

BANKING PROFITS IN CANADA (1)

THE CHRONICLE presents in this issue the first of its customary annual series of articles reviewing the banking results for 1915. The list this year comprises twenty banks. Two institutions, the Bank of British North America and the Weyburn Security Bank, had not published their reports on the date of writing, so their figures are given for 1914 only. Taking the figures of these banks at the round amount of \$600,000 for 1915, there would be a decrease of a little more than \$1,800,000 in net profits as compared with 1914. The 1914 profits again were \$360,000 less than in 1913.

Conditions last year were decidedly unfavorable to profit making. Commercial loans were shrinking; cash reserves were abnormally high and expenses were very heavy. It should be remembered also that the banks are paying salaries of a large number of employees now on active service with our Expeditionary forces abroad. All these circumstances contribute towards decreasing net profits. There is also the matter of appropriation for bad debts and depreciation. These appropriations, some of which were made before and others after the declaration of profits, were numerous and heavy.

SHARP DECLINES IN RATIOS.

All the ratios or percentages show sharp declines.

The ratio of net profits to average capital is 14.32 per cent. as against 15.96 per cent. in 1914, 16.45 per cent. in 1913, and 17.00 per cent. in 1912. The ratio of net earnings on average capital and rest, representing the actual earning power of the proprietors' investment, is 7.12 as against 8.05 per cent. in 1914, 8.39 per cent. in 1913, and 8.72 per cent. in 1912. The ratio of net earnings to average total resources also has fallen steadily for the past few years. From 1.29 per cent. in 1911 it fell to 1.26 per cent. in 1912, 1.22 per cent. in 1913, 1.17 per cent. in 1914, and 1.03 per cent. in 1915. This ratio reflects to a certain extent the charges levied by the banks on the business handled by them; and its steady decrease serves as a fairly good refutation of the arguments of those who claim that the banks are endeavouring to exploit their customers unduly from year to year.

DIVIDEND CHANGES.

In the matter of dividends the changes have not been startling. The Bank of Toronto discontinued its bonus of 1 per cent.; the Dominion discontinued its 2 per cent. bonus; the Northern Crown ceased its dividend distributions; and the Home, subsequent to the end of its fiscal year, decreased its dividend rate from 7 to 5 per cent.¹ The detailed statement is appended.

Banking Profits in Canada: A Comparison of 1915 with 1914

(Compiled exclusively for The Chronicle.)

NAME.	Year Ending	1915.					1914.				
		Profits	Per cent. on Average Capital	Per cent. on Average Capital and Rest	Per cent. on Average Total Resources	Dividend Paid in Fiscal Year	Profits	Per cent. on Average Capital	Per cent. on Average Capital and Rest	Per cent. on Average Total Resources	Dividend Paid in Fiscal Year
Montreal	Oct.	\$2,108,630	13.11	6.59	7.75	p.c. 12	\$2,493,472	15.60	7.10	9.90	p.c. 12
(a) Quebec	Oct.	233,420	8.54	5.77	1.18	7	275,761	10.09	6.83	1.32	7
Nova Scotia	Dec.	1,220,057	18.77	6.59	1.23	14	1,196,116	19.66	6.93	1.44	14
(b) British							685,691	14.09	8.77	1.08	8
(c) Toronto	Nov.	663,074	13.26	6.03	1.06	11	829,538	16.59	7.54	1.38	12
Molson's	Sept.	556,194	13.90	6.32	1.10	11	608,196	15.24	6.91	1.22	11
Nationale	Apr.	333,207	16.66	9.01	1.26	8	319,901	11.00	9.00	1.28	8
Merchants	Apr.	995,431	14.22	7.11	1.18	10	1,218,694	17.72	9.09	1.49	10
(a) Provinciale	Dec.	181,802	18.18	11.02	1.42	7	187,893	18.78	11.56	1.46	7
Union	Nov.	659,688	13.19	7.85	.81	9	712,440	14.25	8.48	.87	9
Commerce	Nov.	2,352,035	15.68	8.25	1.00	12	2,668,244	17.78	9.36	1.07	12
Royal	Nov.	1,905,576	16.74	7.90	1.03	12	1,886,143	16.32	7.82	1.03	12
(a) Dominion	Dec.	848,741	14.15	6.53	1.07	12	925,364	15.50	7.15	1.19	14
Hamilton	Nov.	424,274	14.14	6.43	.95	12	485,265	16.18	7.35	1.09	12
Standard	Jan.	621,463	21.24	9.19	1.36	13	555,095	21.05	9.10	1.27	13
Hochelega	Nov.	530,237	13.26	7.15	1.61	9	566,614	14.17	7.43	1.70	9
Ottawa	Nov.	531,268	13.28	6.07	1.01	12	620,691	15.51	7.09	1.17	12
(a) Imperial	Apr.	1,026,359	14.66	7.33	1.28	12	1,236,985	17.80	8.87	1.54	12
(d) Northern Crown	Nov.	100,790	3.53	3.35	.61	Nil	201,288	7.09	6.31	1.09	6
(e) Home	May	163,929	8.43	6.28	1.15	7	192,442	9.91	7.42	1.39	7
(a) Sterling	Apr.	115,111	9.64	7.71	1.24	6	107,042	9.28	7.37	1.16	6
(b) Weyburn							48,354	15.39	11.62	3.13	5
		\$15,571,286	14.32	7.12	1.03		\$18,024,174	15.95	8.05	1.17	

(a) Quebec Bank profits 1914, Provinciale profits 1915 and 1914, Dominion Bank profits 1915, and Sterling Bank profits 1914—all less business taxes; and Imperial profits 1915 less auditors' fees. Dominion Bank discontinued bonus 2 per cent.

(b) Bank of British North America and Weyburn Security Bank annual reports not published at date of writing. British profits for year ending November, 1914, \$536,576.

(c) Bank of Toronto discontinued bonus 1 per cent.

(d) Northern Crown discontinued dividend.

(e) Home reduced dividend rate to 5 per cent. subsequent to end of fiscal year.