

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, March 5, 1947

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 1946, with comparative figures for 1945. In the report for 1946, the asset and liability items are the averages of the amounts taken from the reports of condition as of December 31, 1945, June 30, 1946, and September 30, 1946, while the earnings and expense items are the amounts reported by member banks for the calendar year 1946. Although aggregate deposits of all member banks declined during 1946, average deposits of most banks were somewhat higher than the average for 1945. In consequence, several banks again have 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 income taxes realized by member banks in this district averaged 13.4 per cent on total capital accounts for the year 1946 as compared with 11.1 per cent for 1945. The increase in the rate of profits was general at banks in all deposit size groups, but the most pronounced gains, as well as the highest percentage of profits realized on capital accounts, occurred in those groups of banks with deposits ranging from \$1,000,000 to \$10,000,000. Reflecting the substantial expansion in loans, the proportion of total earnings derived from interest on loans showed a sizable increase during the year, the average for all banks being 50.8 per cent of total earnings in 1946 as compared with 47.1 per cent in 1945. This increase occurred at banks in all deposit size groups. In contrast with the trend in evidence for several years, the proportion of total earnings derived from interest and dividends on securities declined to 34.1 per cent in 1946 from 35.2 per cent in 1945. The proportion of earnings realized from service charges on deposit accounts again declined at banks in all deposit size groups.

Although the expenses of member banks generally increased materially during 1946, the rate of increase was less pronounced than that of total earnings. In consequence, the percentage of total earnings absorbed by expenses amounted to 60.7 per cent in 1946 as compared with 65.3 per cent in 1945, with the decrease occurring at banks in all deposit size groups.

The majority of member banks in this district has continued conservative dividend policies and has added a very large share of their net profits to capital accounts. During 1946, dividends paid to stockholders averaged 4.5 per cent on total capital accounts as compared with 4.1 per cent in 1945 and 4.3 per cent in 1944. Taxes on net incomes were generally higher in 1946 than in the preceding year, averaging 7.4 per cent of total earnings in 1946 as compared with 7.1 per cent in 1945.

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