

1968

operating ratios

income and dividends of
second district member banks

FEDERAL RESERVE BANK of NEW YORK

FEDERAL RESERVE BANK
OF NEW YORK

March 17, 1969

*To All Member Banks of the
Second Federal Reserve District:*

We are pleased to send you this report on the 1968 operating ratios, income, and dividends of member banks in the Second Federal Reserve District, prepared by our Bank Examinations Department. We believe you will find this report useful in analyzing your operating performance and comparing it with the average results for banks of similar size and character.

If you have any questions about this report, or desire additional copies, you may contact the Banking Studies Division of our Bank Examinations Department.

ALFRED HAYES,
President.

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Income and Dividends of Second District Member Banks

Summary

Net income after taxes of all member banks in the Second District rose 7 percent in 1968, whereas net earnings from operations jumped 17 percent. The failure of net income to evidence the strong showing in operating earnings resulted from sharply higher losses on securities transactions. In this respect the 1968 results paralleled the performance of 1966. In both years the economy experienced a strong demand inflation marked by rising interest rates, and banks sold securities at a loss to satisfy heavy loan demand. In 1968 banks' losses on securities transactions also reflected portfolio "switching" for purposes of reducing income tax liability.

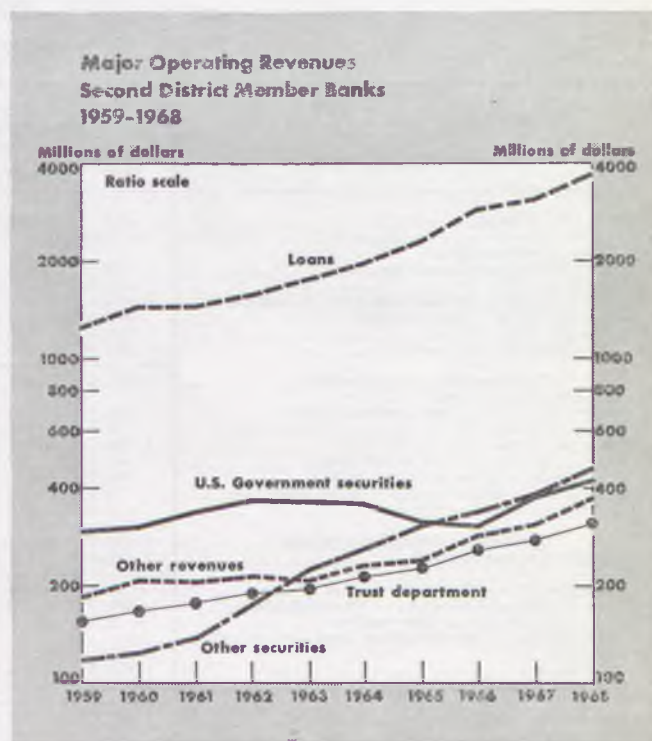
The effects of securities charge-offs were greatest among large banks in New York City. Their net income growth amounted to only 4 percent, compared with a gain of 12 percent for all other banks in the District.

Operating revenue

Total operating revenue of the 374 member banks in the District rose 18 percent, with all revenue categories sharing in the advance. The \$792 million increase brought the total to \$5.2 billion, more than twice the amount reported a decade ago.

The largest dollar contribution to the rise in total revenue came from loan income, which climbed \$566 million, or 18 percent. This increase compares with 8 percent in 1967 and 24 percent in 1966. The improved gains over the 1967 results were due primarily to a higher return on loans, particularly at large banks in the District. Average loan volume rose 8 percent (\$4.1 billion), about the same rate of growth as in 1967.

At the 12 New York City reserve city banks, total operating revenue expanded 19 percent, somewhat above that for the remaining banks in the District. The difference was accounted for principally by the greater growth in loan income of the City banks, where loan volume as well as loan rates rose more than at all other District banks.



Districtwide, member banks also recorded a sizable increase (21 percent) in income from securities other than U. S. Governments, consisting primarily of tax-exempt State and municipal obligations. The growth came principally from increased holdings. Relative gains in income from these "other securities" were about equally as large for the City banks as for banks outside the City.

Earnings on U. S. Government securities rose for the second year in a row, having declined every year from 1963 through 1966. The \$45 million increase brought earnings on Government obligations to a record \$424 million. This 12 percent rise reflected an increase of 8 percent in the average size of the banks' portfolios, as well as a higher yield. (Rates of return averaged 4.79 percent last year versus 4.44 percent in 1967.) For the City banks, the 10 percent advance in income from Government securities was accounted for by an equivalent growth of portfolios, but for the banks outside the City the 16 percent

income gain outstripped the rise in the volume of such securities held (6 percent), reflecting higher yields.

Service charges on deposit accounts and trust department earnings showed increases of 6 and 12 percent, respectively, in 1968. "Other current operating revenue," which includes income from foreign departments and foreign branches, mounted 32 percent.

Operating expenses

All operating expense categories rose sharply in 1968, resulting in an 18 percent increase in total current operating expense. Interest on time and savings

Income, Expenses, and Dividends of Second District Member Banks

1966-1968

(In millions of dollars)

