

**FEDERAL RESERVE BANK
OF NEW YORK**

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**A Comparison of the
Operations of Representative Member Banks
in the Second Federal Reserve District
For the Years 1923-1926**

Grouped according to size of banks
and character of business

THE following tables, prepared from data reported currently by member banks, give a four-year comparison of bank operations in the Second Federal Reserve District, in such form that each bank may compare its own operations with those of banks of similar size.

In 1926 the banks of the district generally made slightly larger earnings than in any of the previous three years. The ratio of gross earnings to loans and investments was 6.4 per cent in 1926, compared with 6.2 in 1925; the ratio of net earnings, before charge-offs and dividends, to capital funds was 13.9 per cent in 1926, compared with 13.7 in 1925. These larger earnings were due in part to a large volume of business, which created an active demand for funds. The level of short-term interest rates was slightly higher than in the preceding year, and the banks employed a slightly larger proportion of their funds in loans. Earnings other than interest and discount also showed an increase accompanying rising security prices, and losses charged off were smaller than in the preceding three years.

The ratio of capital funds to gross deposits, which is one of the important indexes of a bank's strength, showed a fractional increase for the first time in several years, due to an increase from 13.6 per cent to 14.8 per cent in the group of large New York City banks and increases in the two groups of middle sized banks having from one million to five million dollars of loans and investments. Some of these increases were made by banks whose capital ratios had fallen below the 10 per cent which has been commonly regarded as a working minimum.

There was a continuation of the tendency which has persisted for a number of years for demand deposits to decrease relative to gross deposits, due to the rapid growth of time deposits. Demand deposits on the average are now 52 per cent of gross deposits, compared with 57 per cent in 1923.

The expense ratios generally showed a high degree of stability, but there were slight increases in wages and interest paid on borrowed money.

Table 1—Average Operating Ratios of Representative Member Banks in Seven Groups a
(40 Selected banks in each group)

Read the table as follows: In the banks of Group I (banks with loans and investments under \$500,000) capital funds averaged 22.7 per cent of gross deposits in 1923, 22.3 per cent in 1924, 20.1 per cent in 1925, and 19.0 per cent in 1926.

