

FEDERAL RESERVE BANK

OF DALLAS

March 29, 1946

OPERATING RATIOS OF MEMBER BANKS

To Member Banks in the
Eleventh Federal Reserve District:

It is a pleasure to present the operating ratios of member banks in the Eleventh Federal Reserve District for the year 1945, with comparative figures for the year 1944. In the report for 1945 the asset and liability items are the averages of the amounts taken from the reports of condition as of December 30, 1944, June 30, 1945, and December 31, 1945, while the earnings and expense items are the amounts reported by member banks for the calendar year 1945. In view of the continued rapid growth of deposits during 1945, many of the banks have again moved into a larger size deposit group and this fact should be taken into consideration in studying the ratios for the several groups of banks. The ratios for the various groups represent unweighted averages of the percentages for individual banks rather than the ratios computed from the aggregates of all banks included in the respective groups.

Net profits after taxes realized by member banks in this district increased further during 1945, averaging 11.1 per cent on total capital accounts, as compared with 10.6 per cent in 1944 and 9.0 per cent in 1943. This increase, however, was not shared by all member banks in the district since more than 200 of them, or about 37 per cent of the total, showed smaller net profits in 1945 than in 1944. Moreover, the declines in net profits during 1945 occurred at banks in every size group and in all sections of the district. The diversity of experience among banks suggests the need for watchfulness and study in the period immediately ahead when banks might be confronted in varying degrees with such factors as deposit shifts, declining interest rates on loans and yields on securities, and increases in expenses.

Reflecting the large increase in the holdings of Government securities during 1945, the proportion of total earnings derived from interest and dividends on securities increased further, amounting to 35.2 per cent in 1945 as compared with 31.3 per cent in 1944. On the other hand, the proportion of total earnings derived from interest on loans declined, although banks with deposits of less than \$2,000,000 continued to derive on the average more than 50 per cent of their total earnings from loans. The proportion of total earnings derived from service charges on deposit accounts declined at banks in all size groups.

It is significant that in recent years, when net profits have been increasing, the majority of member banks in the district have continued conservative dividend policies and have added a large part of their net profits to capital accounts. During 1945, dividends to stockholders amounted to 4.1 per cent on total capital accounts as compared with 4.3 per cent in 1944. Taxes on net incomes were generally higher in 1945 than in the preceding year, amounting to 7.1 per cent of total earnings as compared with 5.6 per cent in 1944.

As in former years, the ratios of your bank have been entered on your confidential copy to permit a convenient review of your operations for the past two years and a comparison with the operations of a group of banks of similar size.

It is hoped that this information will be interesting and valuable to your bank.

