

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 2032]
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Operating Ratios of Member Banks in the Second Federal Reserve District for the Year 1939 Compared with 1938

*To all Member Banks in the
Second Federal Reserve District:*

The annual compilation of operating ratios of member banks in this District for 1939 is shown on the following pages, in comparison with the ratios for the year 1938. Several new ratios have been added for 1939. Among the new items are ratios showing the proportion of principal types of assets to total assets, the relationship of capital to the total of loans, investments, and real estate assets, and the proportion of real estate assets to capital. Still another new item indicates the percentage of cash dividends declared to total capital accounts.

Net profits for all banks in the District averaged 16.1 per cent of total earnings for 1939, compared with 9.9 per cent in 1938, and 16.2 per cent in 1937. Net current earnings (before charge-offs, etc.) continued the slightly upward tendency of the past few years, but larger profits on securities sold and smaller charge-offs on banking houses and other real estate held were the principal factors causing larger net profits in 1939 than in 1938. These net profits in relation to capital accounts averaged 4.0 per cent in 1939, compared with 2.2 per cent in 1938, 4.3 per cent in 1937, and 8.9 per cent in 1936 (when unusual profits resulted from recoveries and profits on securities sold). Dividends declared in 1939 averaged slightly less than one-half of net profits for all banks, but in the case of the large New York City banks dividends were equal to about 80 per cent of net profits.

The average rate of return on loans for all banks remained at 5.4 per cent, while the average rate of return on investments declined to 3.1 per cent in 1939, from 3.3 per cent in 1938, 3.7 per cent in 1936, and 4.2 per cent in 1934. The rates of income on loans and investments for the large New York City banks, as usual, were considerably below the average for all banks. The ratio of total current earnings to total assets for all banks averaged 3.5 per cent in 1939; for the large New York City banks only 2.0 per cent.

The ratio of capital accounts to total deposits of banks in this District continued the downward tendency of previous years, especially in the New York City banks, reflecting the further growth in deposits. To a considerable extent, however, the growth of deposits in the New York City banks in 1939 was paralleled by an increase in cash on hand and deposits in the Federal Reserve Bank, so that the ratio of capital to assets subject to possible shrinkage in value probably was not materially reduced. For all banks the ratio of cash assets to total assets averaged over 24 per cent in 1939, and for the large New York City banks this ratio averaged nearly 38 per cent. In view of the increasing proportion of uninvested funds, for which no protection against shrinkage in value is necessary, a new ratio (item 31) of capital accounts to total invested funds (loans, investments, and real estate owned) has been prepared to show the margin of protection for such funds. This ratio for all banks averaged 18.5 per cent in 1939. Another of the new ratios—the ratio of all real estate assets to capital accounts—averaged 30.9 per cent in 1939.

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.

