

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 78-107
August 17, 1978

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 sharp growth in both loans and deposits in 1977—especially in the last half of the year—as economic activity continued to strengthen. As loan demand picked up, banks shifted a considerable portion of their portfolios away from generally lower-yielding securities—mainly short-term issues of the U.S. Government—into loans. On balance, the rate of increase in total investments was only about half as large as the gain a year earlier. Total deposits increased at the fastest rate since 1972. But the growth in deposits trailed the sharp rise in total loans, and member banks increased their borrowings somewhat.

Total loans at member banks rose 14.2 percent last year. Loans to commercial and industrial firms increased \$1.5 billion—16 percent—despite a weak first quarter. Slower growth in profits and moderate growth in inventories and plant and equipment expenditures increased considerably business needs for external financing.

Real estate loans at member banks increased nearly \$1.3 billion, or 33 percent, last year as District construction activity remained strong. Loans to finance construction and land development projects rose 54 percent and accounted for about half the total increase in real estate lending. But residential mortgages—especially those secured by one-to four-family properties—also rose appreciably.

Consumers continued to borrow heavily last year, and their outstanding debt to member banks in the District rose \$1.0 billion. About half of the increase reflected the financing of private passenger cars, but the largest percentage growth resulted from expanded use of retail credit cards.

District member banks continued to increase their holdings of both U.S. Government securities and municipal obligations in the first half of 1977. Some investment portfolio adjustments were evident in the second half, however, as business loan demand strengthened considerably and the outlook for bank profits improved. In the last six months of 1977, member banks liquidated a small volume of U.S. Government securities and acquired a modest amount of municipal issues.

Total deposits at member banks in the District expanded 12.1 percent last year, despite a small decline in the first half. The sharpest gain occurred in time deposits—mainly because of a large increase in the volume of large negotiable certificates of deposit outstanding late last year. By that time, market interest had risen to the point that bank rates on most other time and savings deposits were noncompetitive. As loan demand was expanded rapidly, banks found it necessary to bid more aggressively for large CD funds.

Net income of member banks in the District rose \$79 million to reach \$499 million in 1977. That 18.9-percent increase exceeded the 14.2-percent gain in 1976 and was well above the 1.6-percent rise in 1975. The sharper growth in income before taxes caused income tax liabilities to increase 39.8 percent last year, in contrast to the 29.3-percent rise a year earlier.

Total operating income was up 15.2 percent in 1977—somewhat less than the 17.7-percent growth of the previous year. The lower rate of increase last year mainly reflected a slightly slower growth in loans and a slightly lower average level of business loan rates. Although bank lending rates at the end of 1977 were higher than at any time in the previous year, those rates generally remained lower than the comparable year-earlier level until September. Interest and dividends on securities rose 10.2 percent last year—or about half as much as in the previous year. The lower growth rate in 1977 reflected both the slowdown in security acquisitions and the greater reliance on municipal obligations with generally lower pretax yields.

Total operating expenses rose 13.7 percent in 1977. That was well below the 18.1-percent increase a year earlier and mainly resulted from slower growth in interest paid on time and savings deposits.

With total loans increasing more rapidly than deposits last year, the loan-deposit ratio at member banks in the District rose from 68.2 percent in 1976 to 69.4 percent at the end of 1977. And the ratio of total capital accounts to risk assets declined slightly to 9.0 percent. The number of member banks continued to increase slightly in 1977.

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, 1977p	June 30, 1977	Dec. 31, 1976
Loans (gross), including overdrafts ¹	31,050,466	27,758,936	27,186,126
U. S. Treasury securities	4,848,520	4,909,159	4,507,564
Obligations of States and political subdivisions	6,681,543	6,333,905	5,990,192
Other securities (including trading account securities)	1,760,799	1,719,784	1,965,486
TOTAL LOANS (GROSS) AND INVESTMENTS	44,341,328	40,721,784	39,649,368
Cash and balances due from banks	8,445,861	6,666,638	7,862,482
TOTAL ASSETS	54,682,286	49,021,040	48,935,880
Individual — Demand deposits	16,033,029	13,504,274	14,475,810
Individual — Time and savings deposits	18,465,685	17,017,424	16,333,535
Deposits of U.S. Government	400,795	233,413	244,041
Deposits of States and political subdivisions	5,996,531	5,810,811	5,100,247
Deposits of banks	3,309,891	2,727,349	3,268,927
Certified and officers' checks, etc.	511,917	404,443	454,614
TOTAL DEPOSITS	44,717,848	39,697,714	39,877,174
TOTAL CAPITAL ACCOUNTS	3,717,640	3,561,804	3,357,151
Borrowings from Federal Reserve Bank	23,900	30,300	1,937
All other borrowings	4,773,179	4,519,306	4,576,062
Ratio of loans to total deposits	69.4%	69.9%	68.2%
Ratio of cash and balances due from banks to total deposits	18.9%	16.8%	19.7%
Ratio of total capital accounts to risk assets (total assets less Government securities and cash assets)	9.0%	9.5%	9.2%
Number of member banks	695	692	688

¹ Includes Federal funds sold.

p—Preliminary.