Item	All Second District member banks			New York City reserve city banks ¹			All other Second District member banks		
	1968	1967	1966	1968	1967	1966	1968	1967	1966
Number of banks at year-end.....	374	384	399	12	12	12	362	372	387
Current operating revenue:									
On U. S. Government securities.....	423.6	378.3	304.6	268.3	244.9	175.9	155.3	133.4	128.7
On other securities.....	459.3	378.5	336.1	280.3	232.0	212.0	179.0	146.5	124.1
On loans (including service charges and fees on loans)...	3,653.6	3,087.8	2,855.4	2,698.7	2,158.9	1,996.6	1,054.9	928.9	858.8
Service charges on deposit accounts.....	131.6	124.5	116.3	54.9	52.4	48.2	76.7	72.1	68.1
Trust department earnings.....	311.9	278.8	258.1	269.2	239.3	220.7	42.7	39.5	37.4
Other current operating revenue.....	243.6	184.1	166.9	203.2	152.5	139.3	40.4	31.6	27.6
Total current operating revenue.....	5,223.6	4,432.0	4,037.4	3,674.6	3,080.0	2,792.7	1,549.0	1,352.0	1,244.7
Current operating expenses:									
Salaries and wages—officers and employees.....	977.7	844.6	752.8	657.8	554.5	484.5	319.9	290.1	268.3
Pension, hospitalization, social security taxes, etc.....	173.2	156.6	144.5	121.9	111.6	101.8	51.3	45.0	42.7
Interest on time and savings deposits.....	1,726.1	1,522.8	1,379.5	1,175.1	1,037.4	951.7	551.0	485.4	427.8
Interest and discount on borrowed money.....	187.4	89.7	112.3	176.2	83.3	99.7	11.2	6.4	12.6
Net occupancy expense of bank premises.....	207.0	190.0	176.7	137.8	127.1	118.1	69.2	62.9	58.6
Furniture and equipment—depreciation, rents, etc.....	96.6	80.1	67.7	55.8	45.2	37.2	40.8	34.9	30.5
Other current operating expenses.....	478.0	374.6	329.0	315.2	229.7	195.0	162.8	144.9	134.0
Total current operating expenses.....	3,846.0	3,258.4	2,962.5	2,639.8	2,188.8	1,988.0	1,206.2	1,069.6	974.5
Net current operating earnings.....	1,377.6	1,173.6	1,074.9	1,034.8	891.2	804.7	342.8	282.4	270.2
Net recoveries (+) or charge-offs (−) on loans.....	− 54.2	− 76.9	− 88.0	− 31.5	− 49.6	− 59.3	− 22.7	− 27.3	− 28.7
Securities profits and recoveries (+) or charge-offs (−).....	−180.9	− 23.3	−160.6	−165.4	− 23.6	−143.0	− 15.5	+ 0.3	−17.6
All other recoveries (+) or charge-offs (−).....	− 2.7	− 1.7	− 3.1	+ 3.5	+ 0.3	+ 0.2	− 6.2	− 2.0	− 3.3
Net additions to (−) or deductions from (+) valuation reserves for:									
Loan losses.....	−128.0	−113.4	− 74.8	−107.3	− 97.5	− 60.8	− 20.7	− 15.9	− 13.5
Securities losses.....	+ 1.4	+ 4.1	+ 7.0	− 0.2	− 0.2	+ 2.4	+ 1.6	+ 4.3	+ 4.6
Net income before related taxes.....	1,013.2	962.4	755.9	733.9	720.6	544.2	279.3	241.8	211.7
Taxes on net income.....	288.5	281.8	196.9	228.4	236.6	155.0	60.1	45.2	41.9
Net income.....	724.7	680.6	559.0	505.5	484.0	389.2	219.2	196.6	169.8
Dividends declared (including interest on debt capital)....	420.9	374.5	342.1	320.3	284.2	259.4	100.6	90.3	82.7
Net income after dividends.....	303.8	306.1	216.9	185.2	199.8	129.8	118.6	106.3	87.1
Averages of selected assets, deposits, and capital accounts of Second District member banks:									
Loans (net).....	55,438.0	51,302.0	47,988.1	40,064.3	36,285.0	34,209.2	15,373.7	15,017.0	13,778.9
U. S. Government securities.....	9,058.9	8,396.9	7,854.1	5,727.7	5,240.1	4,685.8	3,331.2	3,156.8	3,168.3
Other securities.....	12,516.5	10,603.7	9,646.0	7,453.7	6,418.9	4,853.7	5,062.8	4,184.8	4,792.3
Total assets.....	103,184.7	92,438.0	84,728.4	75,406.4	66,720.2	61,768.3	27,778.3	25,717.8	22,960.1
Total deposits.....	83,560.7	76,355.5	70,658.8	58,815.1	53,410.3	49,545.4	24,745.6	22,945.2	21,113.4
Demand deposits.....	49,946.7	44,332.9	40,684.8	38,584.0	33,784.7	30,705.8	11,362.7	10,548.2	9,979.0
Time and savings deposits.....	33,614.0	32,022.6	29,974.0	20,231.0	19,625.6	18,839.6	13,383.0	12,397.0	11,134.4
Total capital accounts.....	7,996.5	7,466.0	6,977.3	5,972.1	5,566.7	5,192.3	2,024.4	1,899.3	1,785.0

¹ Includes one bank headquartered in Nassau County with a reserve city classification.

Sources: Income, expenses, and dividends are derived from the year-end *Reports of Income and Dividends* submitted by member banks in the Second Federal Reserve District. Selected assets, deposits, and capital accounts for each year are based upon an average of five quarterly *Reports of Condition*—four during the year plus the preceding December.

deposits, the largest single expense item, accounted for \$1.7 billion, a jump of \$203 million, or 13 percent, over 1967. With average total time and savings deposits growing only 5 percent, interest expense was pushed up mostly by higher rates paid on certificates of deposit.

The growth rate of wages, salaries, and fringe benefits combined continued to accelerate in 1968, climbing \$150 million, or 15 percent. This rate compares with 12 percent in 1967, 10 percent in 1966, and much less in other recent years. For New York City banks, rising wages and salaries were particularly

evident in their operating results. In these institutions such expenses soared almost 19 percent—17 percent if fringe benefits are included. The corresponding figures for banks outside the City were 10 percent for wages and salaries and 11 percent for total expenses related to personnel.

