FEDERAL RESERVE BANK OF NEW YORK

Circular No. 2032 February 28, 1940

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.

Average Ratios of Member Banks Groupe

All ratios are expressed in percentages and are arithmetical averages of the ratios

203	DY A	YUN	10				-11-1	h .1/12	Principal Bar	MEMB	ER BA	INI
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	ALL B	BANKS	Gro		Rat	io of Tir	ne Depos	sits to To	tal Depo	osits		oup
	681	SI COUNTY	Ave	rage	Under	50%	50% to	69.9%	70% a	nd Up	Ave	rage
Number of Banks	757	745	261	242	51	51	159	158	51	33	337	3
Year	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1
RATIOS TO TOTAL CURRENT EARNINGS: Sources of Earnings												
1. Interest and discount on loans	44.8	47.2	49.8	52.9	47.2	48.9	50.4	54.0	50.4	53.8	42.9	4
2. Interest and dividends on bonds, stocks, etc	39.5	36.6	38.4	34.9	38.9	38.6	37.4	33.2	40.9	37.2	42.3	3
3 Service charges on deposit accounts	5.8	6.3	5.4	5.9	7.1	7.0	5.5	6.1	3.6	3.5	5.4	
4 All other earnings	9.9	9.9	6.4	6.3	6.8	5.5	6.7	6.7	5.1	5.5	9.4	
Income from Trust department (included in item 4) ‡	4.3	4.3	2.3	3.1	1.4	‡	2.2	3.4	3.0	1.4	2.3	
Total current earnings	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	10
Disposition of Earnings							- 11	14 1	91 TE			
5. Salaries and wages	27.7	28.7	28.4	29.6	34.7	35,0	27.7	28.8	24.1	24.5	26.1	2
6. Interest on time and savings deposits	22.1	19.8	20.9	19.5	11.8	12.6	21.6	20.4	28.0	26.3	25.2	1
7. Real estate taxes	3.2	3.2	2.4	2.5	2.4	2.7	2.5	2.4	2.0	2.2	3.4	
8. Other taxes	2.3	2.1	2.5	2.2	2.7	2,2	2.5	2.1	2.6	2,8	2.2	
9. All other expenses	19.6	20.6	19.8	20.9	21.9	22.1	19.8	21.4	17.7	17.0	18.2	
10. Total expenses	74.9	74.4	74.0	74.7	73.5	74.6	74.1	75.1	74.4	72.8	75.1	1
11. Net current earnings	25.1	25.6	26.0	25.3	26.5	25.4	25.9	24.9	25.6	27.2	24.9	1
12. Net charge-offs*	15.2	9.5	15.1	9.7	15.0	9.4	16.8	11.1	9.6	3.5	17.2	
13. Net profits (after charge-offs, recoveries, etc.)	9.9	16.1	10.9	15.6	11.5	16.0	9.1	13.8	16.0	23.7	7.7	
RATIOS TO TOTAL CAPITAL ACCOUNTS: 14. Net current earnings.	7.1	7.1	6.8	6.4	6.0	5.4	7.0	6.5	7.1	7.1	7.4	
15. Net profits	2.2	4.0	2,6	3.6	2.2	2.7	2.2	3.4	4.1	5.8	1.5	
16. Cash dividends declared.	a	1.9	a	1.6	a	1.2	a	1.5	a	2.5	a	
AATIOS TO TOTAL LOANS:					-	1000	75.170	10.790	0.02	-		-
17. Interest and discount on loans	5.4	5.4	5.8	5.8	5.9	5.7	5.8	5.8	5.9	5.9	5.5	
18. Recoveries on loans	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.5	
19. Losses on loans	0.9	0.9	0.7	0.7	0.8	0.8	0.8	0.7	0.6	0,6	1.1	
ATIOS TO TOTAL INVESTMENTS: 20. Interest and dividends on bonds, stocks, etc.	3.3	3.1	3.6	3.5	3.7	3.7	3.6	3.4	3.7	3.5	3.2	
21. Recoveries on securities.	0.4	0.4	0.3	0.4	0.3	0.3	0.3		0.4			
22. Profits on securities sold.	1.0	1.4		118,00	0.7	1.5	0.9	0.4		0,6	0.4	
23. Losses on securities			0.9	1.3	5100	10.0030.10	401, 3, 15, 1	1.2	1.0	1.3	1.1	
	1.9	1.9	1.9	2.2	1.7	2.1	2.1	2.4	1.6	1.6	2.0	_
ATIOS TO TOTAL ASSETS: 24. Total current earnings†	3.7	3.5	4.0	3.8	3.8	3.6	4.1	3.9	4.1	4.0	3.7	
25. Net current earnings†	1.0	0.9	1.1	1.0	1.1	0.9	1.1	1.0	1.1	1.1	0.9	
					i edi							
26. Loans	a	31.6	. 8.	36.0	a	31.5	a	37.3	a	36.9	a	1
27. Securities	a	40.1	8	37.0	a	35.9	8.	36.7	a	40.2	a	
28. Real estate assets	a	3.8	a	3.3	8	3.4	8	3.3	a	3.0	a	
29. Cash assets	a	24.2	а	23.6	a	29.1	a	22.6	a	19.8	a	1
APITAL RATIOS: 10. Total capital accounts to total deposits.	17.2	16.5	21.3	20.6	27.2	25,6	20.0	19.3	19.2	19.4	15.4	
1. Total capital accounts to total loans, securities, and real estate.	a	18.5	a	22.2	a	28.1	8.	20.7	a	20.0	a	
22. Real estate assets to total capital accounts	a	30.9	a	21.6	a	19.7	a	22.4		20.7		
		00.9	-	21.0		17.1	-	44.7	a	20.1	a	-
THER RATIOS: 33. Time deposits to total deposits	58.4	57.0	57.9	56.6	33.4	34.3	60.6	60.2	74.0	74.0	64.4	
4. Interest paid on time and savings deposits to amount of such	1	- 11		- 1	- 1	- 1		100			1	1

