

FEDERAL RESERVE BANK  
OF NEW YORK

Reports Department

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A Comparison of the  
Operating Ratios of Representative Member Banks  
in the Second Federal Reserve District  
For the Year 1928

Grouped according to size of banks  
and character of business

CONTINUING the practice of the previous five years the following tables give the operating ratios of representative member banks, with which individual banks may compare their own figures. The ratios are computed from data currently reported by member banks and are shown in comparison with figures for 1927 and an average for the years 1923 to 1928 inclusive.

Several new ratios have been added this year to cover the years 1927 and 1928: ratio number 6 shows the rate of income received from loans and investments; ratios 10, 11, and 12 indicate the relative proportions of gross earnings derived from loans and investments, securities sold, and all other income combined, respectively; ratio 21 shows net profits, before dividends, in per cent of gross earnings.

Additions to capital funds in 1928 brought about an increase in the ratio of capital funds to gross deposits, particularly in the larger banks. There was a continuation of the tendency for demand deposits relative to gross deposits to decrease.

The rate of gross earnings to total available funds increased in all but the smaller banks, and for all groups combined was the highest in recent years. All groups had smaller net profits from security transactions (ratio 11 less ratio 20) in relation to gross earnings, probably due chiefly to the declining bond market, but the larger banks, whose interest charges fluctuate with open-market money conditions, showed an increased rate of return on loans and investments, and an increase also in income from other sources.

In general the rate of net earnings to total available funds showed little change from previous years. The smaller banks showed a reduction, due chiefly to reduced profits on securities sold, and to increased interest paid on deposits, reflecting the continued increase in the ratio of time deposits to gross deposits. The larger banks showed higher rates of net earnings, due partly to the increased rate of gross earnings, and partly to a general reduction in the expense ratios with the exception of interest paid on borrowed money. All groups of banks except one used a smaller part of gross earnings for salaries and wages, but all groups used a larger share for interest on borrowed money.

The proportion of net profits to gross earnings was reduced in most groups of banks, due to increased expense ratios in the smaller banks, and to increased losses on loans and discounts or on securities or on both in nearly all groups.

A space has been provided for the insertion of the figures of any bank which may wish to compare its operations with those of other banks of a similar size or with a similar proportion of time deposits.

**Table 1—Average Operating Ratios of Representative Member Banks in Seven Groups**

(40 selected banks in each group *a*)

Read the table as follows: In the banks of Group I (banks with loans and investments under \$500,000) capital funds averaged 19.1 per cent of gross deposits in 1927 and 18.5 per cent in 1928.