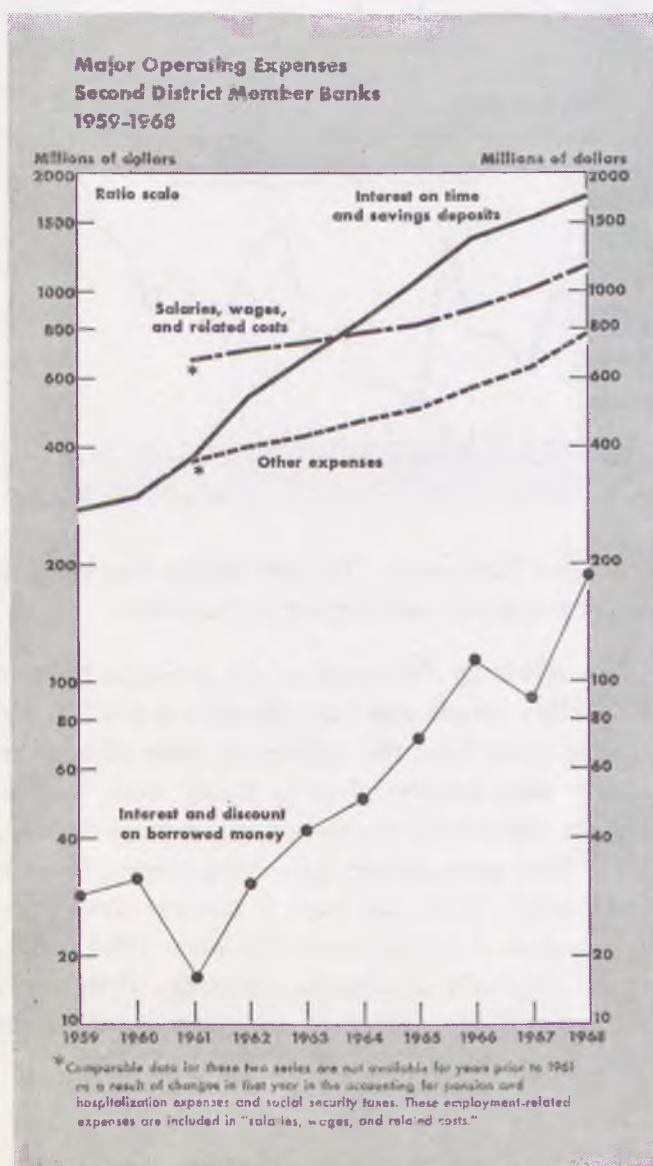
The tighter money market conditions that generally prevailed throughout the latter half of 1968 were reflected in the rising costs of borrowed money, such as Federal funds, Eurodollars, and borrowings at the discount window. Interest and discount on borrowed money, which declined during 1967, increased over the past year by nearly \$100 million, to more than twice the amount recorded in 1967. This reversal brought the cost of borrowed money for all member banks in the District to \$187 million—an amount larger than that incurred during the “credit crunch” of 1966. The large City banks accounted for 95 percent of the total increase in borrowed-money costs for all District banks in 1968.

The growing cost of bank operations was also indicated by increased expenditures for bank premises, furniture and equipment, and “other current operating expenses.”

Net income, taxes, dividends, and retained earnings

Net current operating earnings in 1968 advanced in line with revenues and expenses, climbing 17 percent—the best gain posted in the 1960's. The \$204 million increase brought total earnings to \$1.4 billion.

Securities losses and charge-offs, which were concentrated in the money market banks of New York City, resulted in a deduction of \$181 million from net operating earnings in 1968. Although some of these losses were incurred in the spring to meet loan demand, large amounts were apparently taken voluntarily to establish tax losses. Some evidence for the importance of portfolio “switching” for tax purposes is found in the fact that average holdings of Govern-



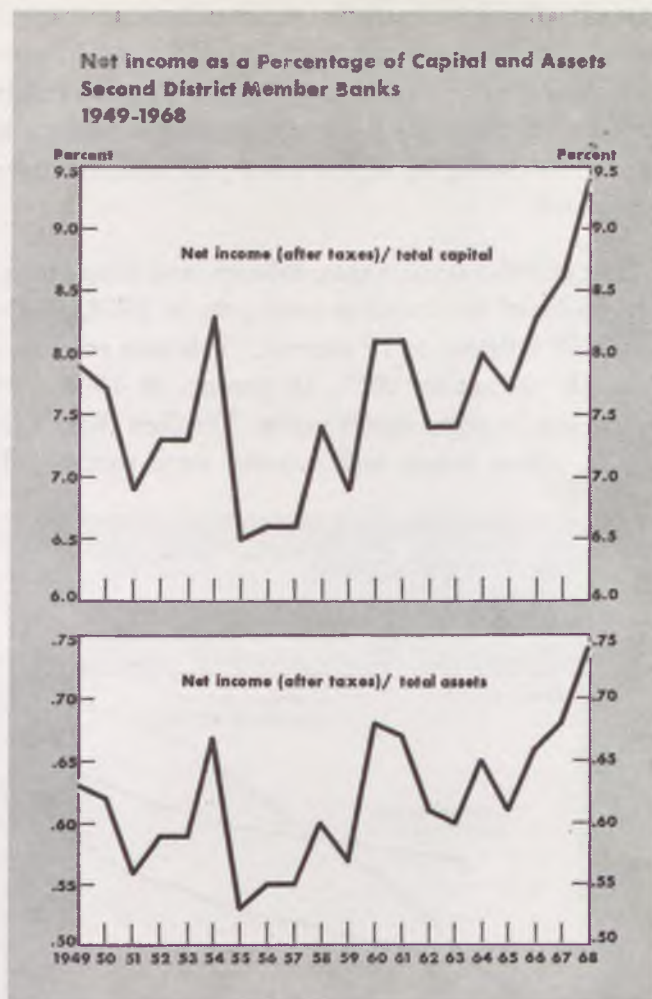
ment securities by the District member banks increased during the year despite the heavy demand for loans. This contrasts with 1966, when securities holdings were reduced primarily to obtain loanable funds. Other nonoperating transactions, including \$127 million of net transfers to valuation reserves, brought total deductions from operating earnings to \$364 million, \$153 million more than in 1967.

Taxes on net income of Second District member banks rose in 1968 by only \$7 million—slightly more than 2 percent. This gain was more than accounted for by the 10 percent surcharge. The concentration of securities losses in the City banks produced a sharp contrast: income taxes of City banks actually declined 4 percent, while those paid by the remaining banks jumped 33 percent.

Net income after taxes of the District's member banks amounted to a record \$725 million in 1968, a rise of \$44 million, or 7 percent, over 1967. For the City banks the increase amounted to only 4 percent, whereas the remaining District banks showed an increase of 12 percent. Total dividends of \$421 million were paid out by Second District member banks in 1968. These payments were \$46 million, or 12 percent, greater than in 1967, and represented about 58 percent of net profits after taxes. Retained earnings for all banks (net income after dividends) amounted to \$304 million, or slightly less than in 1967.

