

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 2772]
March 6, 1944

Operating Ratios of Member Banks in the Second Federal Reserve District for the Year 1943

To all Member Banks in the
Second Federal Reserve District:

There was a considerable increase in profits realized by member banks in this District during 1943 following a decrease in 1942. As in the previous year, profits were largely used to strengthen the capital structure of the banks. All groups of banks shown in the table on the following pages participated in varying degrees in the increase in profits during 1943. For all banks the average rate on net profit after income taxes was 7.2 per cent of total capital funds, compared with 4.4 per cent in 1942, 5.5 per cent in 1941, and a maximum for any year since the late 1920's of 8.9 per cent in 1936.

Dividends paid to stockholders were not materially increased as the banks generally followed the policy of adding a large part of their net profits to capital accounts (72 per cent on the average), in view of the continued growth in their total assets and liabilities and their expectation that they will be called upon to assume larger credit risks in the postwar period. For all member banks covered by the study, cash dividends declared in 1943 averaged 2.0 per cent of their total capital, compared with 1.8 per cent in 1942, and 1.9 per cent in the three preceding years. The large New York City banks, which for some years have been paying out larger proportions of their net earnings in dividends, reduced their dividends slightly in 1943, in proportion to capital funds, while some of the medium sized banks outside New York increased their dividend distributions moderately.

Total capital funds were increased by more than 5 per cent through the retention of undistributed profits. Nevertheless, the average ratio of capital funds to total deposits declined further to less than 11 per cent in 1943, compared with nearly 14 per cent in 1942, over 15 per cent in 1941, and 16 per cent in 1940. The ratio of capital to assets other than cash assets and Government securities, however, increased from less than 29 per cent in 1942 to 34 per cent in 1943, reflecting in some small degree the moderate increase in capital funds out of earnings, but more largely the wartime shrinkage in loans (except at the large New York City banks) and the expansion in Government security holdings.

The principal cause of the increase in net profits of banks in this District in 1943 was an excess of profits and recoveries on securities sold during the year over chargeoffs on other assets. It was not due so largely, as might have been supposed, to increased income resulting from the banks' substantially increased holdings of Government securities; for the average bank net current earnings before income taxes were only moderately larger than in 1942, and probably somewhat smaller than in 1941.* Investments in Government securities, it is true, increased substantially, and for the year averaged 47 per cent of total assets compared with about 31 per cent in 1942. The average yield on bank investments declined, however, owing to a shortening of the average maturity of Government security holdings, and to a reduction in holdings of higher yielding securities. Meanwhile loans, which for most banks yield a considerably higher rate of income than investments, declined from nearly 29 per cent of total assets in 1942, to less than 19½ per cent in 1943.

In general, expenses absorbed nearly the same percentage of total current earnings in 1943 as in the previous year. Salaries took a slightly larger percentage of current earnings than in 1942 in the smaller banks, and a somewhat smaller percentage in the larger banks, but for the District as a whole there was no change. Interest on deposits and other expenses were slightly reduced in relation to current earnings in most banks.

Income taxes took about 22 per cent of the net earnings after expenses of the large New York City banks in 1943, as compared with less than 16 per cent in 1942 (about 10 per cent of total earnings in 1943 and 6 per cent in 1942). The large banks in other cities of the District also had marked increases in their income taxes during the past year, but the percentage of earnings required for tax payments remained substantially less than for the large New York City banks. Other groups of banks had not yet reached the point in 1943 where they were subject to material increases in income taxes. It is expected, however, that income taxes will become a factor of increasing importance to many banks during 1944.

The ratios for your bank have been inserted in the last column of the table in order that you may readily compare your figures with the average ratios for banks whose size and operations are similar to yours—the group checked in red.

ALLAN SPROUL, *President.*

* In the compilations published prior to 1943, taxes on net income were included in total expenses, thereby reducing net current earnings. For 1943 net current earnings were computed before deduction of taxes on net income which are shown as a separate item (with revised figures for 1942 for all banks combined), and a new item (#2) "Profits before income taxes" to total capital accounts has been added.

