

**FEDERAL RESERVE BANK
OF DALLAS**

**Typical Operating Ratios of Member Banks
in the Eleventh Federal Reserve District
for the Years 1929, 1934,
1935, and 1936**

ANALYSIS OF MEMBER BANKS' EARNINGS AND EXPENSES

Typical operating ratios of member banks in the Eleventh Federal Reserve District, for the years 1929, 1934, 1935, and 1936, are presented on the following pages. For the purpose of this study member banks were arranged according to the volume of their loans and investments and ratios were computed for each of the six groups into which the banks were divided. These group ratios will enable each bank to compare its ratios with those for the group having a similar volume of loans and investments.

In 1936 Eleventh District member banks, taken as a whole, reported larger net profits than in 1935. This increase was brought about in part by larger net earnings from current operations, but was due mainly to the fact that the amount of losses charged off in 1936 was much less than the charge-offs in 1935. All groups of banks participated in the improvement shown in net profits, as is indicated by the higher ratios of net profits to capital and surplus. For all banks included in the compilation net profits averaged 10.91 per cent of capital and surplus as compared with 8.40 per cent in 1935. Among the several groups this ratio varied from 4.70 per cent for banks with loans and investments of less than \$150,000 to 12.04 per cent for the group having loans and investments above \$5,000,000.

Gross earnings from current operations showed a further expansion in 1936, reflecting chiefly the larger income on loans and investments. The higher earnings on loans and investments, however, were occasioned by the larger volume of these assets, as the average rate of return declined from 4.53 per cent in 1935 to 4.36 per cent in 1936.

Total current expenses also increased but by a smaller amount than gross earnings from current operations; consequently, the ratio of total current expenses to gross earnings from current operations declined slightly to 66.02 per cent, as compared with 66.23 per cent in 1935. Although the amount of interest paid on deposits was again reduced in 1936, the saving was more than offset by the higher salary costs and other expenses. Net earnings from current operations showed a further improvement, being 33.98 per cent of gross earnings from current operations as compared with 33.77 per cent in 1935. The ratio of net earnings from current operations to capital and surplus rose from 10.88 per cent in 1935 to 11.41 per cent in 1936.

Base figures covering capital, surplus, gross deposits, time deposits, and loans and investments were obtained from averages of the figures shown on the condition reports rendered as of June 30 and December 31 of each year. All other figures were obtained from the semi-annual earnings and dividend reports. "Loans and investments" include loans and discounts, bills of exchange, overdrafts, United States Government securities (direct and fully guaranteed), and other stocks, bonds, and securities.

May 22, 1937.

TYPICAL OPERATING RATIOS

MEMBER BANKS IN THE ELEVENTH DISTRICT WITH LOANS AND INVESTMENTS UNDER \$150,000

RATIOS EXPRESSED IN PERCENTAGES OF GROSS EARNINGS FROM CURRENT OPERATIONS:

	1929	1934	1935	1936
1. Interest and discount on loans and investments.....	87.93	84.59	85.81	85.09
2. Other current earnings.....	12.07	15.41	14.19	14.91
3. Salaries and wages.....	35.92	40.82	37.73	37.36
4. Interest paid on gross deposits.....	5.44	4.44	3.49	2.66
5. Other expenses.....	28.02	34.61	32.03	31.33
6. Total current expenses (3+4+5).....	69.38	79.87	73.25	71.35
7. Net earnings from current operations.....	30.62	20.13	26.75	28.65
8. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	24.14	20.50	7.95	10.00
9. Total current expenses and net losses (6+8).....	93.52	100.37	81.20	81.35
10. Net additions to profits.....	6.48	— .37	18.80	18.65

RATIOS EXPRESSED IN PERCENTAGES OF LOANS AND INVESTMENTS:

11. Interest and discount on loans and investments.....	9.15	7.44	8.30	8.78
12. Other current earnings.....	1.26	1.35	1.37	1.54
13. Total earnings from current operations (11+12).....	10.41	8.79	9.67	10.32
14. Salaries and wages.....	3.74	3.59	3.65	3.86
15. Interest paid on gross deposits.....	.56	.39	.34	.27
16. Other expenses.....	2.92	3.04	3.09	3.23
17. Total current expenses (14+15+16).....	7.22	7.02	7.08	7.36
18. Net earnings from current operations.....	3.19	1.77	2.59	2.96
19. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	2.51	1.80	.77	1.03
20. Total current expenses and net losses (17+19).....	9.73	8.82	7.85	8.39
21. Net additions to profits.....	.68	— .03	1.82	1.93
22. Capital, surplus, profits, and reserves.....	34.21	41.63	43.26	44.89
23. Gross deposits.....	104.01	134.63	139.97	156.07

