

**FEDERAL RESERVE BANK**  
**OF DALLAS**

Dallas, Texas, August 22, 1952

**SELECTED OPERATING RATIOS OF MEMBER BANKS**  
**ELEVENTH FEDERAL RESERVE DISTRICT**

**To Member Banks of the**  
**Eleventh Federal Reserve District:**

The inside pages of this letter present certain operating ratios of member banks in the Eleventh Federal Reserve District for the first half of 1952 and the first half of 1951. You will find that ratios for your bank have been entered on this report for your convenience in comparing your operations with those of the average of banks in your size group.

The relative importance of interest on Government securities and interest and discount on loans as a source of total earnings showed moderate changes during the latest reporting period, as compared with the comparable 6-month period in 1951. With the exception of banks in the size group having deposits of \$100,000,000 and over, interest on Governments represented a smaller proportion of total earnings, whereas interest and discount on loans rose moderately. Banks in the smaller size groups, as measured by deposits on June 30, 1952, reported a larger proportion of total earnings secured from interest and discount on loans than did the banks in larger size groups.

Salaries and wages as a percentage of total earnings of banks in all size groups showed relatively little change during the two periods. Such increases or decreases as were reported were generally nominal. This factor of expense ranged from 24.6 percent of total earnings for banks in the deposit-size group of \$100,000,000 and over to 33.7 percent for banks in the deposit-size group of less than \$500,000.

Net profits after income taxes as a percentage of total capital accounts were somewhat lower for banks in six of the nine deposit-size groups. Banks showing an increased proportion of net profits after income taxes to total capital accounts were those in deposit-size groups between \$10,000,000 and \$50,000,000 and \$100,000,000 and over.

No significant changes were reported for any of the deposit-size groups with respect to the ratio of total capital accounts to total deposits. Banks in all size groups except the two larger groups reported a slightly larger proportion of cash assets to total deposits.

If you should desire additional copies of the report, we will be glad to make them available to you.

Sincerely yours,

R. R. GILBERT

President

Selected Operating Ratios of Member Banks  
ELEVENTH FEDERAL RESERVE DISTRICT  
JANUARY-JUNE, 1952 AND 1951

	YOUR BANK		BANKS WITH JUNE 30 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-\$49,999			\$50,000-\$99,999		\$100,000 and over	
	1952	1951	1952	1951	1952	1951	1952	1951	1952	1951	1952	1951	1952	1951	1952	1951		1952	1951	1952	1951
Number of banks in group			20	23	52	56	122	136	218	216	109	103	59	49	25	23	12	12	13	12	
RATIOS TO TOTAL EARNINGS																					
1. Interest and dividends on:																					1.
a. Government securities.....	-----	-----	7.5	10.5	12.0	13.6	16.8	18.7	20.3	22.4	20.1	20.7	19.3	22.3	22.7	23.4	22.0	26.1	21.0	18.9	a.
b. Other securities.....	-----	-----	3.6	3.0	4.3	4.7	5.8	5.7	6.2	6.2	5.7	5.9	5.6	5.6	5.6	5.4	2.5	2.6	4.5	5.1	b.
2. Interest and discount on loans.....	-----	-----	81.2	79.7	75.8	73.5	68.0	65.2	62.7	59.8	61.7	60.3	60.2	56.0	59.0	58.0	58.7	53.8	58.1	60.9	2.
3. Salaries and wages.....	-----	-----	33.7	33.4	32.8	32.4	33.1	33.2	31.7	32.3	31.0	31.2	31.4	32.3	29.1	29.2	29.9	30.3	24.6	24.7	3.
RATIOS TO TOTAL CAPITAL ACCOUNTS																					
4. Net current operating earnings																					
before income taxes.....	-----	-----	7.4	7.5	6.5	8.8	9.1	9.0	10.1	9.7	10.9	11.2	10.9	9.4	9.7	9.5	11.0	10.4	8.7	8.4	4.
5. Net profits after income taxes.....	-----	-----	4.4	6.0	5.6	6.7	5.8	6.1	6.4	6.6	6.0	6.4	5.7	4.6	4.4	3.9	5.1	5.6	4.3	4.0	5.
RATIOS TO TOTAL DEPOSITS																					
6. Cash assets .....	-----	-----	41.0	38.4	37.5	34.6	33.8	32.0	32.2	31.1	31.1	30.5	32.7	31.9	34.5	32.9	31.5	31.8	33.4	33.9	6.
7. Total capital accounts.....	-----	-----	16.3	16.8	12.5	12.3	9.5	9.3	7.8	7.7	6.8	6.8	6.3	6.4	6.2	6.2	5.4	5.4	6.7	6.7	7.
RATIOS TO TOTAL EARNING ASSETS																					
8. U. S. Government securities.....	-----	-----	27.7	28.5	32.4	34.5	42.1	42.3	46.4	47.5	45.8	44.5	44.2	47.4	46.3	45.0	47.3	48.5	41.0	37.5	8.

