OPERATING RATIOS 1962
EARNINGS AND EXPENSES
OF SECOND DISTRICT MEMBER BANKS

March 26, 1963

To All Member Banks of the Second Federal Reserve District:

We are pleased to send you this report on the earnings and expenses and the operating ratios of our member banks for the year 1962, prepared by our Bank Examinations Department. This report is intended for use as a management tool at your bank. Should any questions arise, you may direct your inquiries to the Bank Examinations Department.

Additional copies of this report are available upon request.

ALFRED HAYES,
President.

Federal Reserve Bank of New York

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PART I

Revenues and Expenses of Second District Member Banks in 1962

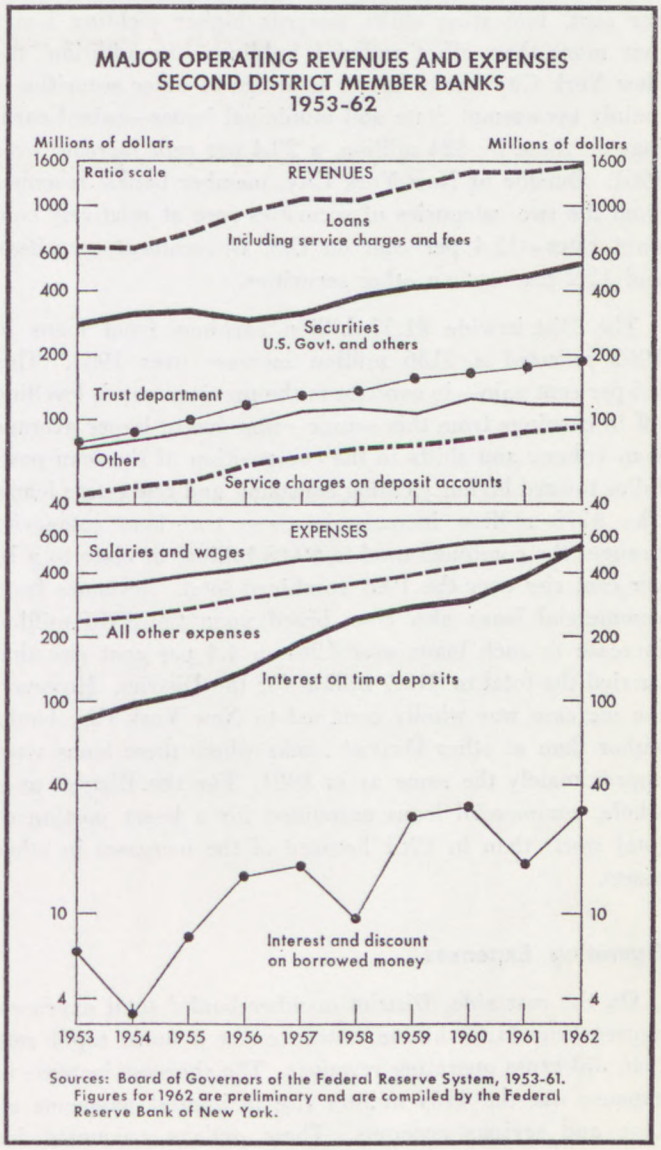
Summary

Second District member banks' net current operating earnings of $836.3 million in 1962 were 3 per cent lower than in 1961, falling by $26.2 million. The rate of decline, however, was only about one half that registered for the earlier year.

Factors underlying the 1962 results were generally similar for both New York City* and other District member banks. While total operating revenues of $2.51 billion continued to rise over preceding years, 9.5 per cent over 1961, total operating expenses of $1.67 billion advanced at a more rapid rate, 17 per cent higher than in 1961. The increase in interest paid on time and savings deposits was mainly responsible for the rise in total current operating expenses. Higher net deductions in nonoperating items brought net income before related taxes down $29.8 million from the 1961 level; net income after taxes, however, was a fraction higher, entirely accounted for by banks outside of New York City. Cash dividends declared were higher than in 1961 so that net income after dividends eased off by 2.2 per cent. The rate of decline, however, was far less than the 7.6 per cent drop reported the earlier year.

Overall, the income, expense, and dividend figures confirm the general consensus that, except for the unusual rise in costs, 1962 was a good year for banking. This major reason for lower net earnings may be gradually offset as banks continue to increase volume and shift to higher earning assets to meet the higher costs of operation.

Preliminary figures for 1962 are tabulated on page 3, and trends throughout the past decade are shown on the accompanying chart.



Sources: Board of Governors of the Federal Reserve System, 1953-61. Figures for 1962 are preliminary and are compiled by the Federal Reserve Bank of New York.

Operating Revenue

The $217.2 million gain in total operating revenue for 1962 over 1961, a 9.5 per cent increase, far bettered the gain recorded in 1961. Percentagewise, the 1962 gains were about the same at banks in New York City and at other District banks.

Average asset holdings were larger and, as reported in Part II of this report, the rates of return on total securities holdings and loans were higher than in the previous year. The higher earnings on securities reflected shifts in holdings

* This and all other references to New York City member banks are to those that were central reserve city member banks prior to July 28, 1962, when the central reserve city classification was abolished. The category is retained for yearly comparisons.

both for New York City and other banks. However, while member banks throughout the District reported increases in returns on U.S. Governments and other securities, a comparison between New York City banks and others discloses certain differences. Despite the net liquidation of more than $500 million of U.S. Government obligations by New York City banks, interest income from these securities rose by 4.6 per cent, indicating shifts towards higher yielding issues that more than offset reduced holdings. In addition, the New York City banks' larger holdings of other securities—mainly tax-exempt State and municipal issues—raised earnings on these by $24 million, a 29.4 per cent increase over 1961. Outside of New York City, member banks' revenues from the two categories of securities rose at relatively constant rates—15.4 per cent on U.S. Government securities, and 17.2 per cent on other securities.

The Districtwide $1.57 billion earnings from loans in 1962 reflected a $136 million increase over 1961. This 9.5 per cent gain—in contrast to the previous year's levelling off in earnings from this source—was due to larger average loan volume and shifts in the composition of the loan portfolios toward higher yielding consumer and real estate loans. The $779 million increase in these two loan categories brought the combined total to $9.25 billion, or close to a 10 per cent rise over the 1961 combined total. Revenues from commercial loans also rose, based upon the $576 million increase in such loans over 1961, a 4.4 per cent rise that carried the total to $13.7 billion for the District. However, the increase was wholly confined to New York City banks rather than at other District banks where these loans were approximately the same as in 1961. For the District as a whole, commercial loans accounted for a lesser portion of total assets than in 1961 because of the increases in other assets.

Operating Expenses

On the cost side, District member banks' total expenses, aggregating $1.67 billion, advanced at a more rapid rate than did gross operating revenues. The sharpest increase in expense was the $157 million rise in interest payments on time and savings accounts. These outlays accounted for more than one third of total expenses, in contrast to one quarter in 1961. As shown on the chart, these outlays have been rising over the years, and the 41.7 per cent rise in 1962 was the steepest in the last decade. This rise resulted from the $2.6 billion increase in total time and savings deposits, in addition to the increased rates paid since January 1962. As between the two major bank groupings, time and savings deposits at New York City banks accounted for about 25 per cent of total deposits, whereas at other banks in the District the percentage is nearly twice as high.

