

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 2389]
March 6, 1942

Operating Ratios of Member Banks in the Second Federal Reserve District for the Year 1941

*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 1941 is presented on the following pages for your information and use. The form of presentation has been changed somewhat this year, both as to the grouping of banks and as to the arrangement of the ratios.

As in previous years the banks outside New York City have been grouped according to the amount of total deposits, but the number of groups has been extended to include two additional groups—banks with deposits under \$500,000 and banks with deposits over \$20,000,000. Furthermore, the method of subgrouping has also been changed. In past years it was customary to subdivide the different sized groups according to proportion of time deposits to total deposits. For some years this appeared to be the most significant basis of subgrouping the banks, as the proportion of bank funds employed in loans and in investments, and the proportion of current income disbursed for the principal items of expense, varied in a general way with the character of the banks' deposits. However, a recent study made by the Research Department of this bank indicated that the developments of recent years had largely destroyed these relationships. Banks generally have invested much larger amounts of the funds at their disposal in United States Government securities, regardless of the character of their deposits, and banks which formerly did a predominantly commercial banking business have, in most cases, been unable to employ so much of their funds in loans. It has been found that a greater degree of correlation now exists between earning, expense, and profit ratios and the proportion of total assets in the form of loans. Consequently, the groupings of banks by size have been subdivided, for 1941, according to the proportion of loans to total assets. As a result of these new groupings, individual banks may compare their ratios with the average ratios of banks whose operations are more closely comparable with their own.

In the arrangement of the ratios, consideration has been given to their sequence in the order of probable interest to the banker, and self-explanatory headings have been selected for the various groups of ratios. The ratios that summarize the results of the year's operations are shown first. For example, the first group indicates the rate of return on invested capital and dividends declared. The next group shows the ratios of earnings and expenses to total assets, after which follows the group of ratios setting forth the sources and the disposition of earnings in per cent of total earnings. Other groups show the rates of earnings on loans and on securities, the distribution of assets, and certain capital and deposit ratios.

The average percentage of net profits to capital funds for all groups (ratio 2) increased in 1941 to 5.5 per cent from 4.3 per cent in 1940. The improvement in net profits was chiefly the result of a smaller percentage of losses and depreciation of assets, together with an increase in the amount of income derived from loans. Total expenses absorbed a smaller part of total earnings owing chiefly to a reduction in the amount of interest paid on time deposits, which was only partially offset by an increase in the amounts paid for salaries and taxes. The lowest ratios of net current earnings and net profits to capital funds were reported by banks with deposits of less than \$500,000 that had small percentages of loans to total assets. Relatively heavy capitalization of such banks (ratios 34 and 35) was a factor in their low rates of earnings. The large New York City banks had somewhat higher ratios of net current earnings to capital funds in 1941 than in 1940, but their net profits were only slightly larger, as net recoveries and profits on securities sold were slightly smaller, and charge-offs on loans were somewhat larger.

The average ratio of total current earnings to total assets (ratio 4), which had declined for a number of years, remained unchanged from 1940, at 3.3 per cent. A further reduction in the average rate of return on securities was counterbalanced by an increased volume of loans, on which the rate of return, although unchanged from 1940, was higher than on securities. The proportion of idle funds in 1941 (cash assets, ratio 32) remained approximately the same as in the preceding year for all banks, although it declined somewhat for New York City banks. The ratio of total expenses to total assets (ratio 5) which had declined practically every year since 1932, was unchanged from 1940, at 2.4 per cent.

As a result of rapid expansion in the volume of loans and also of investments, the ratio of capital accounts to loans, securities, and real estate (ratio 34) declined in 1941, especially in the large New York City banks, where it fell from 17.5 per cent in 1940 to 15.4 in 1941. The ratio of capital accounts to deposits (ratio 35) continued the downward tendency of previous years, reflecting the persistent growth of deposits while capital accounts remained relatively unchanged.

