

FEDERAL RESERVE BANK  
OF DALLAS

Dallas, Texas, August 19, 1955

SELECTED OPERATING RATIOS OF MEMBER BANKS  
ELEVENTH FEDERAL RESERVE DISTRICT

To the Member Banks in the  
Eleventh Federal Reserve District:

There is presented on the inside pages of this letter the statement of operating ratios of member banks in the Eleventh Federal Reserve District for the first half of 1955, with comparative figures for the first half of 1954. Each of the 1955 ratios was computed from data taken from reports of condition as of June 30, 1955, and from reports of earnings and expenses for the 6 months ended June 30, 1955. Ratios for your bank are included for your convenience in making comparisons.

If you should like to have additional copies of this report, we will be glad to send them to you.

Yours very truly,

Watrous H. Irons  
President

# Selected Operating Ratios of Member Banks

ELEVENTH FEDERAL RESERVE DISTRICT

JANUARY - JUNE, 1955 AND 1954

	YOUR BANK		BANKS WITH JUNE 30 DEPOSITS (in thousands of dollars)																		
			\$500 and under		\$500 - \$1,000		\$1,000 - \$2,000		\$2,000 - \$5,000		\$5,000 - \$10,000		\$10,000 - \$25,000		\$25,000 - \$50,000			\$50,000 - \$100,000		Over \$100,000	
	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954		1955	1954	1955	1954
<b>Number of banks in group</b>			<b>14</b>	<b>15</b>	<b>48</b>	<b>49</b>	<b>117</b>	<b>122</b>	<b>210</b>	<b>218</b>	<b>126</b>	<b>120</b>	<b>61</b>	<b>54</b>	<b>22</b>	<b>25</b>	<b>18</b>	<b>19</b>	<b>14</b>	<b>13</b>	
<b>RATIOS TO TOTAL EARNINGS</b>																					
1. Interest and dividends on:																					
a. Government securities.....			<b>10.0</b>	12.3	<b>12.7</b>	13.0	<b>17.7</b>	17.3	<b>19.8</b>	21.3	<b>20.5</b>	21.8	<b>18.6</b>	20.3	<b>22.6</b>	25.6	<b>22.9</b>	21.9	<b>20.2</b>	21.2	1.
b. Other securities.....			<b>1.9</b>	.8	<b>5.2</b>	4.2	<b>5.5</b>	5.8	<b>6.7</b>	6.5	<b>6.4</b>	6.3	<b>4.8</b>	5.5	<b>5.5</b>	5.1	<b>3.8</b>	4.2	<b>4.7</b>	4.2	b.
2. Interest and discount on loans.....			<b>79.8</b>	77.7	<b>74.1</b>	74.7	<b>68.5</b>	67.5	<b>63.0</b>	61.4	<b>60.9</b>	59.5	<b>60.4</b>	56.7	<b>55.3</b>	54.9	<b>61.9</b>	60.9	<b>59.2</b>	58.0	2.
3. Salaries and wages.....			<b>35.3</b>	41.0	<b>35.8</b>	36.8	<b>35.4</b>	35.2	<b>33.8</b>	33.5	<b>32.4</b>	32.6	<b>32.3</b>	34.0	<b>28.4</b>	28.5	<b>30.6</b>	32.9	<b>24.2</b>	24.4	3.
<b>RATIOS TO TOTAL CAPITAL ACCOUNTS</b>																					
4. Net current operating earnings before income taxes.....			<b>7.2</b>	5.4	<b>6.6</b>	7.1	<b>7.3</b>	7.6	<b>8.8</b>	9.0	<b>9.7</b>	9.8	<b>9.9</b>	9.2	<b>10.5</b>	9.7	<b>9.4</b>	8.5	<b>8.5</b>	8.6	4.
5. Net profits after income taxes.....			<b>4.7</b>	4.3	<b>3.0</b>	4.4	<b>4.8</b>	4.6	<b>5.2</b>	5.6	<b>5.1</b>	5.3	<b>4.8</b>	4.9	<b>4.5</b>	5.5	<b>3.7</b>	5.9	<b>5.3</b>	6.7	5.
<b>RATIOS TO TOTAL DEPOSITS</b>																					
6. Cash assets.....			<b>41.9</b>	44.7	<b>32.6</b>	34.4	<b>32.0</b>	33.4	<b>30.0</b>	32.1	<b>28.2</b>	30.7	<b>30.3</b>	32.3	<b>28.4</b>	31.4	<b>30.5</b>	32.0	<b>31.9</b>	33.3	6.
7. Total capital accounts.....			<b>16.3</b>	16.2	<b>13.7</b>	12.5	<b>10.7</b>	10.5	<b>8.9</b>	8.6	<b>7.4</b>	7.2	<b>6.9</b>	6.8	<b>7.0</b>	6.7	<b>6.2</b>	6.1	<b>7.1</b>	6.7	7.
<b>RATIOS TO TOTAL EARNING ASSETS</b>																					
8. U. S. Government securities.....			<b>31.0</b>	30.9	<b>32.0</b>	30.7	<b>40.2</b>	35.9	<b>42.2</b>	41.0	<b>42.2</b>	41.8	<b>39.9</b>	40.6	<b>41.5</b>	45.5	<b>39.9</b>	41.4	<b>35.3</b>	38.7	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, 1955, and June 30, 1954. 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 1955 compared with the first 6 months of 1954.

### 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.