Salary and wage payments of $595 million continued to be the largest single item of expense. The upward movement of salary and wage payments continued at a slightly higher rate, 5.3 per cent, in 1962 than in the year before. The percentage rise in these outlays was approximately the same at banks both within and outside New York City. However, for reasons already cited, they accounted for a conspicuously smaller proportion, 35.5 per cent of total expenses, than the almost 40 per cent in 1961. Another expense item, "interest and discount on borrowed money," although comparatively small, was more than 74 per cent higher in 1962 than in the prior year. Virtually all of this increase resulted from borrowings by New York City banks finding themselves temporarily short of reserves. In the more sluggish 1960-1961 economic period, the borrowings had declined 44 per cent.

Net current operating earnings, the balancing of current operating revenue and expenses, fell off by 3 per cent with the rate of decline slightly higher at the banks outside of New York City.

Nonoperating Items, Taxes, Dividends, and Retained Earnings

Losses from security transactions, other profit and loss adjustments, and changes in valuation reserves exceeded corresponding recoveries in 1962, resulting in write-downs slightly greater than in 1961. Loan losses were lighter in both New York City banks and other banks in the District, but so were securities profits, the result being a net decline. Combined with valuation reserves entries, the total nonoperating accounts reduced net current operating earnings by $81.9 million, bringing net income before related taxes slightly below the 1961 level. However, the decline was partially offset by lighter taxes on net income contrasted to the year before, with taxes amounting to 38.9 per cent of net income in 1962 as against 41.4 per cent in the preceding year.

The result was a fractional gain in net income over the previous year. Of this amount, 54 per cent was distributed to stockholders, heavily weighted by the New York City figures, and the balance retained for plow-backs within the banks. The total net income retained after dividends was 2.2 per cent lower than the corresponding amount in 1961. The decline was accounted for by the New York City banks, all others having registered a 14.2 per cent increase.

Income, Expenses, and Dividends of Second District Member Banks 1961-1962

(In millions of dollars)

Item	All Second District member banks		New York City member banks*		All other Second District member banks	
	1962	1961	1962	1961	1962	1961
Number of banks	451	475	13	13	438	462
Current Operating Revenue:						
On United States Government securities	367.1	338.3	225.3	215.4	141.8	122.9
On other securities	173.3	139.4	105.3	81.4	68.0	58.0
On loans (including service charges and fees on loans)	1,568.7	1,432.3	1,000.1	917.9	568.6	514.4
Service charges on deposit accounts	91.8	86.9	35.0	33.2	56.8	53.7
Trust department earnings	190.1	177.1	156.2	143.0	33.9	34.1
Other current operating revenue	119.0	118.8	98.5	100.8	20.5	18.0
Total current operating revenue	2,510.0	2,292.8	1,620.4	1,491.7	889.6	801.1
Current Operating Expenses:						
Salaries and wages—officers and employees	594.5	564.4	379.3	360.3	215.2	204.1
Pension, hospitalization, social security taxes, etc.	111.5	101.6	80.1	73.1	31.4	28.5
Interest on time and savings deposits	535.2	377.8	273.5	187.7	261.7	190.1
Interest and discount on borrowed money	30.5	17.5	28.6	16.1	1.9	1.4
Net occupancy expense of bank premises	131.6	121.2	88.7	81.2	42.9	40.0
Furniture and equipment—depreciation, rents, etc.	41.8	36.3	21.5	18.7	20.3	17.6
Other current operating expenses	228.6	211.5	123.1	111.2	105.5	100.3
Total current operating expenses	1,673.7	1,430.3	994.8	848.3	678.9	582.0
Net current operating earnings	836.3	862.5	625.6	643.4	210.7	219.1
Net recoveries (+) or charge-offs (−) on loans	− 26.0	− 40.1	− 14.5	− 25.6	− 11.5	− 14.5
Securities profits and recoveries (+) or charge-offs (−)	+ 33.4	+ 77.6	+ 24.9	+ 65.2	+ 8.5	+ 12.4
All other recoveries (+) or charge-offs (−)	+ 5.4	− 9.6	− 5.6	− 7.7	+ 11.0	− 1.9
Net additions to (−) or deductions from (+) valuation reserves for:						
Loan losses	− 92.5	− 92.3	− 62.9	− 74.4	− 29.6	− 17.9
Securities losses	− 2.2	− 13.9	+ 1.2	− 7.5	− 3.4	− 6.4
Net income before related taxes	754.4	784.2	568.7	593.4	185.7	190.8
Taxes on net income	293.4	324.7	239.3	257.0	54.1	67.7
Net income	461.0	459.5	329.4	336.4	131.6	123.1
Dividends declared	249.1	242.8	189.2	182.5	59.9	60.3
Net income after dividends	211.9	216.7	140.2	153.9	71.7	62.8

* Includes only those member banks that were "central reserve city member banks" prior to July 28, 1962, when the central reserve city classification was abolished.

PART II

Operating Ratios of Second District Member Banks for the Year 1962

Summary

Districtwide averages tabulated on page 7 show a decline in net current operating earnings both as a percentage of total capital accounts (#1) and of total assets (#7), 1962 being the second consecutive year of decline. Even though the ratio of total operating revenue to assets (#5) gained over the earlier year, the lower net return is the outcome of total current operating expenses (#6) having increased at a faster rate than the total operating revenue. The declines were carried down through net income as a percentage of total assets (#8) after adjustments for nonoperating items and taxes. Net income as a percentage of total capital accounts also dropped, and the percentage of retained earnings (#3 minus #4)—after all nonoperating deductions and cash dividends—was lower than in 1961.

Selected key ratios are commented upon below under topical headings that conform to the headings shown in the operating ratio tables beginning on page 7. For the first time two new ratios, #17 and #19, are shown in the tables.