Size of groups divided according to amount of loans and investments indicated

Ratios expressed in percentages	Size of groups divided according to amount of loans and investments indicated																																							
	General Average					I. Under \$500,000					II. \$500,000 to \$999,999					III. \$1,000,000 to \$1,999,999					IV. \$2,000,000 to \$4,999,999					V. \$5,000,000 to \$9,999,999					VI. \$10,000,000 and up, outside N.Y.C.					VII. \$10,000,000 and up N.Y.C.				
	1923	1924	1925	1926	4 Year Av.	1923	1924	1925	1926	4 Year Av.	1923	1924	1925	1926	4 Year Av.	1923	1924	1925	1926	4 Year Av.	1923	1924	1925	1926	4 Year Av.	1923	1924	1925	1926	4 Year Av.	1923	1924	1925	1926	4 Year Av.	1923	1924	1925	1926	4 Year Av.
CAPITAL																																								
1. Capital funds b to gross deposits. <i>Your figures</i>	16.1	15.6	15.3	15.4	15.6	22.7	22.3	20.1	19.0	21.0	23.5	22.2	21.3	19.3	21.6	14.3	14.8	14.5	16.4	15.0	11.7	11.6	11.8	12.4	11.9	13.1	13.1	13.8	13.7	13.4	13.3	12.7	12.2	12.0	12.6	14.3	12.6	13.6	14.8	13.8
LOANS																																								
2. Loans and investments to total available funds c.	85.1	84.4	84.8	84.3	84.7	84.5	84.1	84.0	84.3	84.2	86.9	86.1	86.3	83.4	85.7	88.3	87.5	86.7	86.9	87.4	87.9	87.3	88.6	87.3	87.8	87.6	86.7	87.4	87.5	87.3	83.1	83.7	85.9	84.1	84.2	77.2	75.1	74.8	76.5	75.9
3. Loans to loans and investments. <i>Your figures</i>	56.9	56.9	56.9	58.8	57.4	47.5	47.8	46.7	47.5	47.4	47.5	48.7	49.2	48.9	48.6	48.9	50.2	47.9	51.2	49.6	56.4	56.8	55.9	56.4	56.4	58.8	59.5	62.1	66.5	61.7	65.7	62.7	62.9	66.5	64.5	73.6	72.7	73.5	74.9	73.7
DEPOSITS																																								
4. Demand deposits to gross deposits. <i>Your figures</i>	57.2	55.2	54.4	52.0	54.7	59.3	58.4	56.3	51.7	56.4	53.3	50.6	50.9	46.3	50.3	42.4	40.1	40.2	41.8	41.1	43.2	41.5	42.0	36.7	40.9	50.6	48.8	45.8	46.6	48.0	64.4	61.1	60.5	57.1	60.8	87.1	86.1	85.4	83.7	85.6
5. Interest paid on deposits to gross deposits. <i>Your figures</i>	2.1	2.2	2.3	2.3	2.2	1.8	2.0	2.0	2.2	2.0	1.9	2.0	2.1	2.1	2.0	2.4	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.8	2.6	2.5	2.6	2.6	2.7	2.6	2.3	2.4	2.4	2.4	2.4	1.6	1.5	1.6	1.6	1.6
EARNINGS																																								
6. Gross earnings to loans and investments. <i>Your figures</i>	6.2	6.1	6.2	6.4	6.2	6.2	6.2	6.4	6.7	6.4	6.1	6.1	6.1	6.4	6.2	6.1	6.2	6.4	6.6	6.3	6.1	6.1	6.0	6.3	6.1	6.2	6.3	6.3	6.3	6.3	6.2	6.2	5.9	6.1	6.1	6.2	5.9	6.0	6.3	6.1
7. Gross earnings to total available funds c.	5.2	5.2	5.2	5.4	5.3	5.2	5.2	5.3	5.5	5.3	5.3	5.3	5.2	5.4	5.3	5.4	5.4	5.5	5.7	5.5	5.4	5.3	5.4	5.5	5.4	5.4	5.5	5.5	5.7	5.5	5.1	5.2	5.1	5.2	5.2	4.8	4.4	4.6	4.9	4.7
8. Net earnings to total available funds c.	1.6	1.5	1.6	1.6	1.6	1.6	1.5	1.6	1.6	1.6	1.8	1.7	1.6	1.8	1.7	1.6	1.5	1.7	1.8	1.7	1.5	1.3	1.5	1.4	1.4	1.5	1.6	1.6	1.5	1.6	1.4	1.5	1.5	1.5	1.5	1.5	1.4	1.5	1.6	1.5