Bank profitability

The chart on this page shows that bank profitability—net income as a percentage of capital or assets—has climbed steadily since 1965 and has broken through the top of the range of fluctuation since 1949. The pattern of these ratios over the past 20 years shows no consistent relationship to cycles in general business. For example, 1955–1957 was a period of inflationary boom similar in many respects



to the past three years. Yet profitability was lowest in the former period and highest in the latter.

The relatively flat trend of the ratios in the first half of this decade was due primarily to the fact that revenue gains from the quickening pace of business activity were largely offset by rising costs, particularly the interest expense on time and savings deposits. While these same factors have been present in more recent years, there has been a further sharp jump in loan-deposit ratios, especially since 1964, and a greater emphasis on consumer lending. Both trends have boosted loan revenues and contributed to the recent improvement in profitability.

1968 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 1968 ratios are averages of amounts reported for December 31, 1967, April 18, 1968, June 29, 1968, October 30, 1968, and December 30, 1968. Ratios for 1967 have been computed by using a similar base.		BANKS IN NEW YORK CITY*								YOUR BANK	
		All Second District Banks		Deposits under \$100 million		Deposits of \$100 million to \$1 billion		Deposits over \$1 billion			
		1968	1967	1968	1967	1968	1967	1968	1967		
SUMMARY RATIOS		Number of banks.....		371	382	5	4	6	6	9	9
Percentage of Total Capital Accounts											
1. Net current operating earnings		15.57	13.66	11.93	10.57	22.68	19.60	18.37	16.79		
2. Net income before related taxes		12.15	10.87	5.45	6.59	19.45	16.47	12.72	13.57		
3. Net income (after taxes)		9.43	8.59	1.98	3.32	12.58	10.69	8.36	8.67		
4. Dividends declared		3.47	3.29	1.54	2.30	2.95	2.74	5.53	5.20		
Percentage of Total Assets											
5. Total current operating revenue.....		5.54	5.31	5.90	5.51	5.62	5.35	4.83	4.57		
6. Total current operating expenses		4.33	4.23	4.88	4.62	4.20	4.06	3.45	3.20		
7. Net current operating earnings		1.21	1.09	1.02	.89	1.42	1.29	1.38	1.37		
8. Net income (after taxes) .....		.74	.68	.19	.29	.80	.73	.63	.71		
SOURCES AND DISPOSITION OF EARNINGS											
Percentage of Total Current Operating Revenue											
9. Interest on U. S. Government obligations		14.38	14.11	12.54	10.91	8.59	9.42	7.65	8.39		
10. Interest and dividends on other securities		10.21	9.68	5.88	3.43	10.78	9.75	7.46	6.97		
11. Earnings on loans ¹		66.68	67.09	70.69	76.41	68.95	68.73	68.93	68.49		
12. Service charges on deposit accounts		5.32	5.70	4.56	3.39	2.63	2.85	1.13	1.31		
13. All other current operating revenue		3.42	3.43	6.32	5.86	9.04	9.26	14.83	14.83		
14. Total current operating revenue		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15. Trust department earnings ² (part of item 13)		2.28	2.49	a	a	4.62	5.21	9.32	10.01		
16. Salaries and wages (officers and employees)		21.14	21.81	26.77	26.70	17.83	18.21	19.43	19.87		
17. Pension, hospitalization, and other benefits		2.89	2.89	2.50	2.77	2.74	2.91	3.16	3.42		
18. Interest on time and savings deposits		36.45	37.11	28.73	31.00	39.41	39.84	28.40	29.92		
19. Net occupancy expense of bank premises		4.08	4.20	7.22	7.00	3.41	3.68	3.92	4.37		
20. All other current operating expenses		13.52	13.49	16.91	15.69	11.44	11.37	16.56	12.61		
21. Total current operating expenses		78.08	79.49	82.12	83.16	74.83	76.01	71.47	70.19		
22. Net current operating earnings		21.92	20.51	17.88	16.84	25.17	24.00	28.53	29.81		
23. Net recoveries and profits (+) or losses (-) ³		- 2.98	- 2.56	- 9.15	- 2.87	- 1.75	- 2.97	- 5.43	- 2.00		
24. Net increase (-) or decrease (+) in valuation reserves ⁴		- 1.59	- 1.43	+ .05	- 3.62	- 1.49	- .60	- 3.34	- 3.68		
25. Taxes on net income		3.92	3.49	5.09	4.84	7.39	6.67	6.68	8.67		
26. Net income		13.43	13.03	3.68	5.51	14.54	13.76	13.07	15.46		
RATES OF RETURN ON SECURITIES AND LOANS											
Return on Securities											
27. Interest on U. S. Government obligations		4.79	4.44	5.16	4.41	3.75	3.71	4.86	4.82		
28. Interest and dividends on other securities		3.66	3.60	5.10	9.17	3.94	3.39	3.77	3.71		
29. Net recoveries & profits(+) or losses(-) on total securities ⁵		- .20	- .06	+ .02	+ .07	- .03	+ .37	- 1.31	- .19		
Return on Loans											
30. Earnings on loans ¹		6.76	6.50	7.17	6.68	7.02	6.49	6.49	5.81		
31. Net losses (-) or recoveries (+) on loans ⁶		- .16	- .20	- .86	- .27	- .17	- .41	- .06	- .11		
DISTRIBUTION OF ASSETS											
Percentage of Total Assets											
32. U. S. Government obligations		16.43	16.66	14.07	12.94	13.33	13.52	7.59	8.00		
33. Other securities		15.59	14.78	7.04	4.10	13.91	13.02	9.53	8.70		
34. Loans		54.87	55.09	58.16	63.12	55.04	56.43	51.04	53.50		
35. Cash assets		11.13	11.31	16.63	16.32	15.84	15.26	26.83	24.42		
36. Real estate assets		1.42	1.44	2.40	2.22	.65	.48	.99	1.07		
CAPITAL AND DEPOSIT RATIOS											
37. Capital accounts to total assets		8.07	8.29	9.45	13.49	6.37	6.71	7.59	8.18		
38. Capital accounts to total assets, less U. S. Government securities and cash assets		11.70	12.04	13.31	18.71	9.03	9.46	11.52	12.08		
39. Capital accounts to total deposits		9.11	9.38	11.19	16.76	7.06	7.47	9.71	10.17		
40. Time and savings to total deposits		57.43	57.62	42.03	45.01	47.56	49.01	30.94	33.24		
41. Interest on time and savings deposits		3.93	3.81	4.64	4.55	5.12	4.81	5.60	5.01		
AVERAGE BANK IN GROUP—In thousands of dollars											
Total deposits.....		224,364	199,126	41,368	38,123	197,262	171,463	6,118,360	5,570,671		
Capital accounts ⁷		21,408	19,415	4,680	5,286	13,895	12,693	627,858	587,596		

* New York City banks include only those banks that have their main offices located in Manhattan.