Average Operating Ratios of Member Banks Grouped According to Size of Deposits and Proportion of Loans to Total Assets — 1943

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

| | ALL BANKS | | MEMBER BANKS CATEGORIZED OUTSIDE GREATER NEW YORK | | | | | | | | | | | | | | | | YOUR FIGURES | | | |
|--|-------------------|-------|---|---------------------------------|--|-------|---------------|---------------------------------|---|-------|---------------|---------------------------------|---|-------|---------------|---------------------------------|------------------------------------|---------------|--------------|----------------------------------|----|--|
| | | | GROUP I—Deposits under \$500,000 | | GROUP II—Deposits \$500,000 to \$1,000,000 | | | | GROUP III—Deposits \$1,000,000 to \$5,000,000 | | | | GROUP IV—Deposits \$5,000,000 to \$20,000,000 | | | | GROUP V—Deposits over \$20,000,000 | | | MEMBER BANKS IN GREATER NEW YORK | | |
| | 1942 | 1943 | 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 | | Group Average | | Loans to Total Assets, Per cent | | |
| SUMMARY RATIOS | Number of Banks.. | | 786 | 796 | 17 | 297 | 34 | 128 | 96 | 35 | 95 | 60 | 34 | 163 | 21 | 84 | 41 | 17 | 42 | 34 | 19 | |
| Percentage of Total Capital Accounts | | | | | | | | | | | | | | | | | | | | | | |
| 1. Net current earnings..... | 6.7* | 7.3 | 3.7 | 6.2 | 4.8 | 5.9 | 6.5 | 5.6 | 7.4 | 8.0 | 9.6 | 8.2 | 6.2 | 7.3 | 9.7 | 11.5 | 9.8 | 7.3 | 9.1 | | 1 | |
| 2. Profits before income taxes..... | 5.1 | 7.9 | 3.5 | 6.8 | 5.9 | 6.9 | 6.6 | 5.5 | 8.8 | 8.5 | 9.5 | 8.9 | 7.1 | 8.7 | 9.6 | 10.2 | 8.9 | 9.1 | 10.4 | | 2 | |
| 3. Net profits after income taxes..... | 4.4 | 7.2 | 3.3 | 6.3 | 5.6 | 6.5 | 6.0 | 5.1 | 8.3 | 7.8 | 8.2 | 8.1 | 6.7 | 8.0 | 8.8 | 8.4 | 7.9 | 7.5 | 8.5 | | 3 | |
| 4. Cash dividends declared..... | 1.8 | 2.0 | 1.1 | 1.7 | 1.6 | 1.7 | 1.7 | 1.6 | 1.9 | 2.1 | 2.4 | 2.4 | 1.7 | 2.3 | 2.3 | 4.1 | 2.4 | 1.5 | 3.6 | | 4 | |
| Percentage of Total Assets | | | | | | | | | | | | | | | | | | | | | | |
| 5. Total earnings..... | 2.9 | 2.4 | 2.5 | 2.5 | 2.2 | 2.3 | 2.6 | 2.1 | 2.3 | 2.6 | 3.0 | 2.4 | 2.0 | 2.3 | 2.6 | 2.9 | 2.2 | 2.3 | 1.6 | | 5 | |
| 6. Net current earnings..... | 0.7* | 0.6 | 0.5 | 0.6 | 0.5 | 0.6 | 0.7 | 0.5 | 0.6 | 0.7 | 0.8 | 0.7 | 0.6 | 0.6 | 0.7 | 0.8 | 0.7 | 0.5 | 0.7 | | 6 | |
| 7. Net profits after income taxes..... | 0.5 | 0.6 | 0.4 | 0.7 | 0.6 | 0.7 | 0.6 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.6 | 0.6 | 0.5 | 0.6 | | 7 | |
| SOURCES AND DISPOSITION OF EARNINGS | | | | | | | | | | | | | | | | | | | | | | |
| Percentage of Total Earnings | | | | | | | | | | | | | | | | | | | | | | |
| 8. Interest and dividends on securities..... | 36.1 | 45.0 | 48.2 | 44.5 | 68.5 | 51.6 | 34.5 | 68.5 | 48.6 | 37.7 | 22.7 | 45.7 | 63.3 | 49.2 | 37.4 | 26.8 | 47.5 | 37.8 | 50.5 | | 8 | |