ording to Size and Character of Deposits

dual banks in each group, rather than ratios based on aggregate dollar figures

ED OUTSIDE GREATER NEW YORK GROUP III GROUP III								101,020001	MEMBER BANKS IN GREATER NEW YORK				YOUR FIGURES					
DEPOSITS \$1,000,000 to \$4,999,999 of Time Deposits to Total Deposits			BANKS WITH TOTAL DEPOSITS \$5,000,000 and Up Group Ratio of Time Deposits to Total Deposits								GRO Total I	UP IV Deposits	GROUP V Total Deposits		Total Deposits Group			
0%	1	69.9%		nd Up	Ave		Under			69.9%	1	nd Up	\$20,00	der 00,000		00,000 Up	- Gr	
46	170	187	123	103	109	116	27	35	64	63	18	18	27	28	23	23	Ratio of Tir to Total	
1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939
																1 (0)		
48.1	44.5	46.7	40.0	42.8	41.0	42.5	39.8	40.0	41.3	44.1	41.5	41.6	44.9	47.3	35.1	34.5		
31.8	40.0	37.2	48.0	45.7	38.4	36.8	35.2	34.6	38,2	35.5	43.7	45.6	26.9	23.1	32.8	33.6		
8.5	5.9	6.6	3.8	3,8	4.9	5.4	5.1	6,1	5,1	5.3	3.8	4.3	19.3	19.9	3.1	3.3		
11.6	9.6	9.5	8.2	7.7	15.7	15.3	19.9	19.3	15.4	15.1	11.0	8.5	8.9	9.7	29.0	28.6		
2.9	2.4	2.1	1.7	1.8	5.1	5.1	7.0	6.7	4.8	5.0	3.1	1.9	100.0	7.7	18.1	17.6		
00.0	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		
31.5	26.2	27.1	23.6	24.9	27.3	28.2	29.8	30.9	27.2	27.5	23.8	25.6	34.1	35.8	38.7	37.3		
14.3	23.1	20.6	31.6	28,2	22.7	19.5	14.3	13.7	24.0	20.3	30.8	28,9	10.9	10.6	1.8	1.6		
3.8	3.5	3.6	3.2	3.2	4.7	4.4	5.0	4.8	4.6	4.3	4.8	4.0	2.7	1.7	2,4	2.7		
1.8	2.1	2.1	2.2	2,1	1.7	1.9	1.5	1.8	1.8	2.0	1.8	1.9	2.2	2.4	3.4	3.1		
22.6	18.7	19.9	16.4	17.0	20.1	20.4	23.4	23.6	19.5	19.4	16.7	17.3	27.4	28.7	26.4	26.1		
74.0	73.6	73.3	77.0	75.4	76.5	74.4	74.0	74.2	77.1	73.5	77.9	77.7	77.3	79.2	72.7	70.8		
26.0 4.3	26.4 17.8	26.7	23.0	24.6 9.0	23.5 12.9	7.1	26.0 12.9	25.8 7.3	22,9	26.5 9.1	22.1 7.6	22.3 (b)0.2	8.4	7.9	27.3 6.3	29.2		
21.7	8.6	13.2	5.9	15,6	10.6	18.5	13.1	18.5	8.6	17.4	14.5	22.5	14.3	12.9	21.0	27.2		
7.3	8.1	8.1	6.7	6,7	7.2	7.6	7.3	7.2	7.2	8.2	6.7	6.4	7.1	6.6	4.8	5.3		
5.4	2.0	3.5	0.6	4.0	2.6	5.0	3.3	5.1	2.1	4.8	3.6	5.6	4.5	4.4	3.8	4.9		
1.9	a	1.9	a	2,0	a	2.3	, a,	3.0	a	1.9	a,	2.3	a -	1.3	a	3.9		
5.3	5.5	5.4	5.5	5,5	4.8	4.8	4.4	4.4	5,0	5.0	5.0	5.1	5.4	5.3	2.6	2.7		
0.5	0.4	0.4	0.5	0,6	0.6	0.6	0,5	0,5	0,6	0.7	0.6	0.6	0.6	0.4	0.3	0.3		
0.7	1.0	0.9	1.1	1.0	1.1	1.1	1.0	1.1	1,2	1.1	1.0	0.8	0.9	0.8	0.9	0.6		
2.9	3.2	3.1	3.4	3,1	2,8	2.6	2.6	2.3	2.8	2.7	3.1	2.8	2.9	2.6	1.9	1.8		
0.5	0.5	0.5	0.3	0.4	0.4	0.5	0.3	0.5	0,5	0.6	0.3	0.4	0.4	0.4	0.5	0.4		