See page 10 for the note to "Earnings on loans" and other notes referred to in this table.

1968 Average Operating Ratios of Second District Member Banks Outside New York City with Deposits under \$5 Million

Note: Balance-sheet figures used as a basis for the 1968 ratios are averages of amounts reported for December 31, 1967, April 18, 1968, June 29, 1968, October 30, 1968, and December 30, 1968. Ratios for 1967 have been computed by using a similar base.		Group average		Time deposits to total deposits, percent—1968					YOUR BANK
		1968	1967	Under 50	50-55	55-60	60-65	65 and over	
SUMMARY RATIOS	Number of banks.....	49	54	9	8	12	7	13	
Percentage of Total Capital Accounts									
1. Net current operating earnings		13.25	11.87	12.71	12.63	11.52	14.79	14.79	
2. Net income before related taxes		10.87	9.46	9.85	11.08	10.98	12.90	10.25	
3. Net income (after taxes)		8.40	6.99	7.32	9.20	9.41	8.57	7.62	
4. Dividends declared		2.25	2.15	1.92	3.00	2.58	2.28	1.71	
Percentage of Total Assets									
5. Total current operating revenue.....		5.53	5.35	5.39	5.11	5.48	5.70	5.85	
6. Total current operating expenses		4.20	4.15	3.94	3.87	4.24	4.24	4.53	
7. Net current operating earnings		1.33	1.20	1.45	1.24	1.24	1.46	1.33	
8. Net income (after taxes) .....		.87	.72	.87	.89	1.07	.87	.68	
SOURCES AND DISPOSITION OF EARNINGS									
Percentage of Total Current Operating Revenue									
9. Interest on U. S. Government obligations		20.64	19.87	19.68	25.74	21.09	23.79	16.04	
10. Interest and dividends on other securities		8.47	7.70	5.73	8.04	9.95	7.73	9.68	
11. Earnings on loans ¹		64.37	65.46	67.04	57.88	62.77	62.91	68.79	
12. Service charges on deposit accounts		4.99	5.36	5.91	6.48	4.78	4.10	4.11	
13. All other current operating revenue		1.53	1.61	1.62	1.87	1.42	1.44	1.39	
14. Total current operating revenue		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15. Trust department earnings ² (part of item 13)		a	a	a	a	a	a	a	
16. Salaries and wages (officers and employees)		23.16	23.90	29.47	24.20	24.02	19.81	19.15	
17. Pension, hospitalization, and other benefits		2.63	2.66	2.97	2.67	2.37	3.76	2.00	
18. Interest on time and savings deposits		33.91	34.47	20.85	33.67	34.91	36.80	40.62	
19. Net occupancy expense of bank premises		3.45	3.33	5.34	3.83	3.22	2.95	2.41	
20. All other current operating expenses		12.80	13.25	14.79	11.77	12.79	11.29	12.87	
21. Total current operating expenses		75.94	77.62	73.44	76.14	77.30	74.57	77.02	
22. Net current operating earnings		24.05	22.38	26.55	23.83	22.69	25.40	22.98	
23. Net recoveries and profits (+) or losses (-) ³		- 3.40	- 3.84	- 2.39	- 2.14	- 4.10	- 1.99	- 5.00	
24. Net increase (-) or decrease (+) in valuation reserves ⁴ ..		- .23	- .34	- 1.76	- .88	+ 3.38	- .49	- 1.96	
25. Taxes on net income		4.63	4.61	6.42	3.63	3.00	7.69	3.86	
26. Net income		15.79	13.59	15.99	17.19	18.97	15.25	12.16	
RATES OF RETURN ON SECURITIES AND LOANS									
Return on Securities									
27. Interest on U. S. Government obligations		4.92	4.60	5.00	4.68	5.04	5.18	4.78	
28. Interest and dividends on other securities		3.80	3.94	3.95	3.36	3.78	3.67	4.07	
29. Net recoveries & profits (+) or losses (-) on total securities ⁵		- .19	- .22	- .33	- .20	- .12	- .23	- .14	
Return on Loans									
30. Earnings on loans ¹		6.97	6.82	6.91	6.50	7.06	7.13	7.12	
31. Net losses (-) or recoveries (+) on loans ⁶		- .18	- .23	- .07	- .04	- .30	- .08	- .29	
DISTRIBUTION OF ASSETS									
Percentage of Total Assets									
32. U. S. Government obligations		23.18	23.24	21.82	27.42	23.06	27.33	19.39	
33. Other securities		12.69	11.73	8.97	11.95	15.25	12.86	13.25	
34. Loans		51.35	51.77	53.01	45.56	48.85	50.32	56.63	
35. Cash assets		11.43	11.53	14.73	13.73	11.73	8.60	9.00	
36. Real estate assets		1.14	1.15	1.13	1.25	.92	.79	1.49	
CAPITAL AND DEPOSIT RATIOS									
37. Capital accounts to total assets		10.44	10.44	12.44	9.69	10.94	10.15	9.20	
38. Capital accounts to total assets, less U. S. Government securities and cash assets		18.21	17.78	28.20	16.84	18.33	16.43	12.98	
39. Capital accounts to total deposits		11.96	11.95	14.70	10.85	12.53	11.54	10.44	
40. Time and savings to total deposits		56.14	56.47	36.84	52.31	56.90	61.59	68.23	
41. Interest on time and savings deposits		3.65	3.54	2.93	3.67	3.76	3.84	3.92	
AVERAGE BANK IN GROUP—In thousands of dollars									
Total deposits		3,284	3,207	2,733	3,458	3,456	3,058	3,521	
Capital accounts ⁷		384	373	405	367	429	339	361	

¹ See page 10 for the note to "Earnings on loans" and other notes referred to in this table.