Sources and Disposition of Earnings

Total current operating revenue earned on total assets by Second District member banks was slightly higher in 1962

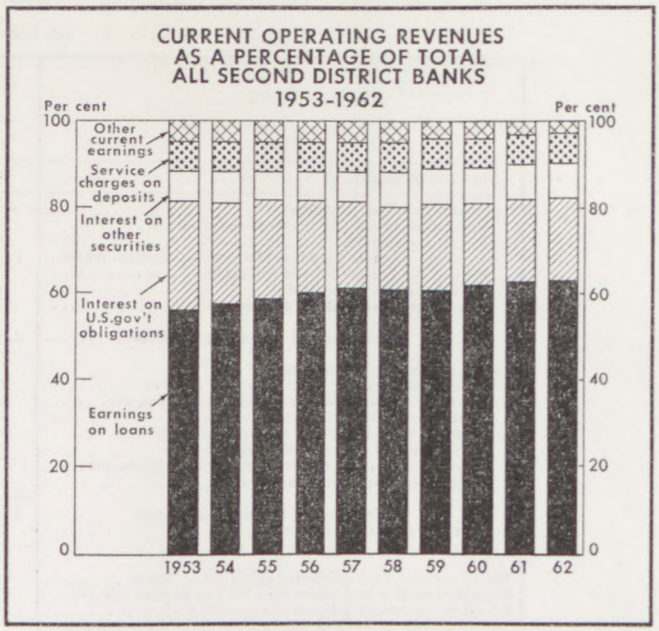
than in 1961, reaching a new postwar high. The moderate increase reflected generally the higher interest income on both securities and loans (#27, #28, #30) that also reached new postwar highs during 1962. The improved income arose from changes in the composition of loan and investment portfolios in efforts to meet the higher cost pressures that were injected into the banking scene at the start of 1962. Sources of operating revenues as percentages of total earnings changed only slightly as reported in ratios #9 through #13. However, over the decade, as Chart 1 shows, the portion of revenue derived from loans rose from 56.4 per cent in 1953 to 62.8 per cent in 1962. And, by contrast, the chart indicates the decline in the portion of income derived from U. S. Government securities from 25.0 per cent at the outset of the decade to 18.9 per cent at the close.

Total current operating expenses as a proportion of total earnings (#21) reached a new high in the postwar years. Moreover, the 1962 percentage point rise over 1961 was the steepest registered throughout that period. The major factor accounting for the rise was the interest cost on time and savings deposits (#18), which absorbed a higher percentage of total operating revenues in 1962 than in any year since 1923, the earliest year of comparison. To illustrate, the ratio more than doubled that reported a decade ago. Underlying the increase was the sharp rise in rates paid (#41) and the expansion in time and savings deposits relative to total deposits (#40). The steepest effective rate increases occurred in two of the New York City bank groups, VI and VII, as well as in the largest size bank group located outside New York City.

Salaries and wages (#16) continued to claim a smaller portion of total current operating revenue despite the rise in dollar payments to officers and employees. Relatively low ratios—such as those of the largest size New York City banks—are attributed to the high total operating revenues upon which the ratios are computed, rather than below-average salary and wage levels. For comparisons, salary and wage outlays should be considered together with "pension, hospitalization and other benefits" (#17), now included for the first time in this report. "Net occupancy expenses" (#19) is another new entry. Because of these changes, the ratio for "all other current operating expenses" (#20) is lowered and no longer comparable with ratios published prior to 1961.

The outcome of operating expenses absorbing a larger portion of total operating revenue was to drop the net current operating earnings ratio (#22) considerably below that of 1961—and also below the ratio for any of the years since the early 1930's. The range of earnings falloffs, however,

Chart 1



varied widely among the bank groupings and sub-groupings, depending upon the interrelations between dollar costs and and total earnings. For example, the steep decline registered for Group IV was the outcome of a sharp rise in operating expenses that far outweighed the gains in total operating revenue (shown as percentages of total assets, #5). The Districtwide decline in net current earnings is also shown in the percentages of total capital accounts (#1) and of total assets (#7).

Net income as a percentage of total operating revenue (#26) likewise dropped sharply from the 1961 level to a degree matched in recent years by the "recovery-to-boom" period 1958-1959. The earlier setback, however, reflected wholly different circumstances, notably the heavy losses taken on security transactions to meet rising loan demand and to reduce taxes. By contrast, the lower 1962 net income results were determined more by the reduction in the net operating earnings ratio, resulting from higher operating expenses, rather than the relatively slight losses taken on the nonoperating accounts (#23), smaller transfers to valuation reserves (#24), and the reduced tax burden (#25) resulting from the lower taxable income.

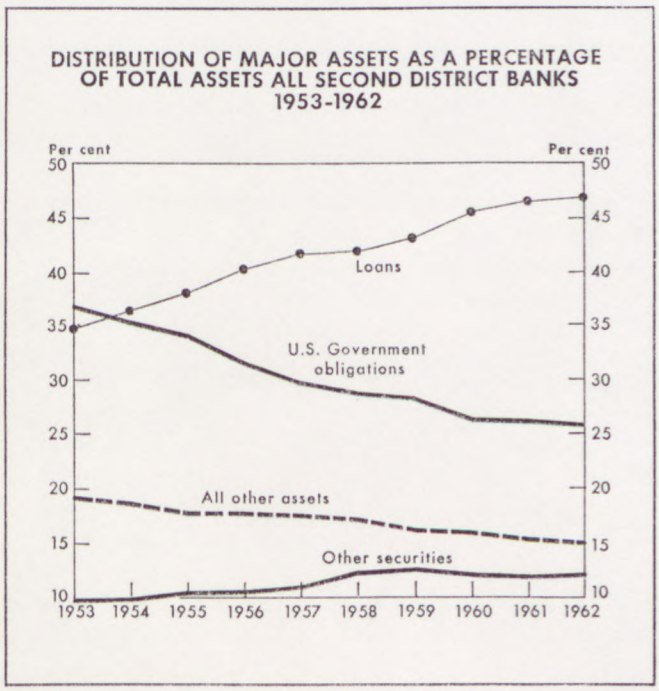
Rates of Return on Securities and Loans

Most of the ratios following #26 give the details accounting for the higher total current operating revenue. With the exception of Group I, the average rate of return on 1962

Government securities holdings (#27) rose over that of the earlier year. Yields on other securities (#28) rose, however, for only the four smaller groups. The higher interest returns reflect shifts in securities holdings toward longer maturities as well as the average higher rates on short-term instruments that prevailed in the 1962 money markets.

The moderately higher rate of returns on loans (#30) reversed the previous year's decline—although the rise did not come close to matching some of those that took place during tight money periods in the 1950's. Increased income in 1962 rather reflected shifts in loan categories toward real estate and consumer credit in efforts to offset the increase in the interest expense on deposits. The returns on loans were higher in every group other than the two smaller New York City groups.

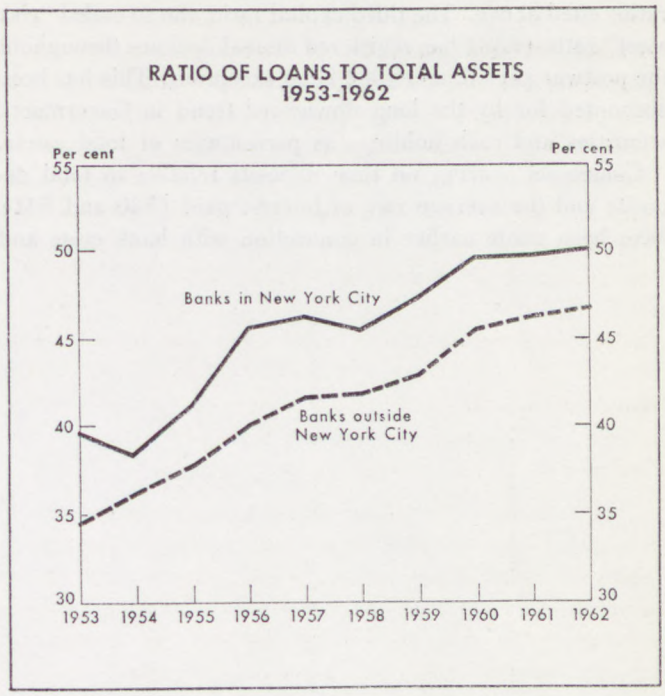
Chart 2



Distribution of Assets

As shown on Chart 2 and ratios #32 through #36, Second District member banks' various higher asset totals showed relatively minor shifts from the previous year's distribution. U. S. Governments, as a proportion of total assets (#32),

Chart 3



continued its unbroken postwar downward slope. Although the range of years charted is limited to a decade, the 1962 ratio stands close to one half of the ratio recorded 15 years ago. Increased holdings of other securities (#33), largely the tax-exempt State, county, and municipal issues, are almost twice the earlier holdings, while the loan sector (#34) has more than doubled over the past 15 years. The 1962 non-earning cash holdings continued their uninterrupted descent.