| 9. Earnings on loans ¹ | 48.5 | 39.5 | 39.8 | 42.9 | 20.5 | 35.5 | 52.3 | 17.8 | 35.5 | 47.7 | 59.9 | 36.1 | 19.6 | 32.1 | 45.1 | 55.0 | 32.8 | 39.6 | 27.4 | | 9 | |
| 10. Service charges on deposit accounts..... | 7.0 | 7.0 | 6.3 | 6.3 | 5.4 | 6.5 | 6.7 | 6.3 | 7.6 | 6.9 | 8.2 | 7.7 | 7.1 | 7.6 | 8.4 | 7.6 | 5.1 | 12.4 | 2.4 | | 10 | |
| 11. All other earnings..... | 8.4 | 8.5 | 5.7 | 6.3 | 5.6 | 6.4 | 6.5 | 7.4 | 8.3 | 7.7 | 9.2 | 10.5 | 10.0 | 11.1 | 9.1 | 10.6 | 14.6 | 10.2 | 19.7 | | 11 | |
| 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 | | 12 | |
| 13. Trust department earnings (included in item 11) ² | 3.8 | 3.7 | | 2.8 | 2.6 | 3.1 | 2.3 | 1.8 | 1.6 | 1.9 | 1.7 | 3.7 | 3.2 | 4.2 | 3.3 | 2.6 | 4.8 | 9.4 | 12.8 | | 13 | |
| 14. Salaries and wages..... | 31.5 | 31.5 | 36.4 | 31.8 | 34.1 | 32.1 | 31.5 | 30.1 | 31.3 | 30.9 | 30.4 | 30.7 | 30.2 | 31.5 | 30.3 | 28.1 | 29.5 | 38.9 | 30.4 | | 14 | |
| 15. Interest on time and savings deposits..... | 15.1 | 14.8 | 15.3 | 16.2 | 16.2 | 16.3 | 15.5 | 19.9 | 15.4 | 15.5 | 13.7 | 15.0 | 18.3 | 14.8 | 14.6 | 13.0 | 11.3 | 6.1 | 1.0 | | 15 | |
| 16. All other expenses..... | 28.4 | 27.2 | 30.4 | 26.7 | 26.3 | 26.1 | 27.5 | 25.5 | 27.0 | 27.2 | 30.7 | 26.7 | 24.6 | 26.8 | 26.4 | 29.4 | 27.1 | 32.4 | 24.6 | | 16 | |
| 17. Total expenses..... | 75.0* | 73.5 | 82.1 | 74.7 | 76.6 | 74.5 | 74.5 | 75.5 | 73.7 | 73.6 | 74.8 | 72.4 | 73.1 | 73.1 | 71.3 | 70.5 | 67.9 | 77.4 | 56.0 | | 17 | |
| 18. Net current earnings..... | 25.0* | 26.5 | 17.9 | 25.3 | 23.4 | 25.5 | 25.5 | 24.5 | 26.3 | 26.4 | 25.2 | 27.6 | 26.9 | 26.9 | 28.7 | 29.5 | 32.1 | 22.6 | 44.0 | | 18 | |
| 19. Net charge-offs ³ (net recoveries +)..... | 5.7 | +2.9 | +0.1 | +2.8 | +5.8 | +4.9 | +0.5 | 0.3 | +5.2 | +2.8 | +0.2 | +3.6 | +5.3 | +5.1 | +1.8 | 1.4 | 0.4 | +4.5 | +6.9 | | 19 | |
| 20. Taxes on net income..... | 2.4 | 2.5 | 1.2 | 2.0 | 1.2 | 1.7 | 2.4 | 1.7 | 1.7 | 2.2 | 3.3 | 2.6 | 1.8 | 2.5 | 2.4 | 4.3 | 3.5 | 4.7 | 9.7 | | 20 | |
| 21. Net profits after income taxes..... | 16.9 | 26.9 | 16.8 | 26.1 | 28.0 | 28.7 | 23.6 | 22.5 | 29.8 | 27.0 | 22.1 | 28.6 | 30.4 | 29.5 | 28.1 | 23.8 | 28.2 | 22.4 | 41.2 | | 21 | |
| RATES OF EARNINGS ON SECURITIES AND ON LOANS | | | | | | | | | | | | | | | | | | | | | | |
| Percentage of Total Securities | | | | | | | | | | | | | | | | | | | | | | |
| 22. Interest and dividends on securities..... | 2.3 | 1.9 | 2.2 | 2.0 | 2.3 | 2.0 | 1.8 | 2.0 | 1.9 | 1.8 | 1.6 | 1.8 | 1.8 | 1.8 | 1.8 | 1.7 | 1.7 | 1.7 | 1.3 | | 22 | |
| 23. Net losses on securities (or recoveries and profits +)..... | 0.1 | +0.2 | +0.1 | +0.2 | +0.2 | +0.2 | +0.1 | +0.1 | +0.2 | +0.2 | +0.1 | +0.2 | +0.1 | +0.3 | +0.2 | +0.3 | +0.2 | +0.3 | +0.3 | | 23 | |
| Percentage of Total Loans | | | | | | | | | | | | | | | | | | | | | | |
| 24. Earnings on loans ¹ | 5.1 | 5.1 | 5.9 | 5.6 | 5.9 | 5.6 | 5.6 | 5.2 | 5.4 | 5.2 | 5.1 | 4.8 | 5.1 | 4.9 | 4.7 | 4.4 | 4.1 | 4.4 | 2.1 | | 24 | |