ALLAN SPROUL, *President.*

Average Operating Ratios of Member Banks Grouped According to Size of Deposits and Proportion of Loans to Total Assets — 1941

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

SUMMARY RATIOS	ALL BANKS	MEMBER BANKS LOCATED OUTSIDE GREATER NEW YORK																				MEMBER BANKS IN GREATER NEW YORK		YOUR FIGURES (Included in Group)				
		GROUP I—Deposits under \$500,000					GROUP II—Deposits \$500,000 to \$2,000,000					GROUP III—Deposits \$2,000,000 to \$5,000,000					GROUP IV—Deposits \$5,000,000 to \$20,000,000					GROUP V Banks with Deposits over \$20,000,000	GROUP VI Deposits under \$100,000,000		GROUP VII Deposits over \$100,000,000			
		1939	1940	1941	Group Average	Loans to Total Assets, Per cent				Group Average	Loans to Total Assets, Per cent				Group Average	Loans to Total Assets, Per cent				Group Average	Loans to Total Assets, Per cent							
						Under 20	20-29.9	30-39.9	40 and up		Under 20	20-29.9	30-39.9	40 and up		Under 20	20-29.9	30-39.9	40 and up		Under 20					20-29.9	30-39.9	40 and up
Number of Banks..	745	744	772	75	6	14	18	37	334	61	85	77	111	177	34	54	47	42	110	21	38	31	20	25	34	17		
Percentage of Total Capital Accounts																												
1. Net current earnings.....	7.1	6.8	7.1	5.7	3.2	3.5	4.7	7.5	7.0	4.4	5.5	7.1	9.4	7.8	6.2	6.3	7.8	11.0	7.4	4.1	6.5	8.4	11.1	7.8	6.8	5.7		
2. Net profits.....	4.0	4.3	5.5	4.8	3.0	2.8	4.0	6.3	5.7	5.1	4.8	5.1	7.2	5.2	5.5	4.7	4.9	5.9	6.1	5.6	5.7	6.3	7.3	4.5	4.9	5.6		
3. Cash dividends declared.....	1.9	1.9	1.9	1.2	1.9	1.2	0.8	1.2	1.8	1.5	1.7	2.1	2.0	1.8	1.7	1.8	1.8	2.1	2.2	1.7	2.3	2.2	2.4	2.7	1.7	4.1		
Percentage of Total Assets																												
4. Total earnings.....	3.5	3.3	3.3	3.8	3.3	3.2	3.6	4.2	3.4	2.6	3.0	3.4	4.1	3.2	2.6	2.9	3.1	3.8	3.0	2.3	2.8	3.3	3.6	2.6	3.4	1.6		
5. Total expenses.....	2.6	2.4	2.4	2.8	2.7	2.5	2.7	3.1	2.5	2.0	2.3	2.5	2.9	2.3	1.9	2.2	2.3	2.7	2.2	1.9	2.1	2.4	2.5	1.9	2.7	1.1		
6. Net current earnings.....	0.9	0.9	0.9	1.0	0.6	0.7	0.9	1.1	0.9	0.6	0.7	0.9	1.2	0.9	0.7	0.7	0.8	1.1	0.8	0.4	0.7	0.9	1.1	0.7	0.7	0.5		
7. Net profits.....	0.5	0.5	0.7	0.8	0.6	0.6	0.7	0.9	0.8	0.7	0.6	0.7	0.9	0.6	0.6	0.5	0.5	0.6	0.7	0.6	0.6	0.7	0.7	0.4	0.6	0.5		
SOURCES AND DISPOSITION OF EARNINGS																												
Percentage of Total Earnings																												
8. Interest and discount on loans.....	47.2	50.8	52.7	61.2	36.3	46.5	59.2	71.8	54.8	31.4	47.9	57.7	70.9	50.9	31.6	46.7	55.8	66.3	48.1	31.1	43.8	52.5	67.0	44.1	53.7	34.1		
9. Interest and dividends on securities.....	36.6	32.8	31.1	27.3	51.8	42.3	29.1	16.7	31.8	56.7	37.5	28.4	16.2	31.9	54.2	36.3	25.1	15.8	32.5	49.1	35.1	28.0	17.2	33.9	18.2	36.3		
10. Service charges on deposit accounts.....	6.3	6.9	7.2	5.9	4.7	6.1	6.2	5.9	6.8	6.4	7.5	7.0	6.3	7.4	6.3	6.9	8.4	8.1	6.8	7.3	7.1	6.4	6.7	5.0	16.6	3.5		