On the whole, the District experience—heavily weighted by the $2 billion deposit gains centered in New York City—indicated difficulties in matching loan volume with deposit inflows or, in some instances, a reluctance to press for higher loan-asset risk ratios. As shown on Chart 3 depicting annual loan-asset ratios, the 1962 rises are relatively slight contrasted with other than recession years.

Capital and Deposit Ratios

All groups, with the exception of two New York City bank groups (VI and VIII), managed either to maintain or increase their capital strength measured against total assets (#37) and total deposits (#39). Moderate reversal of the steady increase recorded over the years in dividends declared (#4) helped stem declines in these capital ratios. New York City Group VI was the sole exception in dividend out-

lays and also registered the largest declines in the two capital ratios cited above. The third capital ratio, the so-called "risk asset" ratio (#38) has registered annual declines throughout the postwar period, and 1962 is no exception. This has been accounted for by the long downward trend in Government securities and cash holdings as percentages of total assets.

Comments bearing on time deposits relative to total deposits and the average rate of interest paid (#40 and #41) have been made earlier in connection with bank costs and earnings. The increases were spread generally throughout the District, with the New York City banks feeling the heavier impact of shiftings by customers from certain money market instruments to the higher time deposit yields. Also related was the stimulus to time deposit growth by the relatively new negotiable interest-bearing time certificates of deposit, issued mainly by the money market banks. However, these banks continue to hold a far lower ratio of time and savings to total deposits than banks outside of New York City.

1962 Average Operating Ratios of All Member Banks in the Second District

(All ratios in this table and in the tables on the following pages 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.)

Note: Balance-sheet figures used as a basis for the 1962 ratios are averages of amounts reported for December 30, 1961; June 30, 1962; and September 28, 1962.	All Second District Banks		BANKS IN NEW YORK CITY* GROUP VI Deposits under $100 million		GROUP VII Deposits $100 million to $1 billion		GROUP VIII Deposits over $1 billion		YOUR BANK
	1962	1961	1962	1961	1962	1961	1962	1961	
SUMMARY RATIOS Number of banks	446	472	5	5	7	7	7	7	
Percentage of Total Capital Accounts									
1. Net current operating earnings	12.1	13.5	15.6	15.5	20.3	21.5	16.7	18.1	
2. Net income before related taxes	10.5	11.8	10.3	11.2	18.1	19.1	15.2	17.0	
3. Net income	7.4	8.1	6.5	7.5	9.2	9.7	8.9	9.7	
4. Dividends declared	3.1	3.2	2.6	2.3	4.6	4.8	5.1	5.1	
Percentage of Total Assets									
5. Total current operating revenue	4.61	4.46	4.58	4.60	4.80	4.72	3.78	3.73	
6. Total current operating expenses	3.61	3.35	3.40	3.34	2.96	2.79	2.31	2.09	
7. Net current operating earnings	1.00	1.11	1.18	1.26	1.84	1.93	1.47	1.64	
8. Net income (after taxes)	0.61	0.67	0.49	0.62	0.85	0.89	0.78	0.87	
SOURCES AND DISPOSITION OF EARNINGS									
Percentage of Total Current Operating Revenue									
9. Interest on U. S. Government obligations	18.9	18.8	16.4	14.4	12.9	12.1	14.1	14.7	
10. Interest and dividends on other securities	7.8	7.9	4.2	6.1	3.8	4.0	6.5	5.3	
11. Earnings on loans[1]	62.8	62.7	66.5	65.6	57.7	59.5	62.0	61.8	
12. Service charges on deposit accounts	6.8	7.0	5.2	5.9	2.9	3.2	2.0	2.0	
13. All other current operating revenue	3.7	3.6	7.7	8.0	22.7	21.2	15.4	16.2	
14. Total current operating revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15. *Trust department earnings[2] (part of item 13)*	3.2	3.2	b	11.4	20.2	19.2	9.7	9.7	
16. Salaries and wages (officers and employees)	24.7	25.9	25.6	28.7	28.3	28.3	23.7	24.6	
17. Pension, hospitalization, and other benefits	2.9	2.8	3.9	3.6	4.9	4.8	4.6	4.5	
18. Interest on time and savings deposits	32.6	27.8	28.4	22.1	10.6	7.9	16.5	12.2	
19. Net occupancy expense of bank premises	4.5	4.8	4.4	4.9	5.5	5.5	5.2	5.2	
20. All other current operating expenses	13.7	13.9	11.9	13.1	12.4	12.5	11.0	9.8	
21. Total current operating expenses	78.4	75.2	74.2	72.4	61.7	59.0	61.0	56.3	
22. Net current operating earnings	21.6	24.8	25.8	27.6	38.3	41.0	39.0	43.7	
23. Net recoveries and profits (+) or losses (−)[3]	− 0.6	− 0.8	− 2.2	− 2.7	a	− 0.8	+ 0.3	+ 2.6	
24. Net increase (−) or decrease (+) in valuation reserves[4]	− 2.0	− 2.3	− 6.2	− 4.7	− 3.7	− 3.8	− 3.8	− 5.2	
25. Taxes on net income	5.6	6.7	6.5	6.6	17.1	17.8	14.8	17.7	
26. Net income	13.4	15.0	10.9	13.6	17.5	18.6	20.7	23.4	
RATES OF RETURN ON SECURITIES AND LOANS									
Return on Securities									
27. Interest on U. S. Government obligations	3.25	3.09	3.29	3.11	3.34	3.01	3.06	2.84	
28. Interest and dividends on other securities	2.96	2.89	3.69	3.83	3.09	3.38	3.01	3.13	
29. Net recoveries & profits (+) or losses (−) on total securities[5]	+ 0.09	+ 0.14	− 0.38	+ 0.26	+ 0.23	+ 0.29	+ 0.23	+ 0.65	
Return on Loans									
30. Earnings on loans[1]	6.22	6.06	5.56	5.71	5.16	5.23	5.07	4.98	
31. Net losses (−) or recoveries (+) on loans[6]	− 0.15	− 0.15	− 0.08	− 0.45	− 0.07	− 0.17	− 0.06	− 0.12	
DISTRIBUTION OF ASSETS									
Percentage of Total Assets									
32. U. S. Government obligations	26.0	26.2	23.1	22.1	17.9	18.4	17.4	19.2	
33. Other securities	12.1	12.0	4.7	7.6	6.6	5.9	8.1	6.3	
34. Loans	46.9	46.5	55.7	53.3	49.7	50.6	46.1	46.3	
35. Cash assets	13.4	13.6	15.0	15.2	23.0	22.5	23.6	23.3	
36. Real estate assets	1.4	1.4	0.9	1.1	0.7	0.6	1.0	0.9	
CAPITAL AND DEPOSIT RATIOS									
37. Capital accounts to total assets	8.5	8.6	7.6	8.3	9.3	9.2	8.9	9.2	
38. Capital accounts to total assets, less U. S. Government securities and cash assets	14.7	14.8	12.8	13.5	15.6	15.6	15.2	15.9	
39. Capital accounts to total deposits	9.6	9.6	8.4	9.2	10.7	10.7	10.6	11.1	
40. Time and savings to total deposits	52.3	50.8	41.4	39.5	23.3	22.3	22.1	18.8	
41. Interest on time and savings deposits	3.14	2.67	3.39	2.80	2.67	2.12	3.35	2.85	
AVERAGE BANK IN GROUP—In thousands of dollars									
Total deposits	116,238	101,703	53,825	47,350	314,010	290,931	4,688,437	4,330,916	
Capital accounts	11,159	9,763	4,521	4,356	33,599	31,130	496,974	480,732	