2.1	1.1	1.3	1.1	1,3	1,3	1.5	1,1	1.6	1,4	1.4	1,2	1.5	0.9	1.5	1.0	1.0		
1.8	2.1	1.9	2.1	1,7	1.8	1.7	1.7	1.5	1,9	1.9	1.4	1.5	1.4	1.6	1.2	1.1		
3.4	3.7	3.5	3.6	3,4	3.4	3.2	3.2	3.0	3,5	3.3	3.5	3.2	4.1	3.8	2.2	2.0		
0.9	1.0	1.0	0.9	0,8	0.8	0.8	0.8	0.8	0,8	0.9	0.8	0.8	0.9	0.8	0.6	0.6		
31.8	a	31.1	a	26,9	a	28.3	a	26.8	a	29.6	a	26.3	a	34.5	a	24.8		
35,4	a	41.2	8.	47.6	a	43.3	a	41.9	a	42.0	a	50.6	a	30.9	a	35.0		
4.7	a	4.3	а	3,4	a	4.7	a	4.7	а	5,0	a	3.7	a	2,5	a	1.6		
27.9	a	23.2	a	21.9	a	23.2	a	25.7	a	23.0	a	19.1	a	31.1	a	37.6		
15.0	1	14.5	15.0	15.	10.4	10.0	. 14 4	79.0	10 1	20.0	10 1	20.5	17 7	76.0	1	10 -		
15.9	15.1	14.7	15.3	15.4	13.4	13.0	14.4	13.2	13.1	12.9	13.4	13.3	17.7	16.0	14.7	12.7		
18.6 38.3	a	16.6 38.0	a	17.1 28.1	a	15.0 44.4	a a	15.7	a	14.9 48.1	a. a	13.9 32.4	a. a.	19.9	a	18.2		
40.9	62.5	61.9	75.6	75.0	56.5	54.6	37.0	37.4	59.4	58.6	75.5	74.4	39.3	40.4	7.9	6,7		
1.3	a	1.3	a	1.4	a	1.3	a	1.2	a	1.3	a	1.4	a	1.2	a	0.4		

ies sold, net profits, and ich items included in the anks each year. Figures counts were averages of dates each year.

Capital accounts comprise capital stock, capital notes and debentures, surplus, undivided profits, reserves for contingencies, and other capital reserves; demand deposits include deposits of other banks, certified and officers' checks outstanding, etc., and Government deposits as well as individual deposits payable on demand; real estate assets include bank premises owned, furniture and fixtures, real estate owned other than bank premises, and investments and other assets indirectly representing bank premises or other real estate; cash assets include cash, balances with other banks (including reserve with Federal Reserve Bank), and cash items in process of collection.

⁽a) Not computed for 1938.

1 Average covers only those banks having Trust departments if more than three banks in group.

* Total charge-offs (including those on banking house, furniture and fixtures, etc., as well as on loans and investments) less recoveries and profits on securities sold.

Digitized for FRA action for 1938 are to total available funds rather than to total assets (available funds comprise capital better/lifecour etlevised and profits on securities).

Figures of earnings, expenses, losses, recoveries, prof dividends declared, used in computation of the ratios, wer two semiannual earnings and dividends reports submitted of loans, investments, deposits, cash, real estate, and tot amounts shown in the banks' official condition reports for