OTHER RATIOS EXPRESSED IN PERCENTAGES:

24. Net earnings from current operations to capital and surplus.....	10.21	4.58	6.46	7.22
25. Net additions to profits to capital and surplus.....	2.16	— .08	4.54	4.70
26. Time deposits to gross deposits.....	6.22	6.92	7.15	6.22
27. Capital and surplus to gross deposits.....	30.00	28.72	28.58	26.25
28. Interest on deposits to gross deposits.....	.54	.29	.24	.18
Number of banks.....	118	121	117	110

TYPICAL OPERATING RATIOS

MEMBER BANKS IN THE ELEVENTH DISTRICT WITH LOANS AND INVESTMENTS FROM \$150,000 TO \$249,999

RATIOS EXPRESSED IN PERCENTAGES OF GROSS EARNINGS FROM CURRENT OPERATIONS:

	1929	1934	1935	1936
1. Interest and discount on loans and investments.....	88.43	82.16	82.00	82.60
2. Other current earnings.....	11.57	17.84	18.00	17.40
3. Salaries and wages.....	32.29	36.18	34.55	35.39
4. Interest paid on gross deposits.....	7.44	5.78	4.54	4.04
5. Other expenses.....	26.68	32.22	30.14	29.41
6. Total current expenses (3+4+5).....	66.41	74.18	69.23	68.84
7. Net earnings from current operations.....	33.59	25.82	30.77	31.16
8. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	22.45	33.91	11.40	2.03
9. Total current expenses and net losses (6+8).....	88.86	108.09	80.63	70.87
10. Net additions to profits.....	11.14	— 8.09	19.37	29.13

RATIOS EXPRESSED IN PERCENTAGES OF LOANS AND INVESTMENTS:

11. Interest and discount on loans and investments.....	8.81	6.80	7.39	7.71
12. Other current earnings.....	1.15	1.48	1.62	1.62
13. Total earnings from current operations (11+12).....	9.96	8.28	9.01	9.33
14. Salaries and wages.....	3.22	2.99	3.11	3.30
15. Interest paid on gross deposits.....	.74	.48	.41	.38
16. Other expenses.....	2.66	2.67	2.72	2.74
17. Total current expenses (14+15+16).....	6.62	6.14	6.24	6.42
18. Net earnings from current operations.....	3.34	2.14	2.77	2.91
19. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	2.23	2.81	1.03	.19
20. Total current expenses and net losses (17+19).....	8.85	8.95	7.27	6.61
21. Net additions to profits.....	1.11	— .67	1.74	2.72
22. Capital, surplus, profits, and reserves.....	27.93	34.99	34.46	34.04
23. Gross deposits.....	103.06	132.62	143.83	160.54

OTHER RATIOS EXPRESSED IN PERCENTAGES:

24. Net earnings from current operations to capital and surplus.....	13.48	6.74	8.97	9.53
25. Net additions to profits to capital and surplus.....	4.47	— 2.11	5.65	8.90
26. Time deposits to gross deposits.....	7.24	9.07	8.71	7.94
27. Capital and surplus to gross deposits.....	24.10	23.94	21.49	19.01
28. Interest on deposits to gross deposits.....	.72	.36	.28	.23
Number of banks.....	129	95	123	104

TYPICAL OPERATING RATIOS

MEMBER BANKS IN THE ELEVENTH DISTRICT WITH LOANS AND INVESTMENTS FROM \$250,000 TO \$499,999

RATIOS EXPRESSED IN PERCENTAGES OF GROSS EARNINGS FROM CURRENT OPERATIONS:

	1929	1934	1935	1936
1. Interest and discount on loans and investments.....	88.49	83.59	83.24	83.27
2. Other current earnings.....	11.51	16.41	16.76	16.73
3. Salaries and wages.....	29.75	32.97	32.40	33.09
4. Interest paid on gross deposits.....	10.85	8.02	7.01	5.78
5. Other expenses.....	24.09	28.39	28.57	28.09
6. Total current expenses (3+4+5).....	64.69	69.38	67.98	66.96
7. Net earnings from current operations.....	35.31	30.62	32.02	33.04
8. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	15.73	43.31	5.93	2.56
9. Total current expenses and net losses (6+8).....	80.42	112.69	73.91	69.52
10. Net additions to profits.....	19.58	-12.69	26.09	30.48

RATIOS EXPRESSED IN PERCENTAGES OF LOANS AND INVESTMENTS:

11. Interest and discount on loans and investments.....	8.05	6.43	6.68	6.78
12. Other current earnings.....	1.05	1.26	1.35	1.36
13. Total earnings from current operations (11+12).....	9.10	7.69	8.03	8.14
14. Salaries and wages.....	2.71	2.53	2.60	2.69
15. Interest paid on gross deposits.....	.99	.62	.56	.47
16. Other expenses.....	2.19	2.18	2.30	2.29
17. Total current expenses (14+15+16).....	5.89	5.33	5.46	5.45
18. Net earnings from current operations.....	3.21	2.36	2.57	2.69
19. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	1.43	3.33	.48	.21
20. Total current expenses and net losses (17+19).....	7.32	8.66	5.94	5.66
21. Net additions to profits.....	1.78	-.97	2.09	2.48
22. Capital, surplus, profits, and reserves.....	25.25	28.98	29.20	29.23
23. Gross deposits.....	103.34	127.11	139.64	152.92

OTHER RATIOS EXPRESSED IN PERCENTAGES:

24. Net earnings from current operations to capital and surplus.....	14.56	9.15	10.11	10.75
25. Net additions to profits to capital and surplus.....	8.07	-3.79	8.23	9.91
26. Time deposits to gross deposits.....	9.25	11.76	11.90	10.57
27. Capital and surplus to gross deposits.....	21.35	20.25	18.22	16.38
28. Interest on deposits to gross deposits.....	.96	.48	.40	.31
Number of banks.....	189	130	130	149

TYPICAL OPERATING RATIOS

MEMBER BANKS IN THE ELEVENTH DISTRICT WITH LOANS AND INVESTMENTS FROM \$500,000 TO \$999,999

RATIOS EXPRESSED IN PERCENTAGES OF GROSS EARNINGS FROM CURRENT OPERATIONS:

	1929	1934	1935	1936
1. Interest and discount on loans and investments.....	88.33	85.27	86.01	84.98
2. Other current earnings.....	11.67	14.73	13.99	15.02
3. Salaries and wages.....	26.73	30.54	30.70	31.40
4. Interest paid on gross deposits.....	14.54	10.99	9.39	7.79
5. Other expenses.....	22.82	26.35	26.24	25.61
6. Total current expenses (3+4+5).....	64.09	67.88	66.33	64.80
7. Net earnings from current operations.....	35.91	32.12	33.67	35.20
8. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	13.37	32.90	15.63	3.73
9. Total current expenses and net losses (6+8).....	77.46	100.78	81.96	68.53
10. Net additions to profits.....	22.54	-.78	18.04	31.47

RATIOS EXPRESSED IN PERCENTAGES OF LOANS AND INVESTMENTS:

11. Interest and discount on loans and investments.....	7.44	5.75	6.09	6.04
12. Other current earnings.....	.98	.99	.99	1.07
13. Total earnings from current operations (11+12).....	8.42	6.74	7.08	7.11
14. Salaries and wages.....	2.25	2.06	2.17	2.23
15. Interest paid on gross deposits.....	1.22	.74	.67	.56
16. Other expenses.....	1.92	1.78	1.86	1.82
17. Total current expenses (14+15+16).....	5.39	4.58	4.70	4.61
18. Net earnings from current operations.....	3.03	2.16	2.38	2.50
19. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	1.13	2.22	1.10	.27
20. Total current expenses and net losses (17+19).....	6.52	6.80	5.80	4.88
21. Net additions to profits.....	1.90	-.06	1.28	2.23
22. Capital, surplus, profits, and reserves.....	21.47	23.34	20.46	22.34
23. Gross deposits.....	104.62	122.72	142.56	144.53

OTHER RATIOS EXPRESSED IN PERCENTAGES:

24. Net earnings from current operations to capital and surplus.....	16.68	10.85	11.65	13.24
25. Net additions to profits to capital and surplus.....	10.47	-.26	6.24	11.83
26. Time deposits to gross deposits.....	12.76	17.11	15.08	12.65
27. Capital and surplus to gross deposits.....	17.33	16.27	14.35	13.09
28. Interest on deposits to gross deposits.....	1.17	.60	.47	.38
Number of banks.....	156	79	75	80

TYPICAL OPERATING RATIOS

MEMBER BANKS IN THE ELEVENTH DISTRICT WITH LOANS AND INVESTMENTS FROM \$1,000,000 TO \$4,999,999

RATIOS EXPRESSED IN PERCENTAGES OF GROSS EARNINGS FROM CURRENT OPERATIONS:

	1929	1934	1935	1936
1. Interest and discount on loans and investments.....	86.75	82.90	80.79	80.45
2. Other current earnings.....	13.25	17.10	19.21	19.55
3. Salaries and wages.....	23.05	28.94	29.90	29.24
4. Interest paid on gross deposits.....	21.71	16.29	14.13	10.60
5. Other expenses.....	23.15	25.60	26.19	27.43
6. Total current expenses (3+4+5).....	67.91	70.83	70.22	67.27
7. Net earnings from current operations.....	32.09	29.17	29.78	32.73
8. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	13.40	30.72	11.69	5.45
9. Total current expenses and net losses (6+8).....	81.31	101.55	81.91	72.72
10. Net additions to profits.....	18.69	-1.55	18.09	27.28

RATIOS EXPRESSED IN PERCENTAGES OF LOANS AND INVESTMENTS:

11. Interest and discount on loans and investments.....	6.99	5.18	4.99	4.98
12. Other current earnings.....	1.07	1.07	1.19	1.21
13. Total earnings from current operations (11+12).....	8.06	6.25	6.18	6.19
14. Salaries and wages.....	1.86	1.81	1.85	1.81
15. Interest paid on gross deposits.....	1.75	1.02	.87	.65
16. Other expenses.....	1.87	1.60	1.62	1.70
17. Total current expenses (14+15+16).....	5.48	4.43	4.34	4.16
18. Net earnings from current operations.....	2.58	1.82	1.84	2.03
19. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	1.08	1.92	.72	.34
20. Total current expenses and net losses (17+19).....	6.56	6.35	5.06	4.50
21. Net additions to profits.....	1.50	-.10	1.12	1.69
22. Capital, surplus, profits, and reserves.....	18.32	20.14	20.13	20.13
23. Gross deposits.....	107.72	143.11	151.25	168.24

OTHER RATIOS EXPRESSED IN PERCENTAGES:

24. Net earnings from current operations to capital and surplus.....	16.84	10.22	10.57	11.86
25. Net additions to profits to capital and surplus.....	9.81	-.54	6.42	9.88
26. Time deposits to gross deposits.....	23.77	25.27	24.52	18.97
27. Capital and surplus to gross deposits.....	14.27	12.47	11.51	10.15
28. Interest on deposits to gross deposits.....	1.63	.71	.58	.39
Number of banks.....	100	63	75	77

TYPICAL OPERATING RATIOS

MEMBER BANKS IN THE ELEVENTH DISTRICT WITH LOANS AND INVESTMENTS OF \$5,000,000 AND OVER

RATIOS EXPRESSED IN PERCENTAGES OF GROSS EARNINGS FROM CURRENT OPERATIONS:

	1929	1934	1935	1936
1. Interest and discount on loans and investments.....	86.63	82.71	80.01	80.48
2. Other current earnings.....	13.37	17.29	19.99	19.52
3. Salaries and wages.....	19.40	24.14	25.97	27.38
4. Interest paid on gross deposits.....	30.12	13.62	11.20	8.40
5. Other expenses.....	20.69	23.84	25.80	29.13
6. Total current expenses (3+4+5).....	70.21	61.60	62.97	64.91
7. Net earnings from current operations.....	29.79	38.40	37.03	35.09
8. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	6.85	46.14	3.98	1.53*
9. Total current expenses and net losses (6+8).....	77.06	107.74	66.95	63.38
10. Net additions to profits.....	22.94	-7.74	33.05	36.62