9. Net earnings to capital funds b.	13.6	13.4	13.7	13.9	13.7	10.5	10.3	11.6	11.2	10.9	12.2	11.9	11.2	13.6	12.2	14.7	13.7	14.7	14.8	14.5	15.7	13.8	15.6	15.5	15.2	15.2	16.0	15.0	14.2	15.1	13.4	14.4	14.4	14.4	14.2	13.3	13.5	13.4	13.8	13.5
10. Earnings other than interest and discount to gross earnings. <i>Your figures</i>	9.6	11.5	12.2	12.6	11.5	7.3	8.4	11.8	11.7	9.8	7.6	8.1	7.6	8.4	7.9	7.7	9.4	11.2	12.0	10.1	8.2	10.1	10.6	9.7	9.7	10.2	11.2	12.3	13.1	11.7	10.4	13.4	11.5	11.4	11.7	15.7	20.1	20.7	21.8	19.6
DISPOSITION OF GROSS EARNINGS																																								
Ratio of the following items to gross earnings																																								
11. Salaries and wages. <i>Your figures</i>	18.8	19.1	18.5	18.6	18.8	23.2	23.8	22.3	22.0	22.8	19.6	20.4	20.3	19.5	19.9	18.4	18.2	17.1	17.9	17.9	16.8	17.4	17.3	16.9	17.1	16.3	16.4	16.1	17.1	16.5	16.6	16.7	16.3	16.4	16.5	20.6	20.8	20.1	20.3	20.4
12. Interest paid on borrowed money. <i>Your figures</i>	1.6	0.9	1.0	1.2	1.2	1.1	1.2	1.0	1.3	1.2	1.4	1.3	1.2	1.1	1.3	1.2	0.8	0.7	1.1	1.0	1.3	0.8	0.8	1.1	1.0	1.7	0.6	0.8	1.1	1.1	2.5	0.9	1.2	1.5	1.5	2.0	0.4	1.2	1.2	1.2
13. Interest paid on deposits. <i>Your figures</i>	34.3	35.9	36.2	36.1	35.6	27.2	29.3	30.3	30.9	29.4	28.1	29.9	32.2	32.2	30.6	36.9	38.6	37.8	36.6	37.5	40.8	42.9	42.4	43.1	42.3	39.9	40.5	40.8	41.0	40.5	38.1	39.4	40.5	41.0	39.8	29.3	30.5	29.6	28.0	29.4
14. Taxes. <i>Your figures</i>	4.7	4.9	4.5	4.5	4.7	5.2	5.2	4.7	4.4	4.9	5.6	6.4	5.8	5.3	5.8	4.1	4.9	4.7	4.5	4.6	3.6	4.2	3.5	4.3	3.9	4.6	4.4	4.3	4.5	4.5	4.6	4.2	3.7	3.7	4.1	5.2	4.7	5.0	4.7	4.9
15. Other expenses. <i>Your figures</i>	11.2	10.6	10.5	10.5	10.7	13.8	12.4	12.4	12.8	12.9	11.4	10.8	10.8	9.7	10.7	9.8	9.5	9.1	9.6	9.5	10.4	10.2	9.3	9.1	9.8	9.5	8.8	9.0	9.0	9.1	10.8	10.2	9.9	9.9	10.2	12.6	12.5	12.7	13.5	12.8
16. Total expenses. <i>Your figures</i>	70.6	71.3	70.7	70.9	70.9	70.6	71.8	70.7	71.4	71.1	66.1	68.9	70.3	67.8	68.3	70.2	72.0	69.5	69.7	70.4	72.9	75.5	73.3	74.5	74.1	71.9	70.6	71.1	72.7	71.6	72.6	71.5	71.6	72.5	72.1	69.7	69.0	68.5	67.7	68.7
17. Net earnings (before recoveries on previous charge-offs, current charge-offs, and dividends). <i>Your figures</i>	29.5	28.7	29.3	29.1	29.1	29.4	28.2	29.3	28.6	28.9	34.2	31.1	29.7	32.2	31.8	29.8	28.0	30.5	30.3	29.6	27.1	24.5	26.7	25.5	25.9	28.1	29.4	28.9	27.3	28.4	27.4	28.5	28.4	27.5	27.9	30.3	31.0	31.5	32.3	31.3
LOSSES																																								
18. Losses charged off on loans and discounts to gross earnings. <i>Your figures</i>	4.0	4.3	3.7	3.4	3.9	1.9	2.5	2.2	1.4	2.0	1.9	2.5	3.0	1.6	2.3	2.8	3.3	2.8	3.4	3.1	4.3	4.6	3.9	3.8	4.2	3.5	5.0	2.6	5.1	4.1	6.4	5.6	5.7	4.7	5.6	7.3	6.5	5.7	4.1	5.9
19. Losses charged off on securities to gross earnings. <i>Your figures</i>	4.4	2.6	2.0	2.0	2.8	6.5	3.1	1.4	0.9	3.0	7.3	2.2	2.6	2.0	3.5	4.6	2.2	2.7	2.9	3.1	3.4	3.3	1.8	1.3	2.5	4.5	2.8	1.4	2.9	2.9	2.4	2.5	2.2	1.9	2.3	1.9	2.2	1.7	2.0	2.0

