

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1921]
March 4, 1939

Operating Ratios of Member Banks in the Second Federal Reserve District for the Year 1938 Compared with 1937

To all Member Banks in the
Second Federal Reserve District:

The annual compilation of operating ratios of member banks in the Second Federal Reserve District for the year 1938 is presented herein, with comparative ratios for 1937. Practically all member banks in the District are included and are grouped according to the amount of their deposits. Banks in New York City are segregated from those located outside New York City, and those located outside New York City are further subdivided according to the ratio of time deposits to total deposits.

Two additional ratios have been added to the compilation this year. Real estate taxes and other taxes paid, which formerly were included in "All other expenses," are now shown separately as percentages of total earnings from current operations. Another change in the ratios this year concerns "Income from Trust department." Such income is now shown separately as a percentage of total current earnings for only those banks in each group which had income from trust departments, and is also included in "All other earnings."

All groups of banks showed net profits in 1938, but the average percentage of profits to total earnings from current operations (Item 13) declined to 9.9 per cent in 1938 from 16.2 per cent in 1937 and 31.9 per cent in 1936. This decline may be attributed almost entirely to larger charge-offs for losses and depreciation on investments, caused by the depressed prices for medium and lower grade bonds that accompanied the recession in business in the early part of the year. In 1936 there were substantial profits and recoveries on investments which added considerably to net profits. The average net profit, after charge-offs and recoveries, for the 757 banks included in the compilation (Item 17) was equal to 2.2 per cent of capital funds in 1938, as compared with 4.3 per cent in 1937 and 8.9 per cent in 1936. From 1923 to 1929 net profits averaged about 10 per cent of total capital funds.

Although gross income of banks in this District was rather generally reduced in 1938 because of a somewhat smaller volume of loans and investments and a slightly lower rate of return on those assets, most banks managed to curtail expenses accordingly, so that the average ratio of total expenses to total earnings (Item 10) was 74.9 per cent in 1938, as compared with 75.8 per cent in 1937.

The proportion of investments to total loans and investments (Item 28) again decreased slightly in 1938 in the smaller banks of the District, but increased in most of the larger banks; the large banks in New York City showed a sizable increase from 50 per cent in 1937 to 56 per cent in 1938, caused by the reduced demand for loans. The average percentage of capital funds to deposits for all banks (Item 26) continued the slight downward trend of previous years.

As usual space has been provided for the insertion of the figures of any bank which may wish to compare its operations with those of other banks of similar size and character of deposits.

GEORGE L. HARRISON,
President.

Average Operating Ratios of Member Banks in the Second Federal Reserve District, 1938 Compared with 1937

GROUPED ACCORDING TO SIZE AND CHARACTER OF DEPOSITS

All ratios are expressed in percentages and are arithmetical averages of the ratios of individual banks, rather than ratios based on aggregate figures

