

TO _____

FROM _____

REMARKS:

July 21, 1943

Attached papers used in connection with
Open Market Executive Committee and
Treasury meetings during past few days.

CHAIRMAN'S OFFICE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 13, 1943.

To Chairman Eccles

Subject: Bank Earnings

From Mr. Thurston

Attached is a memorandum and additional tables furnished by Mr. Horbett which may answer your question more satisfactorily than the previous memorandum and tables I transmitted to you, as the attached statistics cover all insured banks rather than just the member banks. However, the same general pattern, of course, prevails; that is, the net current earnings for all insured commercial banks, except the largest groups, namely, those with deposits of \$50 millions or more, showed a decline in 1942 as compared with 1941. If I read the tables right the same holds true for average net profits.



Attachment

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 13, 1943

To Mr. Thurston

Subject: Bank Earnings 1941 and 1942

From Mr. Horbett

Following our conversation last Saturday, I telephoned Mr. Thompson of the Federal Deposit Insurance Corporation, and he furnished me certain statistics on net earnings and net profits of all insured banks in 1941 and 1942, on the basis of which we have prepared the attached tables. One table shows average net current earnings per \$100 of total capital accounts, and the other table shows average net profits per \$100 of total capital accounts. Both tables give separate figures for each class of insured commercial banks--national, State member, and nonmember, and all of the ratios are presented by size of bank.

You will observe that for all national banks and for all State member banks, taken as a whole, the average rate of net current earnings was somewhat higher in 1942 than in 1941. For insured nonmember commercial banks, taken as a whole, the average rate of net current earnings was lower in 1942 than in 1941. The distribution by size of banks shows that in every size group and for every class of bank, except banks with deposits of more than \$50,000,000, the average rate of net current earnings was lower in 1942 than in 1941.

The second table, which gives average net profits (after losses and charge-offs), shows a reduction in the rate of net profits in all size groups in the case of national banks and in all but the largest size group in the case of State member banks and insured nonmember commercial banks.

Both tables show that the smaller banks had relatively larger declines in earnings and profits than the medium size and larger banks.* I do not mean to imply, however, that the rates of earnings in 1942 of small banks were too low--merely that their rates of earnings declined considerably in 1942.

We have not prepared corresponding dollar figures of net earnings and net profits. They are available, but the dollar figures for 1942 are not comparable with those for 1941, because of the big shift in the number of banks from one group to another, resulting from the growth in deposits. Tests that we have made indicate that the average rates of net earnings and net profits by size of bank are not seriously affected by this shifting of banks.

* Banks in the largest size group (more than \$50,000,000) reported higher rates of earnings and profits in 1942 than in 1941.

To: Mr. Thurston

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If desired, we can readily furnish dollar figures of the principal items of earnings and expenses for 1941 and 1942 by class of insured commercial banks--central reserve city banks, reserve city banks, country banks, and insured nonmember commercial banks. These figures will not be arranged by size of bank for the reason already mentioned.

A. G. Harrell

Attachments.

AVERAGE NET CURRENT EARNINGS PER \$100 OF TOTAL CAPITAL ACCOUNTS
OF ALL INSURED COMMERCIAL BANKS, BY CLASS AND SIZE OF BANKS, 1941 AND 1942 ^{1/}

(Averages calculated from aggregate dollar amounts reported by banks in each group.)

Source: Federal Deposit Insurance Corporation.)

Banks with total deposits of--	All insured commercial banks		National banks ^{2/}		State member banks ^{3/}		Insured nonmember commercial banks	
	1941	1942	1941	1942	1941	1942	1941	1942
\$250,000 or less	\$7.72	\$5.58	\$5.68	\$3.98	\$6.14	\$4.27	\$8.09	\$5.74
\$250,000 to \$500,000	8.77	6.50	6.61	4.67	7.56	5.33	9.78	7.07
\$500,000 to \$1,000,000	8.52	6.88	7.23	5.80	8.55	6.43	9.63	7.68
\$1,000,000 to \$2,000,000	7.86	6.82	7.02	6.20	7.73	6.62	9.18	7.70
\$2,000,000 to \$5,000,000	7.25	6.78	6.57	6.37	7.61	6.92	8.55	7.52
\$5,000,000 to \$50,000,000	6.99	6.65	6.73	6.59	7.04	6.47	7.75	7.15
More than \$50,000,000	6.27	7.12	6.93	7.71	5.42	6.32	8.27	9.30
All size groups	6.80	6.94	6.86	7.16	5.89	6.38	8.72	7.48

^{1/} Net current operating earnings (after income taxes and after recurring depreciation on real estate) per \$100 of total capital accounts as of December 31 of banks operating the full year. Trust companies not engaged in deposit banking excluded. Total capital accounts of State member banks, by size of bank, estimated for 1941.

^{2/} Including nonmember national banks outside the continental United States.

^{3/} Excluding three member mutual savings banks.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
DIVISION OF BANK OPERATIONS
JULY 13, 1943

AVERAGE NET PROFITS PER \$100 OF TOTAL CAPITAL ACCOUNTS
OF ALL INSURED COMMERCIAL BANKS, BY CLASS AND SIZE OF BANKS, 1941 AND 1942^{1/}

(Averages calculated from aggregate dollar amounts reported by banks in each group.
Source: Federal Deposit Insurance Corporation.)

Banks with total deposits of--	All insured commercial banks		National banks ^{2/}		State member banks ^{3/}		Insured nonmember commercial banks	
	1941	1942	1941	1942	1941	1942	1941	1942
\$250,000 or less	\$6.96	\$5.78	\$4.63	\$2.99	\$5.80	\$5.65	\$7.35	\$6.03
\$250,000 to \$500,000	8.32	6.80	6.44	4.19	7.87	6.22	9.14	7.53
\$500,000 to \$1,000,000	7.97	6.41	6.98	4.91	9.18	6.46	8.57	7.39
\$1,000,000 to \$2,000,000	7.04	5.69	6.61	4.86	6.93	6.33	7.74	6.59
\$2,000,000 to \$5,000,000	6.16	5.37	6.25	5.09	6.47	6.05	5.78	5.56
\$5,000,000 to \$50,000,000	6.37	5.40	6.80	5.66	6.22	5.28	5.14	4.76
More than \$50,000,000	6.62	6.77	7.96	7.37	5.02	6.05	6.04	6.22
All size groups	6.66	6.26	7.37	6.52	5.40	5.93	6.89	6.06

^{1/} Net current operating earnings, plus profits and recoveries and minus losses and charge-offs, per \$100 of total capital accounts as of December 31 of banks operating the full year. Trust companies not engaged in deposit banking excluded. Total capital accounts of State member banks, by size of bank, estimated for 1941.

^{2/} Including nonmember national banks outside the continental United States.

^{3/} Excluding three member mutual savings banks.

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