FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, March 7, 1952

OPERATING RATIOS OF MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT

To Member Banks of the

Eleventh Federal Reserve District:

The annual statement of operating ratios of the member banks in the Eleventh Federal Reserve District for 1951, with comparative figures for 1950, is presented on the inside pages of this letter. The 1951 ratios shown under each deposit-size group are averages of the ratios of individual banks computed from data taken from the reports of condition as of December 30, 1950, June 30, 1951, and October 10, 1951, and from reports of earnings and expenses for the year 1951. Ratios for your bank are included for your convenience in making comparisons.

Member bank profits declined somewhat during 1951, while total capital accounts rose. Consequently, ratios of net profits to total capital accounts declined at banks in all deposit-size groups, with the exception of those reporting average deposits of less than \$500,000. The larger decreases occurred at banks with deposits of \$10,000,000 or more. Cash dividends declared in 1951 represented approximately the same proportion of capital accounts as in 1950 at banks with deposits of \$5,000,000 or more, but the ratios for banks in the smaller size groups declined.

The proportion of earnings derived from loans increased further during 1951 at banks in all deposit-size groups except the \$5,000,000-\$9,999,999 group, while the ratios of interest on Government securities to total earnings declined, with the exception of the fractional increases shown by banks with deposits of \$2,000,000 to \$9,999,999. Although both the yields and the aggregate member bank holdings of Government securities rose during the year, the effects of these increases were more than matched by the rates of growth in earnings on loans.

Expenses absorbed a larger proportion of the earnings of banks in most deposit-size groups, due principally to increases in the relative importance of salaries and wages. The ratios of expenses to earnings declined notably, however, at banks in both the largest and the smallest size groups. Reflecting principally the increases in corporate tax rates, a larger proportion of the earnings of banks in each size group, except banks with deposits of \$500,000 to \$999,999, was absorbed by taxes on net income.

During 1951 there was a further strengthening of member bank capital accounts in relation to deposit liabilities. Although the ratio of total capital accounts to total deposits of banks reporting deposits of \$10,000,000 to \$24,999,999 remained unchanged, the ratios for all the other size groups showed increases. The capital-to-deposits ratios ranged from 5.9 percent for the larger banks to 14.6 percent for banks with deposits of less than \$500,000.

Comparisons of the ratios for your bank with those of other banks of comparable size should be made with the understanding that the individual bank ratios from which the average ratios were computed differed rather widely in some cases.