1968 Average Operating Ratios of Second District Member Banks Outside New York City with Deposits of \$5 Million to \$20 Million

Note: Balance-sheet figures used as a basis for the 1968 ratios are averages of amounts reported for December 31, 1967, April 18, 1968, June 29, 1968, October 30, 1968, and December 30, 1968. Ratios for 1967 have been computed by using a similar base.		Group average		Time deposits to total deposits, percent—1968						YOUR BANK
		1968	1967	Under 50	50-55	55-60	60-65	65-70	70 and over	
SUMMARY RATIOS										
	Number of banks.....	126	144	15	13	28	27	20	23	
Percentage of Total Capital Accounts										
1.	Net current operating earnings	14.77	12.75	14.73	15.16	15.75	14.32	12.04	16.25	
2.	Net income before related taxes	11.29	9.82	10.55	14.19	12.62	10.62	8.43	11.81	
3.	Net income (after taxes)	8.53	7.70	7.31	10.22	9.82	7.99	6.44	9.27	
4.	Dividends declared	2.64	2.64	2.71	2.31	3.04	2.51	2.39	2.63	
Percentage of Total Assets										
5.	Total current operating revenue	5.45	5.25	5.34	5.04	5.35	5.46	5.43	5.87	
6.	Total current operating expenses	4.25	4.19	4.10	3.74	4.12	4.25	4.41	4.65	
7.	Net current operating earnings	1.20	1.06	1.24	1.30	1.23	1.21	1.02	1.22	
8.	Net income (after taxes) .....	.69	.64	.65	.88	.76	.66	.55	.67	
SOURCES AND DISPOSITION OF EARNINGS										
Percentage of Total Current Operating Revenue										
9.	Interest on U. S. Government obligations	16.95	16.05	19.01	19.99	18.46	15.27	16.08	14.78	
10.	Interest and dividends on other securities	9.42	9.29	9.85	10.99	8.39	9.22	10.09	9.14	
11.	Earnings on loans ¹	66.18	66.64	61.17	61.69	66.07	67.90	66.40	69.89	
12.	Service charges on deposit accounts	5.31	5.73	6.82	5.61	5.16	5.62	4.90	4.30	
13.	All other current operating revenue	2.15	2.29	3.16	1.72	1.93	1.98	2.52	1.89	
14.	Total current operating revenue	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15.	Trust department earnings ² (part of item 13) .....	.59	.84	.66	.51	.55	.41	1.04	.24	
16.	Salaries and wages (officers and employees)	20.90	21.31	26.37	22.32	21.22	20.18	19.90	17.85	
17.	Pension, hospitalization, and other benefits	2.59	2.61	2.86	2.96	2.59	2.62	2.08	2.59	
18.	Interest on time and savings deposits	37.77	38.65	24.95	33.32	36.98	38.84	42.66	44.07	
19.	Net occupancy expense of bank premises	3.74	3.98	4.81	3.38	3.90	3.70	3.49	3.32	
20.	All other current operating expenses	13.09	13.30	17.58	12.46	12.51	12.80	12.97	11.69	
21.	Total current operating expenses	78.08	79.86	76.57	74.44	77.20	78.12	81.10	79.53	
22.	Net current operating earnings	21.92	20.14	23.43	25.56	22.80	21.88	18.90	20.47	
23.	Net recoveries and profits (+) or losses (-) ³	- 2.82	- 2.45	- 2.64	+ .09	- 2.63	- 4.02	- 3.84	- 2.51	
24.	Net increase (-) or decrease (+) in valuation reserves ⁴	- 2.14	- 2.03	- 3.00	- 1.58	- 1.88	- 1.86	- 1.47	- 3.11	
25.	Taxes on net income	4.18	3.37	5.34	6.60	4.11	4.03	3.15	3.23	
26.	Net income	12.78	12.29	12.45	17.47	14.18	11.97	10.43	11.62	
RATES OF RETURN ON SECURITIES AND LOANS										
Return on Securities										
27.	Interest on U. S. Government obligations	4.81	4.60	4.97	4.60	4.66	4.97	4.50	5.07	
28.	Interest and dividends on other securities	3.73	3.57	4.06	3.85	3.45	3.26	4.65	3.57	
29.	Net recoveries & profits (+) or losses (-) on total securities ⁵	- .13	- .04	- .16	+ .06	- .10	- .28	- .20	+ .01	
Return on Loans										
30.	Earnings on loans ¹	6.58	6.39	6.30	6.32	6.61	6.64	6.38	6.97	
31.	Net losses (-) or recoveries (+) on loans ⁶	- .16	- .20	- .17	- .04	- .13	- .17	- .22	- .20	
DISTRIBUTION OF ASSETS										
Percentage of Total Assets										
32.	U. S. Government obligations	18.80	18.27	19.84	21.84	20.67	16.51	18.89	16.74	
33.	Other securities	13.95	13.92	12.71	15.19	13.19	15.55	12.84	14.08	
34.	Loans	55.15	55.09	52.11	49.23	53.67	56.55	56.99	59.05	
35.	Cash assets	10.32	10.65	13.38	12.17	10.68	9.74	9.37	8.36	
36.	Real estate assets	1.53	1.55	1.64	1.33	1.57	1.45	1.63	1.52	
CAPITAL AND DEPOSIT RATIOS										
37.	Capital accounts to total assets	8.38	8.62	8.98	8.71	8.01	8.65	8.72	7.63	
38.	Capital accounts to total assets, less U. S. Government securities and cash assets	12.25	12.54	14.59	13.41	11.87	12.34	12.37	10.31	
39.	Capital accounts to total deposits	9.40	9.73	10.23	9.72	8.93	9.76	9.82	8.49	
40.	Time and savings to total deposits	60.03	60.30	39.30	52.29	57.21	62.02	67.12	72.87	
41.	Interest on time and savings deposits	3.81	3.74	3.82	3.58	3.83	3.82	3.85	3.88	
AVERAGE BANK IN GROUP—In thousands of dollars										
	Total deposits	11,181	10,895	10,909	10,042	11,439	11,749	10,651	11,480	
	Capital accounts ⁷	1,042	1,043	1,137	959	1,002	1,133	1,050	962	

¹ See page 10 for the note to "Earnings on loans" and other notes referred to in this table.