	MEMBER BANKS LOCATED OUTSIDE GREATER NEW YORK																												MEMBER BANKS IN GREATER NEW YORK		YOUR FIGURES							
	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 Total Deposits Under \$20,000,000						GROUP V Total Deposits \$20,000,000 and Up					
			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						Group Average						Group Average					
	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		Under 50%										50% to 69.9%		70% and Up	
	Number of Banks	1937	1938	266	261	62	51	156	159	48	51	329	337	43	44	172	170	114	123	108	109	30	27	61	64	17	18	28					27	23	23			
Year	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938								
ITEMS OF INCOME, EXPENSE, AND NET PROFIT IN PERCENTAGES OF TOTAL EARNINGS FROM CURRENT OPERATIONS																																						
<i>Sources of Earnings from Current Operations</i>																																						
1. Interest and discount on loans	43.1	44.8	46.7	49.8	44.5	47.2	47.3	50.4	47.6	50.4	41.2	42.9	41.5	44.7	43.7	44.5	37.4	40.0	41.3	41.0	40.9	39.8	42.0	41.3	39.8	41.5	43.6	44.9	36.2	35.1								
2. Interest and dividends on bonds, stocks, etc.	42.5	39.5	42.1	38.4	43.4	38.9	41.1	37.4	43.6	40.9	45.2	42.3	41.0	35.6	41.8	40.0	51.7	48.0	40.4	38.4	37.6	35.2	39.6	38.2	48.4	43.7	30.2	26.9	32.9	32.8								
3. Service charges on deposit accounts	5.0	5.8	4.9	5.4	5.6	7.1	4.9	5.5	3.9	3.6	4.7	5.4	7.6	8.2	5.0	5.9	3.3	3.8	4.1	4.9	4.6	5.1	4.1	5.1	3.3	3.8	15.9	19.3	2.4	3.1								
4. All other earnings	9.4	9.9	6.3	6.4	6.5	6.8	6.7	6.7	4.9	5.1	8.9	9.4	9.9	11.5	9.5	9.6	7.6	8.2	14.2	15.7	16.9	19.9	14.3	15.4	8.5	11.0	10.3	8.9	28.5	29.0								
<i>Income from Trust department (included in item 4) †</i>	3.8	4.3	1.8	2.3	2.2	1.4	1.7	2.2	1.2	3.0	2.0	2.3	2.6	3.2	1.9	2.4	1.7	1.7	4.4	5.1	5.7	7.0	4.4	4.8	1.9	3.1	5.1	7.6	17.7	18.1								
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								
<i>Disposition of Earnings</i>																																						
5. Salaries and wages	26.8	27.7	28.3	28.4	34.1	34.7	27.3	27.7	23.9	24.1	24.9	26.1	30.0	32.2	25.4	26.2	22.2	23.6	25.4	27.3	28.6	29.8	24.6	27.2	22.2	23.8	32.7	34.1	36.6	38.7								
6. Interest on deposits	23.2	22.1	21.7	20.9	13.3	11.8	22.8	21.6	28.9	28.0	26.4	25.2	16.1	15.3	25.2	23.1	32.3	31.6	24.4	22.7	16.3	14.3	25.5	24.0	34.6	30.8	11.4	10.9	2.1	1.8								
7. Real estate taxes	2.9	3.2	2.3	2.4	2.0	2.4	2.5	2.5	2.0	2.0	3.3	3.4	3.6	3.7	3.4	3.5	3.1	3.2	4.0	4.7	4.2	5.0	4.0	4.6	3.7	4.8	1.6	2.7	2.1	2.4								
8. Other taxes	3.0	2.3	3.4	2.5	3.7	2.7	3.5	2.5	2.9	2.6	2.9	2.2	3.2	2.4	2.6	2.1	3.0	2.2	2.1	1.7	1.9	1.5	2.0	1.8	2.6	1.8	2.9	2.2	3.3	3.4								
9. All other expenses	19.9	19.6	20.5	19.8	21.7	21.9	21.0	19.8	17.2	17.7	18.3	18.2	23.6	21.6	18.7	18.7	15.8	16.4	19.5	20.1	22.4	23.4	19.5	19.5	14.9	16.7	29.3	27.4	25.7	26.4								
10. Total current expenses	75.8	74.9	76.2	74.0	74.8	73.5	77.1	74.1	74.9	74.4	75.8	75.1	76.5	75.2	75.3	73.6	76.4	77.0	75.4	76.5	73.4	74.0	75.6	77.1	78.0	77.9	77.9	77.3	69.8	72.7								
11. Net earnings from current operations	24.2	25.1	23.8	26.0	25.2	26.5	22.9	25.9	25.1	25.6	24.2	24.9	23.5	24.8	24.7	26.4	23.6	23.0	24.6	23.5	26.6	26.0	24.4	22.9	22.0	22.1	22.1	22.7	30.2	27.3								
12. Recoveries or charge-offs (—), net*	8.0	15.2	6.1	15.1	5.8	15.0	5.3	16.8	9.1	9.6	8.7	17.2	8.7	15.4	10.8	17.8	5.3	17.1	13.6	12.9	16.3	12.9	15.9	14.3	1.0	7.6	0.7	8.4	4.3	6.3								
13. Net profit (after charge-offs, recoveries, etc.)	16.2	9.9	17.7	10.9	19.4	11.5	17.6	9.1	16.0	16.0	15.5	7.7	14.8	9.4	13.9	8.6	18.3	5.9	11.0	10.6	10.3	13.1	8.5	8.6	21.0	14.5	21.4	14.3	25.9	21.0								
EARNINGS AND PROFITS RATIOS																																						
14. Total earnings to total available funds	3.8	3.7	4.0	4.0	3.9	3.8	4.1	4.1	4.1	4.1	3.8	3.7	3.6	3.6	3.8	3.7	3.8	3.6	3.5	3.4	3.3	3.2	3.7	3.5	3.5	3.5	4.3	4.1	2.3	2.2								
