 17.7 percent last year as the gain in total loans resulted in a 23.1-percent increase in interest and fees on loans. Interest and dividends on securities rose 20.7 percent, reflecting both large investment portfolios and the lower proportion of municipal securities—with their relatively low pre-tax yields—in those portfolios. Total operating expenses were 18.1 percent higher mainly because of a substantial increase in interest expenses resulting from the sharp growth in time and savings deposits. Income tax liabilities climbed 29.3 percent in response to the growth in net operating income.

The number of member banks increased slightly, reflecting primarily additional charters to national banks. Borrowings from the Federal Reserve Bank were at a low level as funds were generally available to meet loan demands. Capital accounts increased about apace with risk assets and deposits while loans increased somewhat more than deposits, causing the loans/deposit ratio to rise to 67.0 percent, from 65.7 percent a year earlier.

Sincerely yours,

Ernest T. Baughman

President

COMPARATIVE STATEMENT OF CONDITION OF MEMBER BANKS

ELEVENTH FEDERAL RESERVE DISTRICT

(Amounts in thousands of dollars)

Item	Dec. 31, 1976p	June 30, 1976	Dec. 31, 1975
Loans (gross), including overdrafts ¹	26,727,651	23,759,734	23,553,994
U. S. Treasury securities	4,507,568	3,941,730	3,357,495
Obligations of States and political subdivisions	5,978,977	6,204,846	6,059,437
Other securities (including trading account securities)	1,976,736	1,672,022	1,638,164
TOTAL LOANS (GROSS) AND INVESTMENTS	39,190,932	35,578,332	34,609,090
Cash and balances due from banks	7,862,454	6,818,741	7,423,929
TOTAL ASSETS	48,934,271	43,772,799	44,024,780
Individual — Demand deposits	14,475,720	12,717,112	13,472,668
Individual — Time deposits	16,322,402	14,972,326	13,931,303
Deposits of U.S. Government	243,900	288,462	199,673
Deposits of States and political subdivisions	5,111,600	4,979,870	4,641,347
Deposits of banks	3,268,927	2,759,513	3,217,557
Certified and officers' checks, etc.	454,603	334,851	384,440
TOTAL DEPOSITS	39,877,152	36,052,134	35,846,988
TOTAL CAPITAL ACCOUNTS	3,356,720	3,345,712	3,030,562
Borrowings from Federal Reserve Bank	1,937	15,185	200
All other borrowings	4,576,062	3,584,351	3,640,071
Ratio of loans to total deposits			
Ratios of cash and balances due from banks to total deposits	67.0%	65.9%	65.7%
Ratio of total capital accounts to risk assets (total assets less Government securities and cash assets)	19.7%	18.9%	20.7%
Number of member banks	688	681	673

¹ Includes Federal funds sold.

p—Preliminary.

PRINCIPAL ASSET AND LIABILITY ITEMS OF MEMBER BANKS

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. 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	17,115,946	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
1972	27,533,316	18,043,657	8,223,521	26,267,178	2,389,335	2,222,533
1973	30,125,994	20,861,033	8,619,969	29,481,002	2,121,498	2,484,022
1974	32,782,571	21,897,329	9,237,983	31,135,312	2,026,000	2,765,183
1975	35,846,988	23,553,994	11,055,096	34,609,090	3,357,495	3,030,562
1976p	39,877,152	26,727,651	12,463,281	39,190,932	4,507,568	3,356,720

¹ Includes Federal funds sold.

p—Preliminary.

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

ELEVENTH FEDERAL RESERVE DISTRICT

(Amounts in thousands of dollars)

Item	1976p	1975	Net Change
Interest and dividends on securities	683,114	565,853	117,261
Interest and fees on loans	2,179,088	1,769,793	409,295
Service charges on deposit accounts	73,915	68,327	5,588
All other operating income ¹	357,918	394,482	-36,564
TOTAL OPERATING INCOME	3,294,035	2,798,455	495,580
Salaries and employee benefits	517,837	457,758	60,079
Interest on time and savings deposits	1,405,292	1,106,093	299,199
All other operating expenses	860,500	793,082	67,418
TOTAL OPERATING EXPENSES	2,783,629	2,356,933	426,696
INCOME BEFORE INCOME TAXES AND SECURITIES GAINS OR LOSSES	510,406	441,522	68,884
Applicable income taxes	99,959	77,325	22,634
Net securities gains or losses	6,338	818	5,520
Extraordinary items and other charges or credits	2,024	2,042	-18
NET INCOME	418,809	367,057	51,752
Cash dividends declared	152,806	139,279	13,527
Number of member banks	688	673	15