Sincerely yours,

R. R. GILBERT

President

Operating Ratios of Member Banks for the Years 1945 and 1944

ELEVENTH FEDERAL RESERVE DISTRICT

	BANKS WITH AVERAGE DEPOSITS (in thousands of dollars)																			
			Under \$500		\$500	\$1,000 - \$1,999		\$2,000 - \$4,999		\$5,000 - \$9,999		\$10,000-\$24,999		\$25,000 and Over		All Groups				
	1945	1944	1945	1944	1945	1944	1945	1944	1945	1944	1945	1944	1945	1944		1945	1944	1945	1944	
Number of Banks	Your Bank		30	45	69	92	143	155	199	171	54	38	48	39	36	31	579	571		
SUMMARY RATIOS																				
Percentage of Total Capital Accounts																				
1. Net current earnings.....			6.8	8.3	10.7	4	13.7	12.3	14.0	13.4*	16.2	16.8	13.8	13.5	13.5	13.0	13.3	12.2	1	
2. Profits before income taxes.....			7.7	7.4	10.6	1.9	13.7	13.0	14.5	13.7*	16.4	16.0	15.8	13.0	16.0	14.0	13.8	12.7	2	
3. Net profits after taxes.....			6.4	5.9	8.6	4	11.1	11.0	12.1	11.7	12.3	12.3	12.1	10.5	11.1	10.5	11.1	10.6	3	
4. Cash dividends declared.....			3.1	3.1	4.1	5	4.6	4.9	4.3	4.4	4.2	4.0	3.2	3.4	3.4	3.3	4.1	4.3	4	
Percentage of Total Assets																				
5. Total earnings.....			2.5	2.9	2.3	4	2.1	2.2	1.8	2.0	1.8	2.0	1.7	1.8	1.5	1.5	1.9	2.1	5	
6. Net current earnings.....			.8	1.0	.8	8	.8	.8	.6	.7	.7	.7	.6	.6	.5	.6	.7	.8	6	
7. Net profits after taxes.....			.7	.7	.6	8	.7	.7	.6	.6	.5	.5	.5	.5	.4	.4	.6	.7	7	
SOURCES AND DISPOSITION OF EARNINGS																				
Percentage of Total Earnings																				
8. Interest and dividends on:																				
a. Government securities.....			16.7	15.6	22.4	5.1	25.7	27.5	29.9	34.2	30.6	39.9	38.8	44.1	46.2	49.2	29.1	31.3	8	
b. Other securities.....			3.6		4.6		6.5		6.6		7.1		7.0		4.0		6.1		b	
9. Earnings on loans.....			65.3	71.0	58.3	8.5	51.3	53.8	44.7	46.2	43.9	38.2	32.2	31.5	30.3	31.2	47.1	49.8	9	
10. All other earnings.....			14.4	13.4	14.7	8.4	16.5	18.7	18.8	19.6	18.4	21.9	22.0	24.4	19.0	19.6	17.7	18.9	10	
11. Total earnings.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	11	
12. Service charges on deposit accounts (Included in item 10)**.....			5.8	6.7	7.3	8.1	8.3	9.8	9.6	10.0	8.0	10.5	8.5	9.0	5.6	5.9	8.4	9.3	12	
13. Trust department earnings (Included in item 10)**.....			**	**	**	**	**	**	.6	**	3.0	2.8	3.2	3.7	2.1	2.0	2.5	3.4	13	
14. Salaries and wages.....			41.5	39.6	36.8	8.4	35.3	37.2	35.5	35.6	33.5	34.1	33.6	32.8	29.4	30.0	35.2	36.2	14	
15. Interest on time and savings deposits.....			.9	1.6	1.9	7	1.1	1.3	1.9	2.0	2.9	2.9	3.9	4.0	4.5	3.9	2.0	2.1	15	
16. All other expenses.....			29.5	26.9	31.0		26.9	27.0	27.8	28.1	28.3	27.3	30.2	29.7	30.5	30.3	28.1	28.0	16	
17. Total expenses.....			71.9	68.1	68.1		63.3	65.5	65.2	65.7	64.7	64.3	67.7	66.5	64.4	64.2	65.3	66.3	17	
18. Net current earnings.....			28.1	31.9	33.2	9	36.7	34.5	34.8	34.3	35.3	35.7	32.3	33.5	35.6	35.8	34.7	33.7	18	
19. Net charge-offs (—) or recoveries (+).....			+ 3.5	— 3.3	+ 1.1	1	+ 1.3	+ 2.8	+ 2.2	+ 1.7	+ 1.0	— .5	+ 5.3	+ .1	+ 6.7	+ 3.0	+ 2.3	+ 2.3	19	
20. Taxes on net incomes.....			5.4	6.2	6.1	0	6.7	5.4	6.1	4.9	8.7	6.8	8.0	5.9	13.2	9.8	7.1	5.6	20	
21. Net profits after taxes.....			26.2	22.4	28.2	0	31.3	31.9	30.9	31.1	27.6	28.4	29.6	27.7	29.1	29.0	29.9	30.4	21	
RATES OF EARNINGS ON LOANS AND SECURITIES																				
Percentage of Total Securities																				
22. Interest and dividends on:																				
a. Government securities.....			1.7	2.1	1.6	9	1.6	1.8	1.4	1.7	1.4	1.7	1.4	1.7	1.3	1.5	1.5	1.8	22	
b. Other securities.....			3.3		3.4		3.6		3.3		3.2		2.8		3.0		3.3		b	
23. Net losses (—) or recoveries and profits (+) on securities.....			—	+ .1	—	.1	+ .1	—	—	—	—	.1	+ .2	— .2	+ .1	+ .1	+ .1	—	23	
Percentage of Total Loans																				
24. Earnings on loans.....			7.9	7.5	6.5	8	6.3	6.1	5.5	5.5	5.1	5.8	4.3	4.4	3.3	3.6	5.7	5.9	24	
25. Net losses (—) or recoveries (+) on loans.....			+ .3	— .3	+ .1	2	+ .1	+ .2	+ .2	+ .2	— .1	+ .3	+ .2	+ .2	+ .1	+ .8	+ .1	+ .3	25	
DISTRIBUTIONS OF TOTAL ASSETS																				
Percentage of Total Assets																				
26. Government securities.....			26.2	19.4	29.5	2	34.5	29.9	38.5	35.5	39.7	40.0	45.4	45.1	50.7	49.2	37.2	33.0	26	
27. Other securities.....			2.2	2.3	2.8	9	3.5	4.4	3.8	4.9	4.4	5.6	4.5	4.2	1.8	2.1	3.5	4.2	27	
28. Loans.....			24.8	32.6	25.7	1	20.7	24.9	18.4	20.3	18.2	15.4	14.7	15.3	15.1	14.6	19.6	22.5	28	
29. Cash assets.....			46.0	44.8	42.1	1	40.7	40.0	38.8	38.6	37.1	38.3	34.5	34.1	31.5	33.0	39.0	39.4	29	
30. Real estate assets.....			.6	.8	.5	7	.5	.7	.5	.7	.6	.7	.8	1.2	.8	1.0	.6	.8	30	
31. All other assets.....			.2	.1	.1	1	.1	.1	—	—	—	—	.1	.1	.1	.1	.1	.1	31	
CAPITAL AND DEPOSIT RATIOS (In Percentage)																				
32. Capital accounts to total assets.....			11.1	12.3*	7.9	0	6.0	6.8	5.0	5.6	4.3	5.1	4.4	5.0	3.9	4.3	5.7	6.8	32	
33. Capital accounts to total assets less Government and cash assets.....			48.8	42.2	38.9	2	31.0	28.8	29.2	27.5	22.6	29.6	32.3	31.1	26.0	27.4	31.3	31.0	33	
34. Capital accounts to total deposits.....			12.7	14.2	8.7	1	6.5	7.4	5.3	6.0	4.5	5.4	4.6	5.3	4.1	4.5	6.2	7.5	34	
35. Time to total deposits.....			1.5	2.9	2.8	1	2.2	2.8	3.3	3.9	6.8	8.4	9.3	10.0	10.0	9.3	4.1	4.4	35	

*Revised.

**Banks reporting zero amounts were excluded in computing this average and figures are not shown where there were less than three banks in a group.

Note: Balance sheet figures used as a basis for ratios are averages of amounts reported December 30, 1944, June 30, 1944, and December 31, 1945.