11. All other earnings.....	9.9	9.5	9.0	5.6	7.2	5.1	5.5	5.6	6.6	5.5	7.1	6.9	6.6	9.8	7.9	10.1	10.7	9.8	12.6	12.5	14.0	13.1	9.1	17.0	11.5	26.1		
12. Total earnings.....	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		
13. Trust department earnings (included in item 11) *.....	4.3	4.0	4.0	*	*	*	*	*	1.9	1.3	1.9	2.6	2.0	2.3	2.0	2.3	2.8	2.1	4.5	3.5	5.7	4.2	3.1	5.5	11.3	15.2		
14. Salaries and wages.....	28.7	29.8	30.5	31.9	45.4	33.9	31.9	28.9	30.1	34.2	31.9	29.3	27.0	28.9	28.4	30.0	29.0	27.9	30.6	34.3	31.7	28.8	27.1	30.3	37.7	33.5		
15. Interest on time deposits.....	19.8	18.2	16.2	16.7	11.4	19.1	16.9	16.6	17.4	19.8	17.1	17.6	16.2	17.5	21.1	18.6	16.9	13.9	16.7	21.3	16.1	16.6	13.5	10.6	6.6	1.4		
16. Taxes other than real estate.....	2.1	3.0	3.5	2.7	3.1	2.7	3.0	2.5	3.5	3.4	3.4	3.2	4.1	3.4	3.1	3.4	3.4	3.7	3.3	3.6	3.1	2.6	4.4	2.9	5.6	6.7		
17. All other expenses.....	23.8	24.3	24.2	24.5	24.0	24.8	23.5	25.0	23.3	22.7	24.0	23.2	23.1	23.7	21.6	23.8	24.2	24.8	24.2	23.4	24.3	24.0	25.2	28.1	30.4	27.2		
18. Total expenses.....	74.4	75.3	74.4	75.8	83.9	80.5	75.3	73.0	74.3	80.1	76.4	73.3	70.4	73.5	74.2	75.8	73.5	70.3	74.8	82.6	75.2	72.0	70.2	71.9	80.3	68.8		
19. Net current earnings.....	25.6	24.7	25.6	24.2	16.1	19.5	24.7	27.0	25.7	19.9	23.6	26.7	29.6	26.5	25.8	24.2	26.5	29.7	25.2	17.4	24.8	28.0	29.8	28.1	19.7	31.2		
20. Net charge-offs † (net recoveries +).....	9.5	8.3	5.1	7.7	+0.9	5.0	20.2	4.0	3.9	+3.7	2.0	7.9	6.6	8.0	2.2	5.7	9.4	14.0	2.9	+8.8	2.7	6.4	10.3	10.0	3.1	+0.7		
21. Net profits.....	16.1	16.4	20.5	16.5	17.0	14.5	4.5	23.0	21.8	23.6	21.6	18.8	23.0	18.5	23.6	18.5	17.1	15.7	22.3	26.2	22.1	21.6	19.5	18.1	16.6	31.9		
RATES OF EARNINGS ON LOANS AND SECURITIES																												
Percentage of Total Loans																												
22. Interest and discount on loans.....	5.4	5.3	5.3	6.1	7.0	6.1	6.0	5.9	5.7	5.6	5.7	5.7	5.7	5.3	5.3	5.4	5.1	5.2	4.9	4.8	4.8	4.1	5.0	4.1	4.8	2.7		
23. Recoveries on loans.....	0.5	0.5	0.5	0.4	0.1	0.6	0.3	0.5	0.4	0.5	0.5	0.4	0.4	0.6	0.7	0.5	0.5	0.6	0.5	0.9	0.6	0.4	0.3	0.4	0.4	0.3		
24. Charge-offs on loans.....	0.9	0.8	0.6	0.5	0	0.5	0.4	0.6	0.5	0.4	0.5	0.5	0.5	0.8	0.5	0.8	0.7	0.9	0.7	0.7	0.7	0.6	0.6	1.2	1.0	0.6		
Percentage of Total Securities																												
25. Interest and dividends on securities.....	3.1	2.9	2.6	3.2	3.4	3.3	3.0	3.2	2.8	2.7	2.7	2.8	2.8	2.5	2.6	2.4	2.4	2.6	2.3	2.3	2.3	2.4	2.4	2.1	2.3	1.6		
26. Recoveries on securities.....	0.4	0.5	0.5	0.7	0.7	0.9	0.2	0.8	0.6	0.5	0.5	0.7	0.7	0.5	0.4	0.4	0.4	0.6	0.4	0.5	0.4	0.6	0.4	0.4	0.5	0.3		
27. Profits on securities sold.....	1.4	1.2	0.8	0.7	0.2	0.7	0.7	0.8	0.7	0.8	0.7	0.7	0.6	0.8	0.9	0.8	0.7	1.0	0.9	0.8	0.8	1.1	0.5	1.3	0.9	0.7		
28. Charge-offs on securities.....	1.9	1.5	1.1	1.0	0.7	0.8	0.9	1.2	1.2	0.8	0.9	1.5	1.3	1.2	1.2	1.0	1.1	1.5	1.0	0.8	0.8	1.5	1.1	1.1	0.6	0.8		