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

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

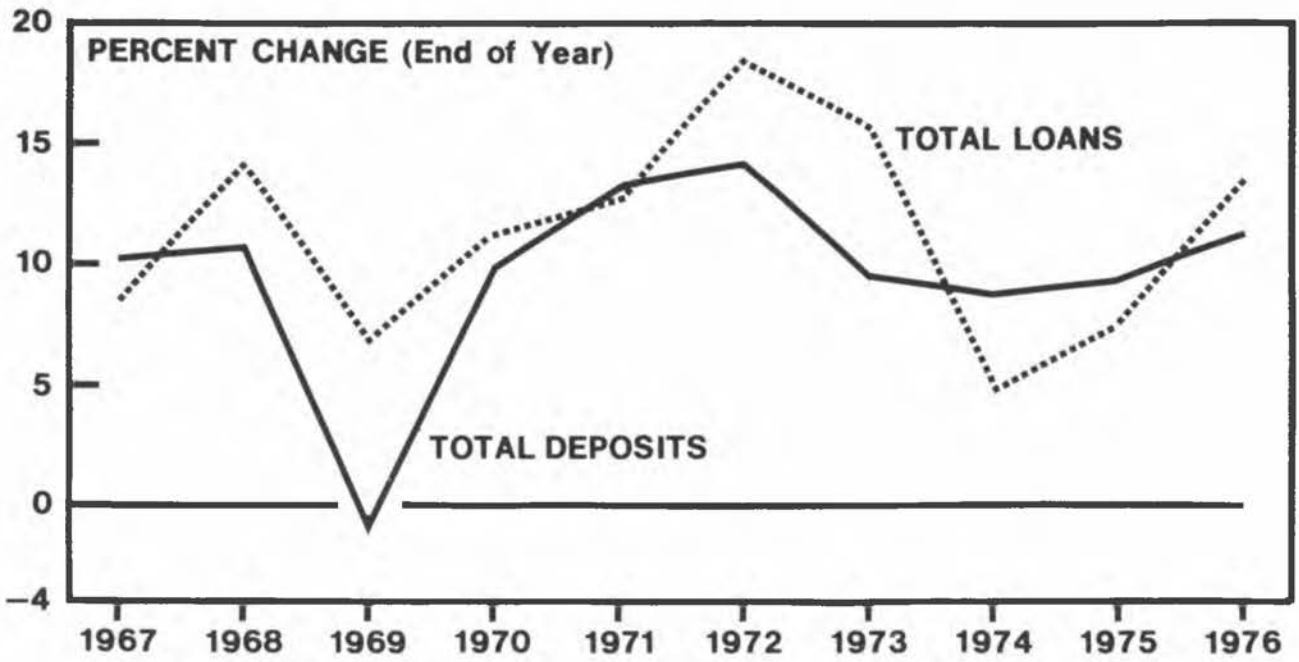
ELEVENTH FEDERAL RESERVE DISTRICT

(Amounts in thousands of dollars)

Year	Total Operating Income	Total Operating Expenses	Income before Income Taxes and Securities Gains or Losses	Net Income	Cash Dividends Declared	Number of Member Banks
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
1972	1,687,789	1,350,622	337,167	263,860	95,537	633
1973	2,246,807	1,855,069	391,738	302,415	93,171	642
1974	2,859,153	2,398,445	460,708	361,217	96,422	658
1975	2,798,455	2,356,933	441,522	367,057	139,279	673
1976p	3,294,035	2,783,629	510,406	418,809	152,806	688

p—Preliminary.

**CHANGES IN LOANS AND DEPOSITS AT MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT**



**CHANGES IN OPERATING EXPENSES AND INCOME OF MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT**