Yours very truly,

R. R. GILBERT

President

OPERATING RATIOS OF MEMBER BANKS FOR THE YEARS 1951 AND 1950 — ELEVENTH FEDERAL RESERVE DISTRICT

	Your Bank		BANKS WITH AVERAGE DEPOSITS (in thousands of dollars)																
			Under $500		$500 - $999		$1,000 - $1,999		$2,000 - $4,999		$5,000 - $9,999		$10,000 - $24,999		$25,000 and Over		All Banks		
	1951	1950	**1951**	1950	**1951**	1950	**1951**	1950	**1951**	1950	**1951**	1950	**1951**	1950	**1951**	1950	**1951**	1950	
Number of Banks in Group			**19**	20	**48**	52	**137**	133	**212**	221	**113**	100	**53**	51	**48**	46	**630**	623	
SUMMARY RATIOS																			
Percentage of Total Capital Accounts																			
1. Net current earnings before income taxes	....	....	**11.6**	11.7	**14.4**	15.1	**16.3**	16.2	**17.7**	18.6	**20.4**	21.0	**19.4**	19.5	**19.2**	18.8	**17.7**	18.1	1
2. Profits before income taxes	....	....	**9.8**	9.5	**11.2**	12.3	**14.0**	14.2	**15.0**	15.7	**16.7**	17.1	**15.2**	16.4	**15.3**	16.9	**14.7**	15.2	2
3. Net profits	....	....	**7.9**	7.7	**9.1**	9.8	**11.2**	11.5	**11.4**	12.2	**11.4**	11.9	**9.4**	11.5	**8.7**	11.1	**10.7**	11.5	3
4. Cash dividends declared	....	....	**3.2**	3.4	**2.8**	3.5	**4.1**	4.2	**4.1**	4.4*	**3.6**	3.5	**3.1**	3.1	**3.5**	3.5	**3.7**	3.9	4
Percentage of Total Assets																			
5. Total earnings	....	....	**3.69**	3.64	**[illegible].73**	3.[illegible]	**3.23**	3.18	**2.92**	2.89	**2.96**	2.79	**2.82**	2.71	**2.48**	2.39	**3.04**	2.96	5
6. Net current earnings before income taxes	....	....	**1.43**	1.37	**1.47**	1.44	**1.27**	1.24	**1.15**	1.17	**1.17**	1.13	**1.03**	1.02	**1.02**	.96	**1.19**	1.18	6
7. Net profits	....	....	**.91**	.83	**.91**	.95	**.86**	.87	**.74**	.77	**.66**	.64	**.51**	.61	**.46**	.58	**.73**	.76	7
SOURCES AND DISPOSITION OF EARNINGS																			
Percentage of Total Earnings																			
8. Interest on U. S. Government securities	....	....	**10.7**	11.4	**13.6**	14.6	**18.1**	18.7	**21.1**	21.0	**21.0**	20.8	**20.9**	22.1	**22.1**	24.1	**19.6**	19.9	8
9. Interest and dividends on other securities	....	....	**3.0**	3.5	**3.8**	4.0	**5.1**	5.3	**6.2**	6.4	**5.9**	5.6	**5.8**	5.8	**4.5**	4.2	**5.5**	5.5	9
10. Earnings on loans	....	....	**78.6**	76.6	**74.2**	72.1	**66.4**	65.2	**61.5**	60.8	**60.0**	60.2	**57.8**	56.4	**58.5**	55.7	**63.2**	62.4	10
11. Other current earnings	....	....	**7.7**	8.5	**8.4**	9.3	**10.4**	10.8	**11.2**	11.8	**13.1**	13.4	**15.5**	15.7	**14.9**	16.0	**11.7**	12.2	11
12. 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	12
13. Service charges on deposit accounts *(Included in item 11)***	....	....	*3.8*	*3.9*	*4.6*	*5.6*	*6.2*	*6.1*	*6.4*	*6.5*	*7.0*	*7.0*	*7.5*	*7.5*	*4.0*	*4.3*	*6.2*	*6.3*	13
14. Trust department earnings *(Included in item 11)***	....	....	—	—	—	—	—	—	*1.8*	*3.5*	*2.7*	*2.4*	*2.5*	*2.3*	*2.4*	*2.7*	*2.4*	*2.5*	14
15. Salaries and wages	....	....	**36.9**	37.6	**36.4**	34.9	**35.1**	34.5	**34.9**	33.7	**33.5**	32.5	**33.4**	33.1	**29.2**	28.9	**34.3**	33.5	15
16. Interest on time deposits	....	....	**1.0**	.9	**1.4**	1.1	**1.3**	1.4	**1.3**	1.2	**2.3**	2.4	**3.6**	3.3	**3.6**	4.2	**1.8**	1.8	16
17. Other current expenses	....	....	**23.0**	23.9	**23.9**	24.1	**23.9**	25.1	**24.0**	24.5	**24.2**	24.2	**26.2**	26.4	**25.9**	26.9	**24.3**	24.9	17
18. Total expenses	....	....	**60.9**	62.4	**61.7**	60.1	**60.3**	61.0	**60.2**	59.4	**60.0**	59.1	**63.2**	62.8	**58.7**	60.0	**60.4**	60.2	18