* See page 13 for the note to "Banks in New York City" and other notes referred to in this table.

1962 Average Operating Ratios of Second District Member Banks in Group I — Deposits under $2 Million

Note: Balance-sheet figures used as a basis for the 1962 ratios are averages of amounts reported for December 30, 1961; June 30, 1962; and September 28, 1962.	Group average		Loans to total assets, per cent—1962				YOUR BANK
	1962	1961	0–34.9 A	35–44.9 B	45–54.9 C	55 and up D	
SUMMARY RATIOS Number of banks	23	31	4	8	9	2	
Percentage of Total Capital Accounts							
1. Net current operating earnings	9.8	10.9	7.0	12.4	8.9		
2. Net income before related taxes	8.1	9.7	5.4	11.5	6.4		
3. Net income	5.6	7.6	3.6	8.6	3.7		
4. Dividends declared	1.6	1.8	1.9	1.5	1.1		
Percentage of Total Assets							
5. Total current operating revenue	4.61	4.48	3.85	4.72	4.72		
6. Total current operating expenses	3.55	3.31	2.88	3.50	3.78		
7. Net current operating earnings	1.06	1.17	0.97	1.22	0.94		
8. Net income (after taxes)	0.58	0.83	0.50	0.83	0.37		
SOURCES AND DISPOSITION OF EARNINGS							
Percentage of Total Current Operating Revenue							
9. Interest on U. S. Government obligations	23.2	22.1	39.0	24.6	16.9		
10. Interest and dividends on other securities	7.3	7.3	8.5	9.3	5.3		
11. Earnings on loans[1]	61.3	62.4	44.4	58.6	68.6		
12. Service charges on deposit accounts	5.9	6.4	6.0	6.4	5.5		
13. All other current operating revenue	2.3	1.8	2.1	1.1	3.7		
14. Total current operating revenue	100.0	100.0	100.0	100.0	100.0		100.0
15. *Trust department earnings[2] (part of item 13)*	b	b	b	b	b		
16. Salaries and wages (officers and employees)	26.8	28.6	26.2	25.8	27.3		
17. Pension, hospitalization, and other benefits	2.2	2.2	2.1	1.5	2.4		
18. Interest on time and savings deposits	30.2	25.8	32.6	31.4	29.0		
19. Net occupancy expense of bank premises	3.8	4.1	2.8	2.4	5.1		
20. All other current operating expenses	14.1	13.6	11.5	13.7	16.0		
21. Total current operating expenses	77.1	74.3	75.2	74.8	79.8		
22. Net current operating earnings	22.9	25.7	24.8	25.2	20.2		
23. Net recoveries and profits (+) or losses (−)[3]	− 4.0	− 2.5	− 5.4	− 2.2	− 5.9		
24. Net increase (−) or decrease (+) in valuation reserves[4]	− 0.5	− 0.1	a	− 0.2	− 0.1		
25. Taxes on net income	5.8	4.9	6.6	5.7	6.0		
26. Net income	12.6	18.2	12.8	17.1	8.2		
RATES OF RETURN ON SECURITIES AND LOANS							
Return on Securities							
27. Interest on U. S. Government obligations	3.30	3.34	3.25	3.46	3.25		
28. Interest and dividends on other securities	3.47	2.95	3.11	4.35	2.97		
29. Net recoveries & profits (+) or losses (−) on total securities[5]	+ 0.08	+ 0.03	+ 0.02	+ 0.05	+ 0.15		
Return on Loans							
30. Earnings on loans[1]	6.57	6.42	6.10	6.81	6.56		
31. Net losses (−) or recoveries (+) on loans[6]	− 0.47	− 0.24	− 0.73	− 0.31	− 0.62		
DISTRIBUTION OF ASSETS							
Percentage of Total Assets							
32. U. S. Government obligations	31.1	28.7	46.4	33.8	23.5		
33. Other securities	9.3	10.7	10.8	9.6	8.4		
34. Loans	43.3	43.8	28.1	41.0	49.1		
35. Cash assets	15.5	15.8	14.3	14.7	17.8		
36. Real estate assets	0.8	0.9	0.4	0.9	1.0		
CAPITAL AND DEPOSIT RATIOS							
37. Capital accounts to total assets	11.2	11.0	13.4	10.7	10.5		
38. Capital accounts to total assets, less U. S. Government securities and cash assets	21.8	20.6	34.9	20.6	17.7		
39. Capital accounts to total deposits	12.8	12.5	15.6	12.2	11.9		
40. Time and savings to total deposits	50.7	47.6	45.0	54.3	49.9		
41. Interest on time and savings deposits	2.90	2.69	2.35	2.99	3.06		
AVERAGE BANK IN GROUP—In thousands of dollars							
Total deposits	1,450	1,506	1,621	1,412	1,369		
Capital accounts	186	188	253	172	163		

FEWER THAN THREE BANKS IN THIS SUB-GROUP

[1] See page 13 for the note to "Earnings on loans" and other notes referred to in this table.