Ratios expressed in percentages	Size of groups divided according to amount of loans and investments indicated																																										
	General Average All Groups								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.			VIIa \$10,000,000 and up N. Y. C.																
	1923-1928 Av.	1923	1924	1925	1926	1927	1928	1923-1928 Av.	1927	1928	Your Fig-ures	1923-1928 Av.	1927	1928	Your Fig-ures	1923-1928 Av.	1927	1928	Your Fig-ures	1923-1928 Av.	1927	1928	Your Fig-ures	1923-1928 Av.	1927	1928	Your Fig-ures	1923-1928 Av.	1927	1928	Your Fig-ures	1923-1928 Av.	1927	1928	Your Fig-ures								
<b>CAPITAL</b>																																											
1. Capital funds <i>b</i> to gross deposits . . . . .	15.6	16.1	15.6	15.3	15.4	15.3	15.7	20.3	19.1	18.5		20.7	19.2	18.6		15.2	15.2	15.8		12.2	12.4	13.2		13.6	13.8	13.9		12.7	12.6	13.4		14.4	14.7	16.5									
<b>LOANS AND INVESTMENTS</b>																																											
2. Loans and investments to total available funds <i>c</i> . . . . .	84.8	85.1	84.4	84.8	84.3	85.0	85.3	84.3	83.9	84.8		85.8	86.2	86.0		87.6	87.6	88.3		87.9	87.2	88.8		87.3	86.9	87.6		84.5	85.3	85.1		76.4	78.0	76.7									
3. Loans to loans and investments . . . . .	58.2	56.9	56.9	56.9	58.8	59.3	60.2	48.9	50.2	53.7		49.2	50.1	51.0		50.8	51.9	54.6		57.0	57.3	59.2		62.4	64.5	63.1		64.9	66.2	65.1		74.1	75.0	74.9									
<b>DEPOSITS</b>																																											
4. Demand deposits to gross deposits . . . . .	52.7	57.2	55.2	54.4	52.0	50.2	47.4	53.2	49.8	43.7		47.9	42.6	43.9		39.8	37.4	36.6		39.1	36.0	35.0		46.8	46.5	42.6		58.1	56.1	49.6		84.3	82.7	80.6									
5. Interest paid on deposits to gross deposits . . . . .	2.3	2.1	2.2	2.3	2.3	2.4	2.5	2.1	2.2	2.4		2.1	2.2	2.4		2.5	2.6	2.7		2.7	2.8	2.8		2.6	2.6	2.7		2.4	2.5	2.6		1.6	1.6	1.7									
<b>EARNINGS</b>																																											
6. Income from loans and investments to loans and investments <i>e</i> . . . . .							5.4	5.5		5.6	5.6		5.6	5.6		5.6	5.7		5.6	5.7		5.5	5.5		5.3	5.4		4.8	5.1														
7. Gross earnings to total available funds <i>c</i> . . . . .	5.3	5.2	5.2	5.2	5.4	5.4	5.5	5.4	5.6	5.4		5.4	5.7	5.5		5.6	5.6	5.8		5.5	5.5	5.6		5.5	5.5	5.6		5.2	5.3	5.5		4.8	4.7	5.0									
8. Net earnings to total available funds <i>c</i> . . . . .	1.6	1.6	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.4		1.8	1.9	1.7		1.7	1.7	1.7		1.4	1.4	1.5		1.6	1.6	1.6		1.5	1.4	1.5		1.5	1.5	1.7									
9. Net earnings to capital funds <i>b</i> . . . . .	13.5	13.6	13.4	13.7	13.8	13.3	13.0	10.9	11.2	10.6		12.6	13.9	12.8		14.4	14.5	13.8		14.6	13.5	13.7		14.8	14.1	14.0		13.9	13.2	13.4		13.2	12.5	12.8									