19. Net current earnings before income taxes	....	....	**39.1**	37.6	**38.3**	39.9	**39.7**	39.0	**39.8**	40.6	**40.0**	40.9	**36.8**	37.2	**41.3**	40.0	**39.6**	39.8	19
20. Net recoveries and profits (or losses —)	....	....	**— 7.6**	— 7.6	**8.0**	— 6.7	**— 5.2**	— 4.6	**— 5.4**	— 5.5	**— 6.6**	— 7.4	**— 8.0**	— 5.6	**— 7.7**	— 3.7	**— 6.3**	— 5.6	20
21. Taxes on net income	....	....	**6.5**	6.0	**5.6**	6.7	**7.0**	6.4	**8.2**	7.7	**10.1**	9.6	**10.8**	9.5	**14.3**	12.3	**8.7**	8.1	21
22. Net profits	....	....	**25.0**	24.0	**24.7**	26.5	**27.5**	28.0	**26.2**	27.4	**23.3**	23.9	**18.0**	22.1	**19.3**	24.0	**24.6**	26.1	22
RATES OF EARNINGS ON SECURITIES AND LOANS																			
Percentage of U. S. Government Securities																			
23. Interest on U. S. Government securities	....	....	**1.7**	2.0	**1.8**	1.8	**1.7**	1.7	**1.7**	1.6	**1.8**	1.6	**1.7**	1.6	**1.7**	1.6	**1.7**	1.6	23
Percentage of Other Securities																			
24. Interest and dividends on other securities	....	....	**3.5**	4.7	**4.0**	3.1	**2.9**	3.1	**2.7**	2.9	**2.4**	2.3	**2.3**	2.5	**2.5**	2.4	**2.8**	2.9	24
Percentage of Total Securities																			
25. Net recoveries and profits (or losses —) on total securities	....	....	—	.1	**— .2**	—	—	—	**— .1**	—	—	— .1	**— .1**	—	**— .1**	.1	**— .1**	—	25
Percentage of Total Loans																			
26. Earnings on loans	....	....	**9.0**	9.3	**8.5**	7.8	**7.5**	7.6	**6.9**	6.8	**6.5**	6.4	**6.0**	6.1	**4.6**	4.6	**6.9**	6.8	26
27. Net recoveries (or losses —) on loans†	....	....	**— .8**	— .9	**— .8**	— .7	**— .4**	— .4	**— .3**	— .2	**— .5**	— .3	**— .3**	— .2	**— .2**	—	**— .4**	— .3	27
DISTRIBUTION OF TOTAL ASSETS																			
Percentage of Total Assets																			
28. U. S. Government securities	....	....	**20.8**	20.8	**25.1**	25.0	**30.8**	31.9	**33.3**	34.2	**32.4**	34.7	**32.0**	35.7	**30.3**	34.4	**31.3**	32.8	28
29. Other securities	....	....	**3.8**	3.6	**4.5**	4.9	**6.2**	6.0	**7.4**	7.2	**7.5**	6.8	**7.2**	6.9	**4.8**	4.4	**6.6**	6.3	29
30. Loans	....	....	**33.1**	31.0	**34.1**	33.4	**29.5**	28.5	**27.0**	27.0	**28.6**	27.7	**28.2**	26.2	**32.2**	29.9	**29.0**	28.3	30
31. Cash assets	....	....	**41.8**	44.3	**35.7**	36.1	**32.7**	32.8	**31.4**	30.8	**30.5**	29.8	**31.4**	30.2	**31.4**	30.0	**32.2**	31.8	31
32. Real estate assets	....	....	**.4**	.3	**.5**	-	**.7**	.7	**.8**	.7	**.9**	.9	**1.0**	.9	**1.1**	1.1	**.8**	.7	32
33. All other assets	....	....	**.1**	—	**.1**	..	**.1**	.1	**.1**	.1	**.1**	.1	**.2**	.1	**.2**	.2	**.1**	.1	33
OTHER RATIOS																			
34. Total capital accounts to total assets	....	....	**12.7**	11.8	**10.3**	9.5	**8.0**	7.8	**6.7**	6.5	**5.9**	5.6	**5.7**	5.6	**5.5**	5.2	**7.1**	6.9	34
35. Total capital accounts to total assets less Government securities and cash assets	....	....	**36.5**	37.9	**28.7**	26.0	**23.4**	24.1	**20.8**	20.5	**17.3**	17.1	**16.5**	18.3	**15.1**	15.6	**21.0**	21.2	35
36. Total capital accounts to total deposits	....	....	**14.6**	13.5	**11.6**	10.6	**8.8**	8.6	**7.3**	7.0	**6.3**	5.9	**6.0**	6.0	**5.9**	5.6	**7.8**	7.5	36
37. Time deposits to total deposits	....	....	**2.5**	2.5	**4.6**	3.7	**3.7**	3.8	**4.0**	4.1	**7.6**	7.5	**12.0**	11.3	**11.8**	13.0	**5.8**	5.7	37

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

†Computed on the basis of actual net losses or recoveries rather than on basis of figures reported

Note: Balance sheet figures used as a basis for ratios are averages of amounts reported December 30, 1950, June 30, 1951, and October 10, 1951.