

**FEDERAL RESERVE BANK
OF NEW YORK**

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Operating Ratios of Member Banks in the Second Federal Reserve District For the Year 1935 Compared With 1934

In past years the member banks in this district have indicated their interest in the average operating ratios of various groups of member banks, with which they might compare their figures. Operating ratios based upon figures of practically all member banks in the district covering the year 1935, compared with 1934, are presented in the accompanying table. The banks outside New York City have been grouped according to size, as measured by the amount of deposits, and each group has been further subdivided according to the ratio of time deposits to gross deposits. New York City banks have been divided into two groups—one with deposits under \$10,000,000 and the other \$10,000,000 and up.

In 1935, as in the previous four years, the principal obstacle to profitable operations for banks outside New York City was the writing down of assets. While these charge-offs in general were less than in 1934, they continued to exceed net earnings from current operations in many cases. However, a greater number of banks showed a net profit or a smaller deficit in 1935 than in 1934, particularly the banks having total deposits under \$1,000,000. This group in general showed a small net profit, following substantial losses in the four previous years. Net earnings from current operations before charge-offs were somewhat improved over 1934, despite a slightly lower average rate of return from invested funds.

New York City banks in general showed considerable improvement in 1935 in net profits, after charge-offs. The lower return from loans and investments of the large banks, accompanying the lower level of interest rates, was reflected in a smaller average percentage of net earnings from current operations but, because of smaller charge-offs on loans and recoveries on securities previously written down, these banks showed net profits equal to 19 per cent of total earnings, compared with 11 per cent in 1934, and had an average net profit of 2.9 per cent on capital funds, as compared with 1.4 per cent in 1934. The group of smaller New York City banks showed a slight net profit, due to reduced charge-offs on loans and on securities, following substantial losses in several previous years.

Average Operating Ratios of Member Banks in the Second Federal Reserve District

GROUPED ACCORDING TO SIZE AND CHARACTER OF DEPOSITS

1935 RATIOS WITH COMPARABLE DATA FOR 1934

Ratios are expressed in percentages and are arithmetical averages of the ratios of individual banks