1968 Average Operating Ratios of Second District Member Banks Outside New York City with Deposits of \$20 Million to \$50 Million

Note: Balance-sheet figures used as a basis for the 1968 ratios are averages of amounts reported for December 31, 1967, April 18, 1968, June 29, 1968, October 30, 1968, and December 30, 1968. Ratios for 1967 have been computed by using a similar base.		Group average		Time deposits to total deposits, percent—1968					YOUR BANK
		1968	1967	Under 50	50-55	55-60	60-65	65 and over	
SUMMARY RATIOS	Number of banks.....	82	80	8	11	18	16	29	
Percentage of Total Capital Accounts									
1. Net current operating earnings		15.81	14.00	18.31	13.99	16.65	16.02	15.18	
2. Net income before related taxes		12.02	10.74	13.17	12.30	12.69	12.76	10.77	
3. Net income (after taxes)		9.65	8.83	9.89	10.83	9.87	10.16	8.71	
4. Dividends declared		3.62	3.30	4.87	3.69	3.38	3.37	3.54	
Percentage of Total Assets									
5. Total current operating revenue		5.53	5.34	5.29	5.29	5.65	5.42	5.68	
6. Total current operating expenses		4.42	4.34	3.93	4.24	4.46	4.25	4.69	
7. Net current operating earnings		1.11	1.01	1.36	1.04	1.19	1.17	.99	
8. Net income (after taxes) .....		.69	.65	.74	.81	.71	.73	.58	
SOURCES AND DISPOSITION OF EARNINGS									
Percentage of Total Current Operating Revenue									
9. Interest on U. S. Government obligations		13.06	12.46	10.67	15.56	11.81	14.54	12.73	
10. Interest and dividends on other securities		10.95	10.72	10.19	12.11	10.24	11.24	11.01	
11. Earnings on loans ¹		67.07	67.21	67.41	62.02	68.26	65.80	68.87	
12. Service charges on deposit accounts		6.06	6.60	6.05	6.61	7.04	6.06	5.23	
13. All other current operating revenue		2.86	3.01	5.68	3.71	2.65	2.36	2.16	
14. Total current operating revenue		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15. Trust department earnings ² (part of item 13)		1.49	1.64	3.55	1.92	1.05	1.38	.56	
16. Salaries and wages (officers and employees)		20.83	21.74	23.45	24.74	21.83	19.26	18.87	
17. Pension, hospitalization, and other benefits		2.97	2.92	3.48	3.36	3.04	2.68	2.79	
18. Interest on time and savings deposits		38.14	38.08	25.79	32.32	35.69	39.99	44.26	
19. Net occupancy expense of bank premises		4.18	4.43	5.06	5.00	4.52	3.78	3.62	
20. All other current operating expenses		13.69	13.86	16.35	14.98	13.66	12.79	12.99	
21. Total current operating expenses		79.80	81.03	74.12	80.40	78.74	78.49	82.53	
22. Net current operating earnings		20.20	18.97	25.88	19.60	21.26	21.52	17.47	
23. Net recoveries and profits (+) or losses (-) ³		- 2.78	- 2.03	- 4.12	- 3.45	- 3.03	- 2.63	- 2.09	
24. Net increase (-) or decrease (+) in valuation reserves ⁴		- 1.92	- 2.01	- 3.02	+ 1.41	- 2.10	- 1.63	- 2.92	
25. Taxes on net income		3.02	2.66	4.62	2.09	3.50	3.75	2.23	
26. Net income		12.48	12.27	14.12	15.47	12.63	13.50	10.24	
RATES OF RETURN ON SECURITIES AND LOANS									
Return on Securities									
27. Interest on U. S. Government obligations		4.82	4.17	4.61	5.00	4.39	4.70	5.13	
28. Interest and dividends on other securities		3.48	3.37	3.30	3.30	3.48	3.45	3.62	
29. Net recoveries & profits (+) or losses (-) on total securities ³		- .20	- .05	- .47	- .19	- .16	- .22	- .15	
Return on Loans									
30. Earnings on loans ¹		6.69	6.51	6.39	6.64	6.72	6.67	6.79	
31. Net losses (-) or recoveries (+) on loans ⁵		- .14	- .13	- .19	- .21	- .14	- .12	- .11	
DISTRIBUTION OF ASSETS									
Percentage of Total Assets									
32. U. S. Government obligations		15.28	15.46	12.02	16.98	15.08	17.23	14.59	
33. Other securities		17.31	16.57	16.88	19.78	15.41	17.69	17.46	
34. Loans		55.61	55.37	56.03	49.52	57.52	53.73	57.67	
35. Cash assets		9.94	10.47	12.99	11.65	9.97	9.68	8.59	
36. Real estate assets		1.48	1.60	1.60	1.63	1.67	1.37	1.33	
CAPITAL AND DEPOSIT RATIOS									
37. Capital accounts to total assets		7.21	7.31	7.87	7.41	7.31	7.28	6.86	
38. Capital accounts to total assets, less U. S. Government securities and cash assets		9.69	9.96	10.41	10.39	9.79	10.02	8.99	
39. Capital accounts to total deposits		8.02	8.13	8.83	8.29	8.12	8.09	7.60	
40. Time and savings to total deposits		60.15	59.25	39.03	51.28	57.80	61.88	69.84	
41. Interest on time and savings deposits		3.87	3.78	3.92	3.73	3.83	3.86	3.94	
AVERAGE BANK IN GROUP—In thousands of dollars									
Total deposits		29,865	30,285	31,158	30,520	31,551	29,640	28,338	
Capital accounts ⁷		2,384	2,471	2,802	2,518	2,546	2,368	2,125	

¹ See page 10 for the note to "Earnings on loans" and other notes referred to in this table.