1962 Average Operating Ratios of Second District Member Banks in Group II — Deposits of $2 Million to $5 Million

Note: Balance-sheet figures used as a basis for the 1962 ratios are averages of amounts reported for December 30, 1961; June 30, 1962; and September 28, 1962.	Group average		Loans to total assets, per cent—1962				YOUR BANK
	1962	1961	0–34.9 A	35–44.9 B	45–54.9 C	55 and up D	
SUMMARY RATIOS Number of banks	94	105	13	28	29	24	
Percentage of Total Capital Accounts							
1. Net current operating earnings	9.6	10.8	8.1	9.2	9.4	11.3	
2. Net income before related taxes	8.4	9.5	7.5	8.2	8.5	8.9	
3. Net income	5.9	6.8	5.3	6.2	6.0	5.8	
4. Dividends declared	2.4	2.6	2.2	2.3	2.6	2.1	
Percentage of Total Assets							
5. Total current operating revenue	4.55	4.40	3.96	4.34	4.62	5.05	
6. Total current operating expenses	3.61	3.37	3.23	3.41	3.70	3.95	
7. Net current operating earnings	0.94	1.03	0.73	0.93	0.92	1.10	
8. Net income (after taxes)	0.58	0.64	0.48	0.63	0.58	0.56	
SOURCES AND DISPOSITION OF EARNINGS							
Percentage of Total Current Operating Revenue							
9. Interest on U. S. Government obligations	20.4	20.6	35.5	22.4	17.8	12.8	
10. Interest and dividends on other securities	7.4	7.5	10.5	9.3	7.3	3.8	
11. Earnings on loans[1]	63.9	63.4	45.4	58.8	66.7	76.5	
12. Service charges on deposit accounts	6.4	6.5	6.8	7.3	6.1	5.4	
13. All other current operating revenue	1.9	2.0	1.8	2.2	2.1	1.5	
14. Total current operating revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15. *Trust department earnings[2] (part of item 13)*	1.4	0.2	b	2.2	1.3	b	
16. Salaries and wages (officers and employees)	25.4	26.1	24.4	27.4	25.7	23.4	
17. Pension, hospitalization, and other benefits	2.7	2.5	1.8	3.2	2.7	2.6	
18. Interest on time and savings deposits	33.6	29.6	39.2	30.8	34.7	32.6	
19. Net occupancy expense of bank premises	4.2	4.7	3.7	3.9	4.1	4.7	
20. All other current operating expenses	13.6	13.9	12.7	13.3	13.0	15.2	
21. Total current operating expenses	79.5	76.8	81.8	78.6	80.2	78.5	
22. Net current operating earnings	20.5	23.2	18.2	21.4	19.8	21.5	
23. Net recoveries and profits (+) or losses (−)[3]	− 1.3	− 1.6	− 0.7	− 1.5	− 0.6	− 2.4	
24. Net increase (−) or decrease (+) in valuation reserves[4]	− 1.4	− 1.2	− 0.5	− 0.9	− 1.4	− 2.3	
25. Taxes on net income	5.2	5.8	5.1	4.6	5.2	5.9	
26. Net income	12.6	14.6	11.9	14.4	12.6	10.9	
RATES OF RETURN ON SECURITIES AND LOANS							
Return on Securities							
27. Interest on U. S. Government obligations	3.25	3.14	3.30	3.17	3.37	3.19	
28. Interest and dividends on other securities	3.10	3.02	2.98	2.89	3.02	3.50	
29. Net recoveries & profits (+) or losses (−) on total securities[5]	+ 0.02	+ 0.07	+ 0.03	a	+ 0.10	− 0.08	
Return on Loans							
30. Earnings on loans[1]	6.33	6.19	6.25	6.25	6.27	6.52	
31. Net losses (−) or recoveries (+) on loans[6]	− 0.12	− 0.18	− 0.11	− 0.16	− 0.08	− 0.15	
DISTRIBUTION OF ASSETS							
Percentage of Total Assets							
32. U. S. Government obligations	27.7	27.8	42.1	30.4	24.6	20.3	
33. Other securities	10.9	11.0	14.0	13.7	10.9	5.9	
34. Loans	46.5	45.6	29.1	40.8	49.1	59.4	
35. Cash assets	13.4	13.9	13.6	13.9	13.7	12.5	
36. Real estate assets	1.4	1.5	1.1	1.1	1.6	1.8	
CAPITAL AND DEPOSIT RATIOS							
37. Capital accounts to total assets	10.1	9.8	9.3	10.2	10.3	10.1	
38. Capital accounts to total assets, less U. S. Government securities and cash assets	17.6	17.7	22.1	18.5	16.8	15.1	
39. Capital accounts to total deposits	11.4	11.0	10.3	11.5	11.7	11.5	
40. Time and savings to total deposits	54.1	53.0	54.1	49.2	56.1	57.4	
41. Interest on time and savings deposits	3.08	2.69	3.14	2.87	3.17	3.18	
AVERAGE BANK IN GROUP—in thousands of dollars							
Total deposits	3,482	3,446	3,524	3,402	3,390	3,663	
Capital accounts	397	379	363	391	397	421	

[1] See page 13 for the note to "Earnings on loans" and other notes referred to in this table.

