

BANKING PROFITS IN CANADA.

The table published on another page today gives a comprehensive view of the tendency of Canadian banking profits during recent years. While the 1919 figures are necessarily incomplete, owing to the reports of the Bank of Hamilton and the Weyburn Security Bank not being available at the date of writing, the unavoidable omissions are not likely to affect the general tenor of the results shown.

It will be observed, that in spite of the substantial increases in paid-up capital made by several of the banks since the cessation of the war in November 1918, and consequent enlargement of rest, through new stock being issued at a premium, the average capital, paid-up, and the rest remain at a somewhat lower level than in earlier years. This is a result of the various important amalgamations which have taken place within the last year or two, the tendency of which has been to reduce the shareholders capital employed. Additionally, the banks enlargement of rest, by annual allocations of profits, which allocations had been made on a large scale prior to the war, were much restricted during the years of hostilities, substantial amounts of profits, which otherwise would have gone to rest, having to be diverted in the changed circumstances of the day, to contingent funds, depreciation of securities, etc.

While for these reasons, shareholders' funds have shown a tendency to decrease since 1915, the banks reserves have enormously increased. The growth of resources since 1915 has been approximately a thousand millions and they have actually doubled since 1909. Profits, however, have not increased commensurately. While with the decrease in shareholders funds since 1915, the ratio of earnings on these funds have naturally shown a steady enlargement, the ratio is still very little ahead of active years like 1911 and 1912, when the banks average resources were only about 50 per cent. of their average resources in 1919. The percentage of profits to total resources has steadily declined, being but 0.83 in 1919 compared with 1.29 in 1911, 1.26 in 1912, and 1.01 in 1915. In other words, for reasons referred to in the first of this series of articles, the responsibilities involved in the handling of the banks enormously increased resources has brought no commensurate increase in the rate of remuneration enjoyed by capital invested in banking.

With reference to the lower table, showing disposition of profits, it will be noted that the dividend disbursements were practically stationary for several years until 1919. There were heavy writings off for depreciation particularly during the early years of the war period, while contributions, pensions, etc., have been much increased during recent years.

Moreover, the war tax on circulation since 1915 has taken a substantial amount of profits, which in earlier years, were retained by the banks.

As regards the differences in profits, shown respectively in the upper and lower tables, in some of the earlier years, the explanation is, that the profits in the lower table include "recoveries" and other special items, which in those years are not included in the upper table. In later years, these special items are so included. The amounts carried forward from one year to the next are affected by amalgamations and changes in date of annual returns.

PRIZES OFFERED FOR BANKING ARTICLE

In order to stimulate the serious study of present day banking problems *The Bankers Magazine* of New York is offering prizes to the amount of \$500 for the best article on any one of the following subjects:

1. *Banking Practice.*—The description of any plan or method of banking practice, applicable to the average sized bank, which will serve to cut down costs, save time and increase efficiency. Papers will be judged by the originality of the idea and its applicability to the needs of the average bank.

2. *Banking Service.*—The description of a plan or idea which will help a bank to give better service to its customers and increase good-will. This covers a wide range of subjects and methods, papers being judged by the originality and adaptability.

3. *The Foreign Department of a Bank.*—A discussion of such topics as the following: The foreign department as an aid to developing trade; principles and methods of foreign exchange; personal and other equipment of the foreign department; special records and forms required; promoting the foreign department; methods of conducting business; relations with foreign branches and affiliations.

4. *Bank Cost Accounting.*—The following are suggested topics: How to determine the various costs entering into the business of a bank; the determination of the profit on accounts; distribution of the bank's appropriation to various departments and expenses; forms and records to be used.

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For the third best paper	100
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For each article accepted for publication, but not awarded a prize	25