15. Net earnings to total available funds	0.9	1.0	1.0	1.1	1.0	1.1	1.0	1.1	1.1	1.1	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	0.9	0.8	0.9	0.8	0.9	0.8	0.8	0.8	1.0	0.9	0.7	0.6								
16. Net earnings to capital funds	6.9	7.1	6.2	6.8	5.7	6.0	6.2	7.0	6.8	7.1	7.2	7.4	6.8	6.9	7.6	8.1	6.9	6.7	7.7	7.2	7.6	7.3	8.0	7.2	7.0	6.7	7.1	7.1	5.7	4.8								
17. Net profit† to capital funds	4.3	2.2	4.3	2.6	3.9	2.2	4.5	2.2	4.1	4.1	4.4	1.5	4.5	2.1	4.1	2.0	4.8	0.6	3.4	2.6	2.6	3.3	3.0	2.1	6.2	3.6	6.0	4.5	4.7	3.8								
18. Net profit† to total available funds	0.6	0.4	0.7	0.5	0.7	0.4	0.7	0.4	0.7	0.7	0.6	0.3	0.6	0.4	0.6	0.3	0.7	0.2	0.4	0.3	0.3	0.3	0.3	0.3	0.8	0.5	0.9	0.6	0.6	0.4								
RATE OF INCOME, LOSSES, RECOVERIES, ETC., ON LOANS AND ON INVESTMENTS																																						
19. Average rate of income on loans	5.5	5.4	5.8	5.8	5.7	5.9	5.8	5.8	5.9	5.9	5.5	5.5	5.3	5.5	5.5	5.5	5.7	5.5	5.0	4.8	4.6	4.4	5.1	5.0	5.0	5.0	5.6	5.4	2.5	2.6								
20. Per cent of recoveries on loans to loans	0.7	0.5	0.5	0.4	0.4	0.4	0.6	0.4	0.4	0.3	0.7	0.5	0.7	0.7	0.6	0.4	0.9	0.5	1.0	0.6	0.8	0.5	1.0	0.6	1.3	0.6	0.6	0.6	0.5	0.3								
21. Per cent of losses on loans to loans	1.0	0.9	0.9	0.7	1.0	0.8	0.8	0.8	1.3	0.6	1.0	1.1	0.9	1.1	1.0	1.0	1.0	1.1	1.3	1.1	1.1	1.0	1.5	1.2	1.1	1.0	0.6	0.9	0.4	0.9								
22. Average rate of income on investments	3.5	3.3	3.8	3.6	3.9	3.7	3.7	3.6	3.8	3.7	3.5	3.2	3.4	3.0	3.5	3.2	3.6	3.4	3.1	2.8	2.9	2.6	3.2	2.8	3.3	3.1	3.1	2.9	2.3	1.9								
23. Per cent of recoveries on investments to investments	0.4	0.4	0.4	0.3	0.5	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.3	0.2	0.5	0.5	0.5	0.3	0.4	0.4	0.4	0.3	0.5	0.5	0.2	0.3	0.3	0.4	0.5	0.5								
24. Per cent of profits on securities sold to investments	0.9	1.0	0.8	0.9	0.7	0.7	0.9	0.9	0.8	1.0	0.9	1.1	0.9	1.2	1.0	1.1	0.8	1.1	0.7	1.3	0.7	1.1	0.7	1.4	0.6	1.2	0.9	0.9	0.8	1.0								
25. Per cent of losses on investments to investments	1.2	1.9	1.1	1.9	1.2	1.7	1.1	2.1	1.0	1.6	1.2	2.0	1.1	1.6	1.4	2.1	1.1	2.1	1.3	1.8	1.1	1.7	1.6	1.9	0.7	1.4	1.0	1.4	1.4	1.2								
ASSET AND LIABILITY RATIOS																																						
26. Capital funds to total deposits	17.6	17.2	21.5	21.3	26.8	27.2	20.3	20.0	18.7	19.2	15.8	15.4	16.8	16.8	15.5	15.1	15.8	15.3	13.6	13.4	15.0	14.4	13.2	13.1	12.7	13.4	18.8	17.7	14.6	14.7								
27. Banking house and equipment to capital funds	21.4	21.5	17.8	17.2	18.4	18.5	18.5	17.9	14.7	14.1	24.0	24.5	26.8	30.6	25.5	24.9	20.6	21.8	25.8	25.6	25.9	25.4	26.9	26.8	21.8	21.9	13.9	15.6	14.5	14.2								
28. Investments to loans and investments	58.8	57.9	55.7	54.1	58.3	55.7	54.1	53.2	57.6	55.1	62.3	61.0	59.2	57.5	59.4	58.9	67.8	65.0	59.5	60.3	58.5	59.1	58.6	60.5	64.7	61.8	52.4	49.5	50.0	56.0								
29. Time deposits to total deposits	57.4	58.4	56.7	57.9	35.0	33.4	60.2	60.6	73.3	74.0	63.7	64.4	38.5	40.0	61.9	62.5	75.8	75.6	55.9	56.5	37.1	37.0	59.7	59.4	75.2	75.5	38.2	39.3	7.5	7.9								

† Average covers only those banks having Trust departments.
 ‡ Recoveries on previous charge-offs plus profits on securities sold, less current charge-offs (charge-offs on FRAs, house, furniture and fixtures, etc., as well as on loans and on investments are included).
 § After charge-offs, recoveries, etc.

Capital funds include capital stock, capital notes and debentures, surplus, undivided profits, reserves for contingencies, retirement fund for preferred stock or capital notes and debentures, and reserve for dividend payable in common stock; available funds include capital funds, total deposits, and borrowed money; 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 1-13 are computed from the figures of section 1 of the semi-annual earnings and dividends reports; ratios 14-25 are based on figures from earnings and dividends and "call" condition reports; ratios 26-29 are computed from averages of figures from the "call" condition reports.