PRINCIPAL ASSET AND LIABILITY ITEMS OF MEMBER BANKS

ELEVENTH FEDERAL RESERVE DISTRICT

(In thousands of dollars)

Year-end	Total Deposits	Total Loans (Gross) ¹	Total Investments	Total Loans (Gross) and Investments	Total U.S. Treasury Securities	Total Capital Accounts
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
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
1976	39,877,174	27,186,126	12,463,242	39,649,368	4,507,564	3,357,151
1977p	44,717,848	31,050,466	13,290,862	44,341,328	4,848,520	3,717,640

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	1977p	1976	Net Change
Interest and dividends on securities	756,370	686,598	69,772
Interest and fees on loans	2,730,865	2,340,938	389,927
Service charges on deposit accounts	85,504	73,923	11,581
All other operating income	221,560	192,439	29,121
TOTAL OPERATING INCOME	3,794,299	3,293,898	500,401
Salaries and employee benefits	587,203	517,698	69,505
Interest on time and savings deposits	1,579,656	1,405,644	174,012
All other operating expenses	996,596	859,960	136,636
TOTAL OPERATING EXPENSES	3,163,455	2,783,302	380,153
INCOME BEFORE INCOME TAXES AND SECURITIES GAINS OR LOSSES	630,844	510,596	120,248
Applicable income taxes	139,464	99,793	39,671
Net securities gains or losses	4,463	6,340	-1,877
Extraordinary items and other charges or credits	2,665	2,019	646
NET INCOME	498,508	419,162	79,346
Cash dividends declared	171,142	151,802	19,340
Number of member banks	695	687	8

p—Preliminary.

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

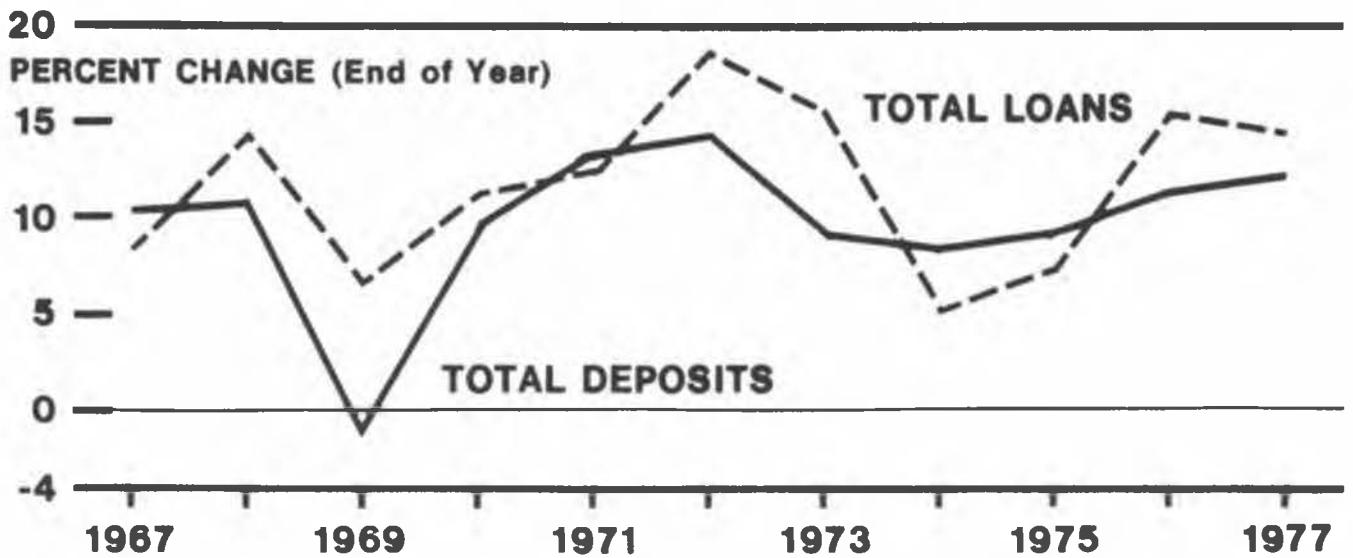
ELEVENTH FEDERAL RESERVE DISTRICT

(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
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
1976	3,293,898	2,783,302	510,596	419,162	151,802	687
1977p	3,794,299	3,163,455	630,844	498,508	171,142	695

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**

