

**FEDERAL RESERVE BANK
OF DALLAS**

*Average Operating Ratios of Selected Member Banks
in the Eleventh Federal Reserve District
for the Year 1934*

ANALYSIS OF MEMBER BANKS' EARNINGS AND EXPENSES

On the opposite page there is presented a tabulation showing, for the year 1934, certain important average operating ratios (expressed in percentages) which have been computed from the figures contained in the periodical reports of 150 selected member banks in the Eleventh Federal Reserve District. In selecting the 150 banks whose figures were used in the tabulation, all member banks were classified according to the volume of their loans and investments and divided into five groups. The thirty banks in each group having the highest ratio of net profits to total loans and investments were selected to represent their respective groups. This method of selection takes into account the banks' showing with reference to earnings and expenses and also to recoveries and charge-offs.

The average operating ratios for the various groups may be used by any member bank as a "yardstick" for the purpose of comparing its own operating ratios with those of other member banks having a similar volume of loans and investments and a relatively high ratio of net profits thereto. To facilitate comparisons, spaces have been provided in each column of the table for a member bank's own ratios.

It is recognized that variations in interest rates between one community and another and a diversity of operating conditions often cause marked differences in the ratio of gross profits even where banks have approximately the same volume of loans and investments. Therefore, to furnish a broader basis for comparison, we have shown in our tabulation of average operating ratios, various items of expenses, charge-offs, etc., as percentages of gross earnings (ratios 9-16) and also as percentages of loans and investments (ratios 17-25).

Dallas, Texas,

April 25, 1935.

Average Operating Ratios of 150 Selected Member Banks in the Eleventh Federal Reserve District Divided into Five Groups of 30 Banks Each, Based on Operations and Condition Reports for the Year 1934

(Grouped According to Amount of Loans and Investments Indicated)

RATIOS EXPRESSED IN PERCENTAGES	Group I Under \$300,000	Group II \$300,000 to \$500,000	Group III \$500,000 to \$800,000	Group IV \$800,000 to \$2,000,000	Group V \$2,000,000 and over	General Average
CAPITAL						
1. Capital and surplus to gross deposits <i>Your figures</i>	32.1	21.1	18.2	12.3	12.1	19.2
DEPOSITS						
2. Time deposits to gross deposits <i>Your figures</i>	5.7	10.5	11.7	17.6	20.7	13.2
3. Interest paid on deposits to gross deposits <i>Your figures</i>	.3	.4	.5	.6	.6	.5
4. Salaries and wages to gross deposits <i>Your figures</i>	2.6	2.0	1.8	1.5	1.0	1.8
5. Total expenses to gross deposits <i>Your figures</i>	5.2	4.0	3.9	3.2	2.6	3.8
EARNINGS						
6. Gross earnings to loans and investments <i>Your figures</i>	10.0	7.2	6.8	6.5	5.8	7.2
7. Net earnings to capital and surplus <i>Your figures</i>	10.6	11.7	12.3	14.3	15.6	12.9
8. Net earnings to gross deposits <i>Your figures</i>	2.9	2.2	2.0	1.5	1.6	2.0
EXPENSES, LOSSES, ETC.						
Ratio of the following items to gross earnings:						
9. Salaries and wages <i>Your figures</i>	32.1	32.2	31.0	30.9	25.4	30.3
10. Interest on borrowed money <i>Your figures</i>	.3	.1	.9	.13
11. Interest on deposits <i>Your figures</i>	3.4	7.4	8.9	12.1	14.3	9.2
12. Other expenses <i>Your figures</i>	29.1	25.2	25.7	24.7	23.1	25.6
13. Total expenses <i>Your figures</i>	64.9	64.9	66.5	67.8	62.8	65.4
14. Net earnings <i>Your figures</i>	35.1	35.1	33.5	32.2	37.2	34.6
15. Losses and charge-offs, less recoveries <i>Your figures</i>	3.6	6.9	7.8	10.6	16.0	9.0
16. Dividends paid <i>Your figures</i>	22.8	23.7	20.2	10.1	12.7	17.9
Ratio of the following items to loans and investments:						
17. Salaries and wages <i>Your figures</i>	3.2	2.3	2.1	2.0	1.4	2.2
18. Interest on borrowed money <i>Your figures</i>1
19. Interest on deposits <i>Your figures</i>	.3	.6	.6	.8	.8	.6
20. Other expenses <i>Your figures</i>	2.9	1.8	1.7	1.6	1.4	1.9
21. Total expenses <i>Your figures</i>	6.4	4.7	4.5	4.4	3.6	4.7
22. Net earnings <i>Your figures</i>	3.6	2.5	2.3	2.1	2.2	2.5
23. Losses and charge-offs, less recoveries <i>Your figures</i>	.4	.5	.6	.7	1.0	.6
24. Net Profits <i>Your figures</i>	3.9	2.2	1.9	1.6	1.4	2.2
25. Dividends paid <i>Your figures</i>	2.2	1.6	1.3	.7	.7	1.3

NOTE: Capital, surplus, gross deposits, time deposits, and loans and investments were computed from the average figures of condition reports rendered as of June 30 and December 31. All other figures were obtained from semi-annual earnings reports.

"Loans and investments" include loans and discounts, bills of exchange, overdrafts, United States Government securities, and other bonds, stocks, and securities.