1962 Average Operating Ratios of Second District Member Banks in Group III — Deposits of $5 Million to $20 Million

Note: Balance-sheet figures used as a basis for the 1962 ratios are averages of amounts reported for December 30, 1961; June 30, 1962; and September 28, 1962.	Group average		Loans to total assets, per cent—1962				YOUR BANK
	1962	1961	0–34.9 A	35–44.9 B	45–54.9 C	55 and up D	
SUMMARY RATIOS Number of banks	183	198	21	64	68	30	
Percentage of Total Capital Accounts							
1. Net current operating earnings	11.3	12.7	9.8	11.0	11.7	12.2	
2. Net income before related taxes	10.2	11.2	10.3	10.1	10.4	10.2	
3. Net income	7.3	7.9	8.1	7.6	7.3	6.3	
4. Dividends declared	2.9	3.0	2.9	3.0	2.8	3.1	
Percentage of Total Assets							
5. Total current operating revenue	4.58	4.40	3.96	4.38	4.78	5.01	
6. Total current operating expenses	3.66	3.38	3.18	3.52	3.84	3.93	
7. Net current operating earnings	0.92	1.02	0.78	0.86	0.94	1.08	
8. Net income (after taxes)	0.60	0.63	0.64	0.60	0.59	0.57	
SOURCES AND DISPOSITION OF EARNINGS							
Percentage of Total Current Operating Revenue							
9. Interest on U. S. Government obligations	20.0	19.5	33.9	22.8	16.6	11.8	
10. Interest and dividends on other securities	8.3	8.4	13.1	9.2	7.4	5.1	
11. Earnings on loans[1]	61.6	61.7	41.0	56.9	66.7	74.5	
12. Service charges on deposit accounts	7.3	7.6	9.0	7.7	7.1	5.7	
13. All other current operating revenue	2.8	2.8	3.0	3.4	2.2	2.9	
14. Total current operating revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15. *Trust department earnings[2] (part of item 13)*	1.7	0.7	0.8	2.3	1.2	0.8	
16. Salaries and wages (officers and employees)	23.9	25.3	25.0	24.0	23.9	23.3	
17. Pension, hospitalization, and other benefits	2.7	2.7	2.2	2.7	2.8	2.6	
18. Interest on time and savings deposits	35.1	29.9	34.9	35.6	35.1	33.9	
19. Net occupancy expense of bank premises	4.5	4.8	4.5	4.6	4.3	4.4	
20. All other current operating expenses	13.9	14.1	13.4	13.4	14.4	14.4	
21. Total current operating expenses	80.1	76.8	80.0	80.3	80.5	78.6	
22. Net current operating earnings	19.9	23.2	20.0	19.7	19.5	21.4	
23. Net recoveries and profits (+) or losses (−)[3]	− 0.3	− 0.5	+ 0.4	− 0.1	+ 0.1	− 2.1	
24. Net increase (−) or decrease (+) in valuation reserves[4]	− 1.4	− 2.3	+ 0.8	− 1.6	− 2.1	− 1.0	
25. Taxes on net income	5.0	6.0	4.5	4.3	5.3	6.6	
26. Net income	13.2	14.4	16.7	13.7	12.2	11.7	
RATES OF RETURN ON SECURITIES AND LOANS							
Return on Securities							
27. Interest on U. S. Government obligations	3.24	3.07	3.31	3.26	3.22	3.19	
28. Interest and dividends on other securities	2.87	2.80	3.06	2.80	2.81	3.01	
29. Net recoveries & profits (+) or losses (−) on total securities[5]	+ 0.13	+ 0.15	+ 0.14	+ 0.12	+ 0.22	− 0.09	
Return on Loans							
30. Earnings on loans[1]	6.28	6.02	6.02	6.16	6.45	6.31	
31. Net losses (−) or recoveries (+) on loans[6]	− 0.16	− 0.12	− 0.55	− 0.09	− 0.13	− 0.14	
DISTRIBUTION OF ASSETS							
Percentage of Total Assets							
32. U. S. Government obligations	27.4	27.3	40.5	30.5	24.4	18.3	
33. Other securities	13.0	12.8	18.4	14.3	12.2	8.4	
34. Loans	45.3	45.4	27.5	40.4	49.4	59.0	
35. Cash assets	12.7	12.9	12.3	13.2	12.4	12.4	
36. Real estate assets	1.4	1.4	1.1	1.4	1.4	1.7	
CAPITAL AND DEPOSIT RATIOS							
37. Capital accounts to total assets	8.2	8.2	8.1	8.0	8.1	8.8	
38. Capital accounts to total assets, less U. S. Government securities and cash assets	14.4	14.3	22.2	14.3	12.9	12.7	
39. Capital accounts to total deposits	9.1	9.1	8.9	8.8	9.0	9.8	
40. Time and savings to total deposits	55.4	54.0	49.7	54.6	56.5	58.6	
41. Interest on time and savings deposits	3.15	2.65	2.93	3.10	3.24	3.19	
AVERAGE BANK IN GROUP—In thousands of dollars							
Total deposits	11,056	11,125	11,865	11,939	10,579	9,687	
Capital accounts	1,006	1,012	1,056	1,051	952	949	

[1] See page 13 for the note to "Earnings on loans" and other notes referred to in this table.

1962 Average Operating Ratios of Second District Member Banks in Group IV — Deposits of $20 Million to $50 Million

Note: Balance-sheet figures used as a basis for the 1962 ratios are averages of amounts reported for December 30, 1961; June 30, 1962; and September 28, 1962.	Group average		Loans to total assets, per cent—1962				YOUR BANK
	1962	1961	0–34.9 A	35–44.9 B	45–54.9 C	55 and up D	
SUMMARY RATIOS Number of banks	63	60	4	11	33	15	
Percentage of Total Capital Accounts							
1. Net current operating earnings	13.0	15.5	11.7	13.1	12.8	13.7	
2. Net income before related taxes	11.2	13.7	10.1	11.1	11.5	10.9	
3. Net income	7.9	8.9	7.3	8.5	8.1	7.2	
4. Dividends declared	3.5	3.8	2.4	3.8	3.4	3.9	
Percentage of Total Assets							
5. Total current operating revenue	4.65	4.52	3.77	4.42	4.68	4.97	
6. Total current operating expenses	3.64	3.35	2.87	3.43	3.67	3.91	
7. Net current operating earnings	1.01	1.17	0.90	0.99	1.01	1.06	
8. Net income (after taxes)	0.62	0.67	0.57	0.66	0.64	0.56	
SOURCES AND DISPOSITION OF EARNINGS							
Percentage of Total Current Operating Revenue							
9. Interest on U. S. Government obligations	16.4	16.3	28.3	21.8	15.1	12.0	
10. Interest and dividends on other securities	8.7	8.9	13.1	11.5	8.5	6.1	
11. Earnings on loans[1]	64.1	63.1	44.9	56.0	65.6	71.9	
12. Service charges on deposit accounts	7.1	7.8	11.3	7.6	6.8	6.4	
13. All other current operating revenue	3.7	3.9	2.4	3.1	4.0	3.6	
14. Total current operating revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15. *Trust department earnings[2] (part of item 13)*	2.2	2.0	b	1.8	2.4	2.1	
16. Salaries and wages (officers and employees)	24.3	25.0	26.6	22.9	24.1	25.1	
17. Pension, hospitalization, and other benefits	3.0	3.0	2.7	2.8	3.0	3.1	
18. Interest on time and savings deposits	33.3	28.1	29.3	34.5	34.0	31.8	
19. Net occupancy expense of bank premises	4.4	4.6	5.3	4.5	4.3	4.6	
20. All other current operating expenses	13.2	13.4	12.4	13.2	13.0	14.1	
21. Total current operating expenses	78.2	74.1	76.3	77.9	78.4	78.7	
22. Net current operating earnings	21.8	25.9	23.7	22.1	21.6	21.3	
23. Net recoveries and profits (+) or losses (−)[3]	− 0.2	− 0.7	− 0.9	+ 1.5	− 0.3	− 1.0	
24. Net increase (−) or decrease (+) in valuation reserves[4]	− 2.7	− 2.6	− 2.6	− 4.7	− 1.9	− 3.0	
25. Taxes on net income	5.5	7.6	5.0	4.1	5.8	6.0	
26. Net income	13.4	15.0	15.2	14.8	13.6	11.3	
RATES OF RETURN ON SECURITIES AND LOANS							
Return on Securities							
27. Interest on U. S. Government obligations	3.23	3.03	3.17	3.30	3.27	3.10	
28. Interest and dividends on other securities	2.91	2.82	2.80	3.10	2.77	3.12	
29. Net recoveries & profits (+) or losses (−) on total securities[5]	+ 0.04	+ 0.13	+ 0.04	+ 0.26	+ 0.06	− 0.15	
Return on Loans							
30. Earnings on loans[1]	6.16	6.01	5.82	6.22	6.14	6.24	
31. Net losses (−) or recoveries (+) on loans[6]	− 0.09	− 0.11	− 0.13	− 0.10	− 0.09	− 0.07	
DISTRIBUTION OF ASSETS							
Percentage of Total Assets							
32. U. S. Government obligations	23.3	23.8	33.6	29.2	22.0	19.1	
33. Other securities	13.9	14.0	17.7	16.8	14.2	9.9	
34. Loans	48.6	47.7	29.2	39.9	50.0	57.3	
35. Cash assets	12.4	12.7	18.0	12.4	11.9	11.9	
36. Real estate assets	1.5	1.4	1.3	1.2	1.5	1.5	
CAPITAL AND DEPOSIT RATIOS							
37. Capital accounts to total assets	7.8	7.7	8.0	7.6	7.9	7.7	
38. Capital accounts to total assets, less U. S. Government securities and cash assets	12.3	12.3	16.3	13.0	12.1	11.2	
39. Capital accounts to total deposits	8.7	8.6	8.8	8.4	8.8	8.7	
40. Time and savings to total deposits	53.0	51.3	43.1	52.4	54.0	54.1	
41. Interest on time and savings deposits	3.21	2.71	2.66	3.23	3.25	3.27	
AVERAGE BANK IN GROUP—In thousands of dollars							
Total deposits	31,315	32,800	29,460	32,725	30,931	31,622	
Capital accounts	2,724	2,821	2,592	2,749	2,722	2,751	