	ALL BANKS				GROUP I BANKS WITH TOTAL DEPOSITS UNDER \$1,000,000								GROUP II BANKS WITH TOTAL DEPOSITS \$1,000,000 to \$4,999,999								GROUP III BANKS WITH TOTAL DEPOSITS \$5,000,000 and Up								GROUP IV GREATER NEW YORK CITY BANKS				YOUR FIGURES	
					Group Average	Ratio of Time Deposits to Total Deposits						Group Average	Ratio of Time Deposits to Total Deposits						Group Average	Ratio of Time Deposits to Total Deposits						Total Deposits Under \$10,000,000		Total Deposits \$10,000,000 and Up		Total Deposits Group				
						Under 50%		50% to 69.9%		70% and Up			Under 50%		50% to 69.9%		70% and Up			Under 50%		50% to 69.9%		70% and Up										
	Number of Banks..	640	634	713	731	299	283	51	65	145	148	103	70	289	303	31	37	118	135	140	131	76	94	17	27	38	51	21	16	26	28	23	23	Ratio of Time Deposits to Total Deposits
Year.....	1932	1933	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935
ITEMS OF INCOME, EXPENSE, AND NET PROFIT IN PERCENTAGES OF TOTAL EARNINGS FROM CURRENT OPERATIONS																																		
Sources of Earnings from Current Operations																																		
1. Interest and discount on loans.....	52.6	50.6	46.6	43.5	46.6	45.5	47.3	44.9	46.7	45.9	46.2	45.0	47.6	42.2	47.7	42.8	49.3	43.2	46.2	41.0	49.7	45.9	49.5	44.5	47.3	46.7	54.2	46.0	38.1	38.2	32.6	32.2		
2. Interest and dividends on bonds and stocks.....	39.0	40.3	43.0	44.3	43.8	44.4	41.5	43.1	42.7	43.8	46.5	46.6	43.8	46.9	40.8	42.5	41.1	45.0	46.7	50.1	38.1	38.8	38.2	38.4	38.8	37.9	36.9	41.9	39.7	37.3	42.8	41.1		
3. Income from Trust Department.....	1.1	1.2	1.2	1.5	0.2	0.1	0.3	0.2	0.2	0.1	0.1	0.1	1.0	1.1	2.3	1.8	1.0	1.2	0.7	0.8	3.0	3.6	4.1	3.9	3.2	3.9	1.7	1.9	0.1	0.5	12.7	15.2		
4. All other earnings.....	7.3	7.9	9.2	10.7	9.4	10.0	10.9	11.8	10.4	10.2	7.2	8.3	7.6	9.8	9.2	12.9	8.6	10.6	6.4	8.1	9.2	11.7	8.2	13.2	10.7	11.5	7.2	10.2	22.1	24.0	11.9	11.5		
Total earnings from current operations.....	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	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			
Disposition of Earnings																																		
5. Salaries and wages.....	23.3	24.2	25.2	26.4	26.4	27.7	32.4	33.1	26.9	27.5	22.8	23.1	23.4	24.1	29.8	29.6	25.2	25.2	20.5	21.4	22.5	24.5	24.1	27.2	23.1	24.0	20.1	21.8	31.7	33.0	33.2	37.5		
6. Interest on deposits.....	35.5	33.6	31.7	27.7	29.7	26.2	15.8	16.3	28.6	27.1	38.2	33.3	36.4	31.7	22.3	21.0	33.3	29.6	42.2	37.1	35.1	29.5	25.8	22.3	34.0	30.8	44.5	37.2	16.5	14.1	4.2	3.0		
7. Interest and discount on borrowings.....	3.4	2.6	0.8	0.2	1.0	0.2	0.7	0.3	1.4	0.3	0.7	0.2	0.8	0.3	2.3	1.2	0.9	0.2	0.4	0.1	0.5	0.1	0.1	0	0.8	0.1	0.4	0	0.2	0.2	0	0		
8. All other expenses.....	16.6	18.1	21.0	22.8	22.2	23.6	23.7	26.5	23.8	23.7	18.9	20.7	19.0	11.0	26.2	29.0	20.7	21.9	15.9	17.8	18.9	22.3	21.2	26.3	20.1	20.9	14.9	20.2	30.3	32.5	26.0	28.4		
9. Total current expenses.....	78.8	78.5	78.7	77.1	79.3	77.7	72.6	76.2	80.7	78.6	80.6	77.3	79.6	71.1	80.6	80.8	80.1	76.9	79.0	76.4	77.0	76.4	71.2	75.8	78.0	75.8	79.9	79.2	78.7	79.8	63.4	68.9		
10. Net earnings from current operations.....	21.2	21.5	21.3	22.9	20.7	22.3	27.4	23.8	19.3	21.4	19.4	22.7	20.4	22.9	19.4	19.2	19.9	23.1	21.0	23.6	23.0	23.6	28.8	24.2	22.0	24.2	20.1	20.8	21.3	20.2	36.6	31.1		
Net Recoveries or Net Losses (—)																																		
11. On loans*.....	—16.8	—16.8	—24.8	—20.9	—18.7	—14.5	—10.8	—8.9	—20.2	—16.2	—20.3	—15.9	—24.9	—4.6	—47.8	—32.2	—24.2	—21.5	—20.4	—25.7	—47.2	—33.9	—63.8	—36.9	—48.1	—26.3	—32.0	—53.4	—29.1	—7.8	—26.2	—12.6		
12. On bonds and stocks**.....	—31.9	—23.9	—21.7	—2.4	—18.4	0.6	—5.9	5.0	—19.1	1.0	—23.7	—4.4	—24.2	—6.9	—21.7	—6.2	—22.5	—6.1	—26.1	—7.8	—28.8	0	—34.3	6.7	—25.2	—1.8	—31.1	—5.8	—36.6	—0.3	7.9	6.4		