DISTRIBUTION OF ASSETS																												
Percentage of Total Assets																												
29. Loans.....	31.6	32.6	33.0	39.7	17.0	24.1	34.6	51.7	33.8	14.7	25.1	33.7	50.9	31.3	15.6	25.4	34.1	48.4	29.9	14.7	25.4	34.0	48.2	27.1	39.6	21.1		
30. Securities.....	40.1	36.5	36.5	31.1	51.0	42.0	34.8	22.0	36.3	55.2	41.9	34.5	23.0	38.9	55.4	44.8	33.8	23.5	40.1	49.5	43.5	39.1	25.1	38.2	25.1	37.6		
31. Real estate assets.....	3.8	3.4	3.1	2.7	1.7	2.9	2.1	3.0	3.0	2.5	2.9	3.2	3.0	3.5	2.3	3.5	4.3	3.6	3.4	2.9	3.5	3.9	3.1	3.7	1.9	1.4		
32. Cash assets.....	24.2	27.3	27.2	26.5	30.3	30.9	28.4	23.3	26.8	27.4	29.9	28.4	22.9	26.1	26.5	26.0	27.5	24.3	26.2	32.7	27.3	22.3	23.3	30.4	32.5	39.3		
Percentage of Total Loans																												
33. Personal and retail instalment paper * (see Note).....	**	**	10.5	11.1	12.7	10.5	9.8	11.6	11.7	9.4	8.5	11.0	15.5	10.0	5.7	6.8	9.8	17.8	7.6	4.7	6.5	9.3	10.6	8.5	15.0	4.1		
CAPITAL AND DEPOSIT RATIOS — In Percentage																												
34. Capital accounts to loans, securities, and real estate assets.....	18.5	18.9	18.1	24.6	31.7	26.8	27.5	21.1	19.4	20.2	21.1	19.0	18.0	16.1	16.5	16.7	16.1	14.8	15.0	16.1	15.3	14.9	13.2	13.4	16.2	15.4		
35. Capital accounts to deposits.....	16.5	16.0	15.3	22.3	28.5	22.8	25.2	19.6	16.6	17.0	17.4	15.8	16.4	13.5	13.8	14.0	13.4	12.6	12.3	11.7	12.4	13.1	11.2	10.3	12.4	10.1		
36. Real estate assets to capital accounts.....	30.9	28.3	26.4	16.7	7.9	19.2	13.1	19.0	23.3	18.9	24.0	25.1	24.0	32.2	20.6	30.9	40.1	34.4	33.3	29.1	34.3	36.0	31.6	43.1	19.6	18.2		
37. Time deposits to total deposits.....	57.0	56.0	54.0	52.9	33.7	49.8	50.8	58.2	57.6	57.6	54.5	59.0	58.9	59.5	64.4	59.5	59.1	55.9	54.4	55.4	53.4	55.2	54.2	31.9	29.0	6.5		
38. Interest on time deposits to time deposits.....	1.4	1.2	1.1	1.4	1.4	1.3	1.4	1.4	1.1	1.0	1.1	1.1	1.3	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.9	1.1	1.0	0.9	0.8	0.5		

* Banks not reporting this item, or reporting zero amounts were excluded in computing this average, and figures are not shown where there were fewer than 3 banks in a group.
** Not available.

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

Note: Balance sheet figures used as a basis for the ratios are averages of amounts reported for December 31, 1940, and April 4, June 30, and September 24, 1941, except that in the case of item 33 (personal and retail instalment paper) only June 30 figures were used.

Member banks in each of the following categories of deposits and liabilities

AGGREGATED QUARTERLY STATEMENTS

Category	1931		1930		1929		1928	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Assets
Liabilities
Deposits
Other

Prepared by
FINANCIAL STATISTICS DIVISION
RESEARCH DEPARTMENT

FEDERAL RESERVE BANK
OF NEW YORK