EXPLANATION

The basic data used in the compilation of the ratios were taken from reports furnished by member banks. The asset and liability items were taken from member bank condition reports of June 30, 1952, and June 30, 1951. Earnings and expense items are the amounts reported by member banks for the first 6 months of each year.

Banks were grouped according to the amount of their total deposits at the end of June of each of the 2 years. Group ratios are expressed in percentages and are averages of the ratios of the individual banks. This procedure prevents the data for the larger banks in a group from exercising an undue influence on the ratios of the group and on the ratios for all banks. Inasmuch as there should be about as many banks above the average as there are below it, the group averages should not be considered as "standards" of performance. It is not important that the ratios of your bank conform to the average, but it is important to know the reasons for the differences.

Ratio No. 1a — Interest on Government securities to total earnings

The ratio is computed by dividing total earnings into earnings from interest on Government securities and shows the percentage of total earnings derived from that source of income.

Ratio No. 1b — Interest and dividends on other securities to total earnings

The ratio is computed by dividing total earnings into earnings from interest and dividends on other securities and shows the percentage of total earnings derived from other security holdings.

Ratio No. 2 — Interest and discount on loans to total earnings

The ratio is computed by dividing total earnings into earnings from interest and discount on loans and shows the percentage of total earnings derived from interest and discount on loans.

Ratio No. 3 — Salaries and wages to total earnings

The ratio is computed by dividing total earnings into the amount spent on salaries and wages of officers and employees and shows the percentage of total earnings absorbed by the payment of all salaries and wages. Ordinarily, this is the largest item of expense at member banks. The ratio tends to decline as the size of the bank increases.

Ratio No. 4 — Net current operating earnings to total capital accounts

The ratio is computed by dividing total capital accounts (capital, surplus, undivided profits and reserves, including retirement account for preferred capital) into net current operating earnings and shows the rate of earnings on total capital accounts for the first 6 months of 1952 compared with the first 6 months of 1951.

Ratio No. 5 — Net profits after income taxes to total capital accounts

The ratio is computed by dividing total capital accounts into net profits after income taxes. It is similar to ratio No. 4, except that adjustment has been made for losses and recoveries and for the payment of income taxes.

Ratio No. 6 — Cash assets to total deposits

The ratio is computed by dividing total deposits into cash assets (item 1 in the call report, which includes cash, balances with other banks including reserve balances, and cash items in process of collection). The ratio shows the percentage of total deposits held in the form of cash assets.

Ratio No. 7 — Total capital accounts to total deposits

The ratio is computed by dividing total deposits into total capital accounts and shows total capital accounts as a percentage of total deposits.

Ratio No. 8 — United States Government securities to total earning assets

The ratio is computed by dividing total earning assets into holdings of United States Government securities. In this study, total earning assets include all loans and all types of security holdings.