a—Ratios 1 to 9 are computed from the average figures of condition reports and from the total figures of section one of the two semi-annual earnings reports; ratios 10 to 17 are taken from section one of the two semi-annual earnings reports; ratios 18 and 19 are taken from items 5 (a) and 5 (b) of section two and item 1 of section one of the two semi-annual earnings reports. The same banks were used in each year, except for a very few substitutions for those which changed their classes.

b—Capital, surplus, and undivided profits. c—Capital, surplus, undivided profits, deposits, borrowed money, and notes in circulation.

Table 2—Average Operating Ratios of Representative Member Banks Grouped According to Amount of Time Deposits *a*

Read the table as follows: In banks with no time deposits capital funds averaged 35.8 per cent of gross deposits in 1923, 38.9 per cent in 1924, 36.9 per cent in 1925, and 31.9 per cent in 1926; in banks with time deposits equal to less than 25 per cent of their gross deposits, capital funds averaged 15.7 per cent of gross deposits in 1923, 14.8 per cent in 1924, 15.3 per cent in 1925, and 15.4 per cent in 1926.

Ratios expressed in percentages	Groups of banks divided according to the percentage of time deposits to gross deposits																			
	0				Under 25				25-49.9				50-74.9				75 and up			
	1923	1924	1925	1926	1923	1924	1925	1926	1923	1924	1925	1926	1923	1924	1925	1926	1923	1924	1925	1926
CAPITAL																				
1. Capital funds <i>b</i> to gross deposits <i>Your Figures</i>	35.8	38.9	36.9	31.9	15.7	14.8	15.3	15.4	15.9	15.6	14.9	16.5	14.2	13.8	14.0	14.2	12.5	13.1	13.4	13.6
LOANS																				
2. Loans and investments to total available funds <i>c</i> <i>Your Figures</i>	83.3	81.0	79.3	82.1	78.7	77.4	79.1	79.0	85.0	84.9	83.5	82.7	87.7	86.8	88.0	86.7	89.7	88.0	87.9	88.6
3. Loans to loans and investments <i>Your Figures</i>	53.7	53.2	52.9	54.1	72.8	69.5	67.9	67.3	57.9	60.6	60.7	65.0	51.9	53.8	52.7	55.7	37.2	38.8	42.4	46.5
DEPOSITS																				
4. Demand deposits to gross deposits <i>Your Figures</i>	100	100	100	100	92.3	91.7	88.8	90.7	59.1	59.5	59.0	59.6	38.2	38.8	38.7	37.7	20.7	21.9	20.8	20.9
5. Interest paid on deposits to gross deposits <i>Your Figures</i>	0.8	0.9	0.9	0.8	1.7	1.5	1.7	1.6	2.1	2.2	2.1	2.1	2.5	2.5	2.6	2.6	3.0	3.1	3.0	3.1
EARNINGS																				
6. Gross earnings to loans and investments <i>Your Figures</i>	5.9	5.9	5.8	6.3	6.1	5.9	5.9	6.1	6.1	6.2	6.3	6.5	6.2	6.2	6.2	6.4	6.3	6.4	6.2	6.5
7. Gross earnings to total available funds <i>c</i> <i>Your Figures</i>	4.9	4.8	4.8	5.2	4.8	4.6	4.7	4.9	5.2	5.2	5.3	5.3	5.4	5.4	5.5	5.6	5.7	5.6	5.4	5.6
8. Net earnings to total available funds <i>c</i> <i>Your Figures</i>	2.0	1.7	1.8	1.9	1.5	1.5	1.5	1.6	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.6	1.6	1.5	1.6	1.6
9. Net earnings to capital funds <i>b</i> <i>Your Figures</i>	10.2	8.7	8.8	9.8	12.6	12.9	12.8	13.5	13.3	13.2	14.4	13.4	14.3	13.9	14.1	14.3	16.3	14.1	14.7	15.0
10. Earnings other than interest and discount to gross earnings <i>Your Figures</i>	7.5	7.8	8.6	14.1	12.3	15.9	14.6	17.7	9.4	11.0	13.7	12.6	8.8	10.1	10.7	10.9	9.5	12.3	12.6	10.8
DISPOSITION OF GROSS EARNINGS																				
Ratio of the following items to gross earnings																				
11. Salaries and wages <i>Your Figures</i>	26.2	27.6	26.6	27.3	20.1	21.3	20.5	20.5	20.2	19.8	19.8	20.2	17.0	17.8	17.1	17.4	13.3	14.2	14.1	14.2
12. Interest paid on borrowed money <i>Your Figures</i>	2.0	1.9	1.4	1.4	2.5	0.7	1.2	1.5	1.5	1.0	0.9	1.3	1.4	0.9	1.0	1.1	0.3	0.3	0.4	0.7
13. Interest paid on deposits <i>Your Figures</i>	11.4	12.4	13.9	12.9	29.1	29.1	30.2	28.4	32.9	34.8	33.7	32.2	39.3	39.8	40.4	39.9	46.5	47.0	45.6	47.3
14. Taxes <i>Your Figures</i>	7.7	9.8	7.9	7.5	5.4	5.2	5.1	4.6	4.7	4.8	4.4	4.5	4.0	4.3	4.2	4.3	3.9	4.3	4.0	4.4
15. Other expenses <i>Your Figures</i>	12.4	12.5	12.3	13.7	12.4	11.8	11.5	12.3	12.8	11.3	11.3	12.0	10.0	10.1	9.8	9.9	7.4	7.4	7.9	6.4
16. Total expenses <i>Your Figures</i>	59.7	64.1	62.0	62.8	69.5	68.5	68.6	67.3	72.0	71.6	70.4	70.2	71.6	72.9	72.4	72.6	71.5	73.1	72.0	73.0
17. Net earnings (before recoveries on previous charge-offs, current charge-offs, and dividends) <i>Your Figures</i>	40.3	35.9	38.0	37.2	30.5	31.5	31.4	32.7	28.1	28.4	29.7	29.8	28.4	27.1	27.6	27.4	28.5	26.9	28.0	27.0
LOSSES																				
18. Losses charged off on loans and discounts to gross earnings <i>Your Figures</i>	2.5	1.3	1.5	0.9	5.9	6.5	5.3	3.3	4.9	4.5	3.9	3.2	3.5	4.1	3.3	3.7	1.4	1.6	2.5	3.2
19. Losses charged off on securities to gross earnings <i>Your Figures</i>	4.3	3.5	0.9	1.8	2.6	2.3	1.8	2.0	4.2	3.1	1.8	2.2	5.1	2.3	1.9	2.0	4.9	3.6	3.5	1.7
Number of banks in group	17	15	11	7	57	56	60	51	70	55	57	63	120	129	128	128	16	25	24	31

a—Ratios 1 to 9 are computed from the average figures of condition reports and from the total figures of section one of the two semi-annual earnings reports; ratios 10 to 17 are taken from section one of the two semi-annual earnings reports; ratios 18 and 19 are taken from items 5 (a) and 5 (b) of section two and item 1 of section one of the two semi-annual earnings reports.

b—Capital, surplus, and undivided profits. *c*—Capital, surplus, undivided profits, deposits, borrowed money, and notes in circulation.