<b>SOURCES OF EARNINGS</b>																																											
Ratio of the following to gross earnings:																																											
10. Income from loans and investments <i>e</i> . . . . .							86.0	86.7		85.8	88.2		88.1	89.0		87.0	88.0		88.6	89.2		87.1	87.2		86.7	86.5		78.9	78.5														
11. Profit on securities sold <i>e</i> (deduct ratio 20 for net profit) . . . . .							7.4	6.5		9.1	6.7		8.3	6.8		9.1	8.5		6.4	5.9		7.2	7.4		5.8	5.9		6.1	4.5														
12. All other earnings <i>e</i> . . . . .							6.6	6.8		5.1	5.1		3.6	4.2		3.9	3.5		5.0	4.9		5.7	5.4		7.5	7.6		15.0	17.0														
<b>DISPOSITION OF GROSS EARNINGS</b>																																											
Ratio of the following to gross earnings:																																											
13. Salaries and wages . . . . .	18.7	18.8	19.1	18.5	18.6	18.9	18.5	22.4	21.6	21.5		19.6	19.1	18.7		18.1	18.4	18.4		17.3	18.0	17.3		16.6	16.9	16.6		16.6	17.1	16.3		20.6	21.4	20.5									
14. Interest paid on borrowed money . . . . .	1.2	1.6	0.9	1.0	1.2	1.0	1.6	1.2	1.2	1.6		1.2	1.0	1.4		1.0	0.8	1.1		1.0	0.6	1.1		1.1	1.0	1.6		1.6	1.3	2.4		1.3	1.1	2.1									
15. Interest paid on deposits . . . . .	36.1	34.3	35.9	36.2	36.1	36.7	37.2	30.8	31.9	35.3		31.7	33.0	34.5		37.7	38.1	38.2		42.6	43.6	42.5		40.6	40.2	41.2		40.4	42.0	41.2		28.8	28.1	27.4									
16. All other expenses . . . . .	15.0	15.9	15.5	15.0	15.0	14.4	14.2	17.2	17.0	15.4		15.9	14.1	15.2		13.8	12.8	13.5		13.3	12.4	12.6		13.5	13.4	13.3		14.0	13.5	13.3		17.5	17.8	16.4									
17. Total current expenses . . . . .	71.0	70.6	71.3	70.7	70.9	71.1	71.5	71.7	71.7	73.8		68.4	67.2	69.8		70.5	70.2	71.2		74.1	74.6	73.5		71.8	71.5	72.7		72.6	73.9	73.2		68.3	68.4	66.4									
18. Net earnings (before charge-offs and recoveries) . . . . .	29.0	29.5	28.7	29.3	29.1	28.9	28.5	28.3	28.3	26.2		31.7	32.8	30.2		29.5	29.8	28.8		26.0	25.4	26.5		28.3	28.5	27.3		27.5	26.1	26.8		31.7	31.6	33.6									
19. Losses charged off on loans and discounts . . . . .	3.6	4.0	4.3	3.7	3.4	2.8	3.5	2.1	1.0	3.3		2.3	2.0	2.9		3.0	2.2	3.2		3.9	2.5	4.2		4.0	4.2	3.5		5.1	3.7	4.4		5.2	4.2	3.2									
20. Losses charged off on securities . . . . .	2.6	4.4	2.6	2.0	2.0	2.0	2.7	2.8	2.9	1.8		3.2	2.7	2.5		3.0	1.3	4.3		2.4	1.5	2.9		3.0	2.6	3.9		2.1	1.5	2.2		1.8	1.4	1.6									
21. Net profits <i>e</i> (after losses and depreciation charged off and recoveries, but before dividends) . . . . .							23.1	22.2		22.3	20.1		25.9	25.1		24.2	21.9		20.1	18.9		22.7	20.7		21.0	20.0		25.4	29.0														