| 25. Net losses on loans (or recoveries +)..... | 0.1 | 0 | 0.3 | +0.1 | +0.9 | 0 | 0 | 0 | +0.1 | 0 | 0 | 0 | +0.4 | 0 | 0 | 0.1 | 0.4 | 0 | 0.2 | | 25 | |
| DISTRIBUTION OF ASSETS | | | | | | | | | | | | | | | | | | | | | | |
| Percentage of Total Assets | | | | | | | | | | | | | | | | | | | | | | |
| 26. U. S. Government securities..... | 30.8 | 47.0 | 41.7 | 43.8 | 50.1 | 47.7 | 40.7 | 59.5 | 50.2 | 43.1 | 34.8 | 50.3 | 60.2 | 53.7 | 43.5 | 37.8 | 53.0 | 47.7 | 53.4 | | 26 | |
| 27. Other securities..... | 13.2 | 9.6 | 13.1 | 11.1 | 16.6 | 12.6 | 9.0 | 12.7 | 10.6 | 9.1 | 6.5 | 8.7 | 9.8 | 8.9 | 9.2 | 5.5 | 6.0 | 3.9 | 4.5 | | 27 | |
| 28. Loans..... | 28.7 | 19.4 | 17.3 | 20.0 | 7.6 | 14.9 | 24.6 | 7.2 | 15.4 | 23.4 | 35.9 | 18.5 | 7.6 | 15.0 | 24.3 | 35.8 | 17.7 | 21.5 | 19.7 | | 28 | |
| 29. Cash assets..... | 24.6 | 22.0 | 25.9 | 23.4 | 24.1 | 23.2 | 23.8 | 19.1 | 21.6 | 22.1 | 20.3 | 20.1 | 20.8 | 20.0 | 20.5 | 18.9 | 20.8 | 25.3 | 21.1 | | 29 | |
| 30. Real estate assets..... | 2.5 | 1.8 | 1.9 | 1.6 | 1.5 | 1.5 | 1.8 | 1.4 | 2.1 | 2.2 | 2.3 | 2.1 | 1.6 | 2.2 | 2.1 | 1.7 | 2.1 | 1.2 | 0.9 | | 30 | |
| CAPITAL AND DEPOSIT RATIOS—In Percentage | | | | | | | | | | | | | | | | | | | | | | |
| 31. Capital accounts to total assets, less Gov'ts and cash assets..... | 28.7 | 34.1 | 42.9 | 37.0 | 52.7 | 41.1 | 31.5 | 53.1 | 33.6 | 27.2 | 18.9 | 32.4 | 50.6 | 35.1 | 23.4 | 17.9 | 29.8 | 30.8 | 31.0 | | 31 | |
| 32. Capital accounts to total deposits..... | 13.9 | 10.8 | 15.9 | 12.7 | 13.3 | 13.0 | 12.6 | 11.3 | 9.9 | 10.3 | 9.2 | 9.5 | 9.8 | 9.8 | 9.0 | 8.4 | 7.9 | 8.2 | 8.5 | | 32 | |
| 33. Time deposits to total deposits..... | 48.9 | 43.0 | 39.4 | 45.4 | 40.2 | 44.9 | 45.7 | 52.8 | 45.7 | 48.4 | 51.2 | 43.3 | 46.5 | 42.8 | 42.6 | 43.7 | 31.8 | 21.9 | 4.2 | | 33 | |

§ Because of the small number of banks in Groups I and V the subgrouping "Loans to Total Assets" has been omitted.
* Revised to agree with 1943 when taxes on net income were excluded from expenses and were shown as a separate item after net current earnings.

¹ Interest and discount on loans plus other fees on loans.
² Banks not reporting this item in this average, and figures are not shown.
³ All charge-offs other than recurring losses on securities sold or repossessed.

Note: Balance sheet figures used as a basis for the ratios are averages of amounts reported for December 31, 1942, June 30, 1943, and October 18, 1943.

Prepared by
FINANCIAL STATISTICS DIVISION
RESEARCH DEPARTMENT

FEDERAL RESERVE BANK
OF NEW YORK

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OF NEW YORK

March 6, 1944.

*To all Banking Institutions in the
Second Federal Reserve District:*

We are pleased to announce that Great Neck Trust Company, Great Neck Plaza (P.O., Great Neck, N. Y.), New York, has become a member of the Federal Reserve System effective March 6, 1944.

ALLAN SPROUL,
President.