1968 Average Operating Ratios of Second District Member Banks Outside New York City with Deposits of \$50 Million and Over

Note: Balance-sheet figures used as a basis for the 1968 ratios are averages of amounts reported for December 31, 1967, April 18, 1968, June 29, 1968, October 30, 1968, and December 30, 1968. Ratios for 1967 have been computed by using a similar base.		Group average		Time deposits to total deposits, percent—1968					YOUR BANK
		1968	1967	Under 50	50-55	55-60	60-65	65 and over	
SUMMARY RATIOS	Number of banks.....	94	85	18	14	23	21	18	
Percentage of Total Capital Accounts									
1. Net current operating earnings		17.13	15.42	19.29	17.33	17.41	15.48	16.41	
2. Net income before related taxes		13.93	13.18	16.18	14.77	14.06	11.93	13.20	
3. Net income (after taxes)		11.29	10.96	12.01	11.41	11.40	10.43	11.35	
4. Dividends declared		5.04	5.03	5.59	4.96	5.60	4.70	4.25	
Percentage of Total Assets									
5. Total current operating revenue.....		5.71	5.44	5.40	5.76	5.69	5.68	6.04	
6. Total current operating expenses		4.48	4.34	3.93	4.41	4.51	4.61	4.89	
7. Net current operating earnings		1.23	1.10	1.47	1.35	1.18	1.07	1.15	
8. Net income (after taxes) .....		.81	.79	.92	.89	.78	.73	.80	
SOURCES AND DISPOSITION OF EARNINGS									
Percentage of Total Current Operating Revenue									
9. Interest on U. S. Government obligations		9.91	9.79	9.04	9.86	11.45	9.06	9.87	
10. Interest and dividends on other securities		12.00	11.21	12.46	11.53	12.40	11.31	12.18	
11. Earnings on loans ¹		67.62	68.05	65.97	65.78	66.05	70.47	69.38	
12. Service charges on deposit accounts		5.46	5.79	5.90	5.82	6.02	4.91	4.70	
13. All other current operating revenue		5.00	5.16	6.63	7.00	4.09	4.25	3.87	
14. Total current operating revenue		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15. Trust department earnings ² (part of item 13)		2.84	3.15	3.99	4.45	2.11	2.30	1.37	
16. Salaries and wages (officers and employees)		20.78	21.62	22.79	22.24	20.61	19.92	18.84	
17. Pension, hospitalization, and other benefits		3.35	3.42	3.79	4.15	3.38	2.92	2.77	
18. Interest on time and savings deposits		35.55	36.09	25.53	31.80	35.85	40.41	42.41	
19. Net occupancy expense of bank premises		4.68	4.77	5.13	4.97	5.00	4.40	3.90	
20. All other current operating expenses		13.97	13.74	15.54	13.35	14.23	13.51	13.08	
21. Total current operating expenses		78.32	79.64	72.79	76.51	79.08	81.15	80.99	
22. Net current operating earnings		21.68	20.36	27.21	23.49	20.93	18.85	19.01	
23. Net recoveries and profits (+) or losses (-) ³		- 2.67	- 2.44	- 2.82	- 2.93	- 2.61	- 3.10	- 1.89	
24. Net increase (-) or decrease (+) in valuation reserves ⁴		- 1.19	- .28	- 1.41	- .22	- 1.29	- 1.07	- 1.72	
25. Taxes on net income		3.43	2.97	5.85	4.62	3.15	1.89	2.25	
26. Net income		14.39	14.68	17.13	15.71	13.88	12.79	13.14	
RATES OF RETURN ON SECURITIES AND LOANS									
Return on Securities									
27. Interest on U. S. Government obligations		4.72	4.34	4.34	4.75	4.84	4.76	4.88	
28. Interest and dividends on other securities		3.55	3.39	3.50	3.50	3.55	3.41	3.82	
29. Net recoveries & profits (+) or losses (-) on total securities ⁵		- .21	- .02	- .21	- .32	- .16	- .33	- .04	
Return on Loans									
30. Earnings on loans ¹		6.93	6.56	6.72	6.84	6.87	6.87	7.33	
31. Net losses (-) or recoveries (+) on loans ⁶		- .14	- .20	- .13	- .16	- .13	- .13	- .15	
DISTRIBUTION OF ASSETS									
Percentage of Total Assets									
32. U. S. Government obligations		11.89	12.17	11.03	11.99	13.22	10.92	12.10	
33. Other securities		18.95	17.75	18.84	18.53	19.55	18.56	19.10	
34. Loans		55.87	56.60	53.10	55.51	54.75	58.43	57.39	
35. Cash assets		10.99	11.17	14.65	11.78	10.26	9.86	8.98	
36. Real estate assets		1.43	1.37	1.65	1.24	1.31	1.34	1.61	
CAPITAL AND DEPOSIT RATIOS									
37. Capital accounts to total assets		7.25	7.17	7.72	7.91	6.86	7.03	6.99	
38. Capital accounts to total assets, less U. S. Government securities and cash assets		9.44	9.38	10.45	10.46	8.98	8.91	8.86	
39. Capital accounts to total deposits		8.14	8.03	8.78	8.97	7.64	7.90	7.78	
40. Time and savings to total deposits		56.22	56.04	39.56	52.61	57.14	61.95	67.85	
41. Interest on time and savings deposits		4.01	3.88	3.84	3.91	3.96	4.15	4.16	
AVERAGE BANK IN GROUP—In thousands of dollars									
Total deposits		242,178	242,163	318,454	238,693	241,584	303,030	98,380	
Capital accounts ⁷		19,568	19,559	28,385	20,075	18,135	23,703	7,364	

¹ See page 10 for the note to "Earnings on loans" and other notes referred to in this table.

NOTES TO PAGES 5-9

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.

⁷ Includes capital notes and debentures, preferred and common stock, surplus, undivided profits, and reserves for contingencies and other capital reserves. "Valuation reserves" are *not* included as part of capital accounts.

^a Averages are not shown when fewer than three banks are in a group or when no banks in the group have trust department earnings.

Note: Ratios may not add to totals because of rounding. Year-to-year comparisons by size groups may be affected by mergers and shifts of banks from one size group to another. Member banks whose ratios are distorted by unusual circumstances are excluded from the calculations of the ratios in order to eliminate their effect upon the averages.