*a*—35 banks in Group VII in 1928, due to consolidations. *b*—Capital, surplus, and undivided profits. *c*—Capital, surplus, undivided profits, deposits, borrowed money, and notes in circulation. *d*—Revised figures.

*e*—Not computed prior to 1927.

The same banks were used in each year, except for a very few substitutions for banks which changed their classes.

Ratios 1 to 9 are computed from the average figures of condition reports, and from yearly aggregate figures of section one of the semi-annual earnings reports; ratios 10 to 18 are taken from section one of the semi-annual earnings reports; ratios 19 and 20 are taken from items 5 (*a*) and 5 (*b*) of section two and item 1 of section one of the semi-annual earnings reports; ratio 21 is taken from item 6 of section two and item 1 of section one of the semi-annual earnings reports.

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

Read the table as follows: In banks with no time deposits, capital funds averaged 36.1 per cent of gross deposits in 1927 and 65.2 per cent in 1928; in banks with time deposits equal to less than 25 per cent of their gross deposits, capital funds averaged 15.4 per cent of gross deposits in 1927, and 16.7 per cent in 1928.

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 to 1928 Av.	1927	1928	Your Fig-ures	1923 to 1928 Av.	1927	1928	Your Fig-ures	1923 to 1928 Av.	1927	1928	Your Fig-ures	1923 to 1928 Av.	1927	1928	Your Fig-ures	1923 to 1928 Av.	1927	1928	Your Fig-ures
<b>CAPITAL</b>																				
1. Capital funds <i>b</i> to gross deposits	40.8	36.1	65.2		16.2	15.4	16.7		15.9	15.5	17.1		14.2	14.4	14.8		13.3	13.4	13.9	
<b>LOANS AND INVESTMENTS</b>																				
2. Loans and investments to total available funds <i>c</i> .....	83.2	84.9	88.4		78.5	79.1	77.8		84.4	84.8	85.2		87.0	86.4	86.3		88.8	89.2	89.4	
3. Loans to loans and investments	53.6	56.8	51.1		70.0	70.6	71.6		62.4	64.8	65.1		54.7	56.0	58.0		43.6	47.1	49.5	
<b>DEPOSITS</b>																				
4. Demand deposits to gross deposits	100	100	100		90.6	90.2	89.6		59.3	60.0	58.8		37.9	37.1	36.9		21.0	21.1	20.5	
5. Interest paid on deposits to gross deposits.....	1.1	1.6	1.6		1.7	1.6	1.8		2.2	2.2	2.2		2.6	2.7	2.6		3.1	3.2	3.1	
<b>EARNINGS</b>																				
6. Income from loans and investments to loans and investments <i>e</i>		5.7	5.8			4.9	5.2			5.4	5.5			5.6	5.6			5.6	5.7	
7. Gross earnings to total available funds <i>c</i> .....	5.2	5.7	5.6		4.8	4.7	4.9		5.3	5.4	5.4		5.5	5.6	5.6		5.6	5.5	5.9	
8. Net earnings to total available funds <i>c</i> .....	2.0	1.9	2.5		1.5	1.5	1.6		1.6	1.5	1.6		1.5	1.6	1.5		1.6	1.6	1.6	
9. Net earnings to capital funds <i>b</i> ..	9.0	9.6	6.8		12.7	12.0	12.3		13.3	12.9	12.7		13.9	13.8	13.1		14.8	14.2	14.3	
<b>SOURCES OF EARNINGS</b>																				
Ratio of the following to gross earnings:																				
10. Income from loans and investments <i>e</i> .....		86.5	90.5			83.5	82.7			86.3	87.8			86.5	87.6			87.4	87.5	
11. Profit on securities sold <i>e</i> .....		4.5	5.0			5.4	4.0			6.2	5.0			8.5	7.1			8.9	9.2	
12. All other earnings <i>e</i> .....		9.0	4.5			11.1	13.3			7.5	7.2			5.0	5.3			3.7	3.3	
<b>DISPOSITION OF GROSS EARNINGS</b>																				
Ratio of the following to gross earnings:																				
13. Salaries and wages.....	27.1	27.1	28.0		21.1	21.9	22.3		20.2	20.9	20.4		17.4	17.6	17.6		14.3	15.4	14.8	
14. Interest paid on borrowed money	1.8	1.7	2.4		1.7	1.5	2.5		1.3	1.0	2.2		1.1	0.9	1.4		0.5	0.6	0.8	
15. Interest paid on deposits.....	12.2	17.9	4.6		28.6	28.3	26.7		33.3	32.9	33.2		39.8	39.7	39.8		46.7	47.4	46.4	
16. All other expenses.....	20.4	18.8	19.7		16.9	16.9	16.1		16.3	16.7	15.5		14.0	13.5	14.1		11.0	9.7	10.8	
17. Total current expenses.....	61.4	65.4	54.6		68.3	68.6	67.6		71.2	71.5	71.3		72.3	71.7	72.8		72.6	73.1	72.8	
18. Net earnings (before charge-offs and recoveries).....	38.6	34.6	45.4		31.7	31.4	32.4		28.9	28.5	28.7		27.7	28.3	27.2		27.4	26.9	27.2	
19. Losses charged off on loans and discounts.....	1.4	1.3	0.6		4.6	2.9	3.4		3.6	2.8	2.4		3.5	2.9	3.7		2.6	3.1	3.7	
20. Losses charged off on securities..	2.3	0.3	3.1		2.1	1.7	2.0		2.6	2.2	1.9		2.8	2.4	3.0		3.1	1.4	3.5	
21. Net profits <i>e</i> (after losses and depreciation charged off and recoveries, but before dividends)		34.6	42.6			26.0	26.8			23.0	23.6			22.1	20.6			21.6	20.0	
Number of banks in group		6	2			51	45			54	39			136	151			33	33	

For footnotes see Table 1.