13. All other*.....	—1.4	—2.2	—5.5	—6.8	—5.0	—5.2	—5.5	—5.6	—5.5	—5.8	—4.0	—3.7	—5.0	—7.9	—5.7	—8.1	—6.0	—8.8	—4.0	—7.0	—7.2	—6.9	—6.5	—6.4	—7.5	—6.3	—7.2	—9.5	—10.3	—10.8	—6.9	—5.9		
14. Net profit or net loss (—) (after charge-offs, recoveries, etc.)	—28.9	—21.4	—30.7	—7.2	—21.4	3.2	5.2	14.3	—25.5	0.4	—28.6	—1.3	—33.7	—6.5	—55.8	—27.3	—32.8	—13.3	—29.5	—16.9	—60.2	—17.2	—75.8	—12.4	—58.8	—10.2	—50.2	—47.9	—54.7	1.3	11.4	19.0		
ASSET AND LIABILITY RATIOS																																		
15. Capital funds to total deposits.....	21.3	20.8	20.1	19.2	23.6	22.7	34.3	28.6	22.7	21.6	19.6	19.5	16.7	13.8	22.0	19.1	17.5	16.8	15.0	16.1	15.6	15.0	17.0	17.0	16.2	14.5	13.4	13.0	30.7	26.2	19.8	16.7		
16. Banking house and equipment to capital funds.....	25.7	27.1	26.0	23.4	25.0	21.4	25.9	20.1	28.7	24.3	19.3	16.3	29.5	5.7	26.5	22.6	33.0	29.8	27.2	22.4	23.9	26.2	20.9	29.2	26.3	25.0	22.0	24.8	15.4	15.9	15.2	15.7		
17. Loans to loans and investments.....	53.1	50.2	45.9	42.1	45.0	43.1	45.1	42.5	45.8	43.8	43.9	42.2	45.9	9.8	48.3	42.0	47.8	41.0	43.8	38.0	51.2	46.3	52.3	45.9	49.0	46.6	54.1	45.8	42.5	43.0	45.4	42.2		
18. Time deposits to total deposits.....	60.5	61.4	60.9	59.2	60.9	58.9	33.4	36.6	60.7	61.2	74.8	75.0	66.8	5.8	36.7	38.9	62.0	62.2	77.5	77.2	59.6	56.5	37.3	38.0	60.4	60.2	76.3	75.7	43.2	42.3	10.3	7.6		
RATES OF EARNINGS																																		
19. Income from loans to loans.....	5.6	5.5	5.5	5.5	5.8	5.8	5.9	5.9	5.8	5.8	5.7	5.8	5.5	5.5	5.2	5.1	5.6	5.5	5.6	5.6	5.0	5.0	4.4	4.6	5.2	5.1	5.1	5.2	5.6	5.6	2.7	2.5		
20. Income from investments to investments.....	4.6	4.3	4.2	3.9	4.3	4.2	4.1	4.0	4.3	4.2	4.4	4.2	4.2	3.9	4.1	3.6	4.2	3.9	4.3	4.0	3.8	3.5	3.6	3.2	3.9	3.5	4.0	3.8	4.0	3.7	3.0	2.3		
21. Total earnings to total available funds.....	4.9	4.5	4.3	4.1	4.4	4.3	4.2	4.1	4.5	4.3	4.2	4.4	4.3	4.1	4.1	3.9	4.3	4.1	4.4	4.1	4.1	3.8	3.6	3.5	4.2	3.9	4.2	4.0	4.8	4.7	2.8	2.4		
22. Net earnings to total available funds.....	1.0	1.0	0.9	1.0	0.9	1.0	1.2	1.0	0.9	0.9	0.9	1.1	0.9	1.0	0.8	0.7	0.9	1.0	0.9	1.0	0.9	0.9	1.1	0.8	0.9	1.0	0.9	0.9	1.0	1.0	1.0	0.7		
23. Net earnings to capital funds.....	7.6	7.1	6.7	6.7	6.0	6.1	6.1	5.4	5.8	5.9	6.4	6.9	7.2	7.1	5.8	5.2	6.8	7.3	7.8	7.5	7.8	7.7	7.9	6.8	7.6	8.2	8.0	7.6	5.1	5.5	6.6	5.3		
24. Net profit or net loss (—) to capital funds.....	—10.5	—7.1	—9.9	—2.5	—7.1	0.5	0.8	2.6	—7.5	0	—10.3	—0.2	—11.4	—5.4	—12.8	—6.4	—10.4	—5.7	—12.0	—4.7	—18.0	—4.5	—19.6	—2.6	—16.9	—1.8	—18.7	—16.5	—12.9	0.9	1.4	2.9		
25. Net profit or net loss (—) to total available funds.....	—1.4	—1.0	—1.3	—0.3	—1.0	0.1	0.2	0.5	—1.1	0	—1.3	0	—1.4	—0.6	—2.2	—0.8	—1.3	—0.5	—1.3	—0.6	—2.4	—0.7	—3.0	—0.4	—2.3	—0.5	—2.2	—2.0	—2.5	0.1	0.3	0.4		

* Losses and depreciation charged off less recoveries.

** Losses and depreciation charged off less recoveries and profits on securities sold.

Capital funds include capital stock, capital notes and debentures, surplus, undivided profits, and unallocated reserves; available funds include capital funds, total deposits, borrowed money and notes in circulation; demand deposits include deposits of other banks, certified and officers' checks outstanding, etc., and Government deposits as well as individual deposits payable on demand.

Ratios 1-14 were computed from the figures of section 1 of the semi-annual earnings and dividends reports; ratios 15-18 were computed from averages of figures from the "call" condition reports (in computing yearly averages, the December "call" figures of the previous year were included); ratios 19-25 were based on figures from earnings and dividends and condition reports.