[1] See page 13 for the note to "Earnings on loans" and other notes referred to in this table.

1962 Average Operating Ratios of Second District Member Banks in Group V — Deposits of $50 Million or over

Note: Balance-sheet figures used as a basis for the 1962 ratios are averages of amounts reported for December 30, 1961; June 30, 1962; and September 28, 1962.	Group average		Loans to total assets, per cent—1962				YOUR BANK
	1962	1961	0–34.9 A	35–44.9 B	45–54.9 C	55 and up D	
SUMMARY RATIOS Number of banks	64	59	0	19	26	19	
Percentage of Total Capital Accounts							
1. Net current operating earnings	15.9	18.4		14.6	15.4	18.2	
2. Net income before related taxes	13.6	15.5		13.3	13.3	14.4	
3. Net income	9.7	9.9		9.7	9.8	9.6	
4. Dividends declared	4.5	5.0		4.0	4.9	4.5	
Percentage of Total Assets							
5. Total current operating revenue	4.80	4.76		4.38	4.73	5.33	
6. Total current operating expenses	3.79	3.48		3.39	3.66	4.05	
7. Net current operating earnings	1.01	1.28		0.99	1.07	1.28	
8. Net income (after taxes)	0.68	0.69		0.66	0.69	0.69	
SOURCES AND DISPOSITION OF EARNINGS							
Percentage of Total Current Operating Revenue							
9. Interest on U. S. Government obligations	15.8	15.4		21.8	14.8	11.3	
10. Interest and dividends on other securities	7.4	7.0		9.5	8.3	4.0	
11. Earnings on loans[1]	64.5	65.1		56.0	65.0	72.3	
12. Service charges on deposit accounts	6.9	7.0		7.5	6.5	6.8	
13. All other current operating revenue	5.4	5.5		5.2	5.4	5.6	
14. Total current operating revenue	100.0	100.0		100.0	100.0	100.0	100.0
15. *Trust department earnings[2] (part of item 13)*	3.7	3.5		3.4	3.7	3.8	
16. Salaries and wages (officers and employees)	25.3	26.6		24.5	25.5	25.8	
17. Pension, hospitalization, and other benefits	3.7	3.8		3.8	3.7	3.7	
18. Interest on time and savings deposits	29.1	23.5		30.2	29.4	27.5	
19. Net occupancy expense of bank premises	5.1	5.3		4.8	5.1	5.5	
20. All other current operating expenses	13.7	13.9		13.7	13.8	13.5	
21. Total current operating expenses	76.9	73.1		77.0	77.5	76.0	
22. Net current operating earnings	23.1	26.9		23.0	22.5	24.0	
23. Net recoveries and profits (+) or losses (−)[3]	+ 0.8	− 0.2		+ 1.5	+ 0.5	+ 0.5	
24. Net increase (−) or decrease (+) in valuation reserves[4]	− 3.9	− 3.7		− 3.5	− 3.4	− 5.0	
25. Taxes on net income	5.7	8.3		5.8	5.1	6.5	
26. Net income	14.3	14.7		15.2	14.5	13.0	
RATES OF RETURN ON SECURITIES AND LOANS							
Return on Securities							
27. Interest on U. S. Government obligations	3.31	3.09		3.34	3.31	3.29	
28. Interest and dividends on other securities	2.79	2.82		2.72	2.84	2.79	
29. Net recoveries & profits (+) or losses (−) on total securities[5]	+ 0.14	+ 0.24		+ 0.27	+ 0.01	+ 0.21	
Return on Loans							
30. Earnings on loans[1]	6.16	6.10		5.90	6.12	6.49	
31. Net losses (−) or recoveries (+) on loans[6]	− 0.14	− 0.16		− 0.09	− 0.13	− 0.22	
DISTRIBUTION OF ASSETS							
Percentage of Total Assets							
32. U. S. Government obligations	22.4	23.1		28.4	21.1	18.0	
33. Other securities	12.2	11.3		15.0	13.5	7.5	
34. Loans	50.4	50.8		41.6	50.2	59.5	
35. Cash assets	13.1	12.9		13.2	13.4	12.5	
36. Real estate assets	1.3	1.4		1.2	1.2	1.6	
CAPITAL AND DEPOSIT RATIOS							
37. Capital accounts to total assets	7.0	7.0		6.8	6.9	7.2	
38. Capital accounts to total assets, less U. S. Government securities and cash assets	10.9	11.1		11.7	10.6	10.4	
39. Capital accounts to total deposits	7.7	7.8		7.5	7.7	8.0	
40. Time and savings to total deposits	47.8	45.5		46.1	47.9	49.3	
41. Interest on time and savings deposits	3.20	2.69		3.14	3.20	3.26	
AVERAGE BANK IN GROUP—In thousands of dollars							
Total deposits	190,609	183,642		160,803	196,608	212,207	
Capital accounts	14,677	14,324		12,060	15,139	16,977	

NO BANKS IN THIS LOAN TO ASSET SUB-GROUP

[1] See page 13 for the note to "Earnings on loans" and other notes referred to in this table.

* New York City banks include only those banks that have their main office located in Manhattan. One trust company was not included in the computation of average ratios.

[1] Includes service charges and other fees on loans.

[2] Excludes banks not reporting this item or reporting negligible amounts.

[3] Includes recoveries, charge-offs, profits, or losses charged or credited to either undivided profits or valuation reserves.

[4] Represents the net increase or decrease for the year in valuation reserves against loans and investments; calculated by deducting the balances in Schedule D of the income and dividends report at the end of the preceding year from the balance on hand at the end of the current year.

[5] Excludes transfers to and from valuation reserves for losses on securities.

[6] Excludes transfers to and from valuation reserves for losses on loans.

[a] Less than 0.01 per cent.

[b] Averages are not shown when fewer than three banks are in a group.

NOTE: Year-to-year comparisons by size groups may be affected by mergers and shifts of banks from one size group to another.

YOUR NOTES