RATIOS EXPRESSED IN PERCENTAGES OF LOANS AND INVESTMENTS:

11. Interest and discount on loans and investments.....	6.02	4.07	3.65	3.46
12. Other current earnings.....	.93	.85	.91	.84
13. Total earnings from current operations (11+12).....	6.95	4.92	4.56	4.30
14. Salaries and wages.....	1.35	1.19	1.18	1.18
15. Interest paid on gross deposits.....	2.09	.67	.51	.36
16. Other expenses.....	1.44	1.17	1.18	1.25
17. Total current expenses (14+15+16).....	4.88	3.03	2.87	2.79
18. Net earnings from current operations.....	2.07	1.89	1.69	1.51
19. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	.47	2.27	.18	.06*
20. Total current expenses and net losses (17+19).....	5.35	5.30	3.05	2.73
21. Net additions to profits.....	1.60	-.38	1.51	1.57
22. Capital, surplus, profits, and reserves.....	15.34	16.90	16.83	15.40
23. Gross deposits.....	111.90	141.36	145.46	154.78

OTHER RATIOS EXPRESSED IN PERCENTAGES:

24. Net earnings from current operations to capital and surplus.....	16.60	12.62	11.62	11.53
25. Net additions to profits to capital and surplus.....	12.78	-2.54	10.37	12.04
26. Time deposits to gross deposits.....	27.27	20.76	18.30	15.06
27. Capital and surplus to gross deposits.....	11.14	10.58	9.99	8.46
28. Interest on deposits to gross deposits.....	1.87	.47	.35	.23
Number of banks.....	30	25	26	30

*Net recoveries.

TYPICAL OPERATING RATIOS

ALL MEMBER BANKS IN THE ELEVENTH DISTRICT

RATIOS EXPRESSED IN PERCENTAGES OF GROSS EARNINGS FROM CURRENT OPERATIONS:

	1929	1934	1935	1936
1. Interest and discount on loans and investments.....	87.21	83.11	81.32	81.38
2. Other current earnings.....	12.79	16.89	18.68	18.62
3. Salaries and wages.....	23.47	27.68	28.81	29.39
4. Interest paid on gross deposits.....	22.00	12.90	10.81	8.26
5. Other expenses.....	22.45	25.57	26.61	23.37
6. Total current expenses (3+4+5).....	67.92	66.15	66.23	66.02
7. Net earnings from current operations.....	32.08	33.85	33.77	33.98
8. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	11.58	39.69	7.72	1.49
9. Total current expenses and net losses (6+8).....	79.50	105.84	73.95	67.51
10. Net additions to profits.....	20.50	-5.84	26.05	32.49

RATIOS EXPRESSED IN PERCENTAGES OF LOANS AND INVESTMENTS:

11. Interest and discount on loans and investments.....	6.79	4.75	4.53	4.36
12. Other current earnings.....	1.00	.96	1.04	.99
13. Total earnings from current operations (11+12).....	7.79	5.71	5.57	5.35
14. Salaries and wages.....	1.83	1.58	1.61	1.57
15. Interest paid on gross deposits.....	1.71	.74	.60	.44
16. Other expenses.....	1.75	1.46	1.48	1.52
17. Total current expenses (14+15+16).....	5.29	3.78	3.69	3.53
18. Net earnings from current operations.....	2.50	1.93	1.88	1.82
19. Net losses (charge-offs, less recoveries, profits on securities sold, etc.).....	.90	2.26	.43	.08
20. Total current expenses and net losses (17+19).....	6.19	6.04	4.12	3.61
21. Net additions to profits.....	1.60	-.33	1.45	1.74
22. Capital, surplus, profits, and reserves.....	18.57	19.93	19.93	18.66
23. Gross deposits.....	108.61	138.85	146.07	156.89

OTHER RATIOS EXPRESSED IN PERCENTAGES:

24. Net earnings from current operations to capital and surplus.....	16.05	10.96	10.88	11.41
25. Net additions to profits to capital and surplus.....	10.26	-1.89	8.40	10.91
26. Time deposits to gross deposits.....	21.95	20.37	18.68	15.18
27. Capital and surplus to gross deposits.....	14.34	12.71	11.84	10.16
28. Interest on deposits to gross deposits.....	1.58	.53	.41	.28
Number of banks.....	722	513	546	550