

BANKING PROFITS IN CANADA (III)

The tables printed in to-day's issue of **THE CHRONICLE** give a comprehensive view of the earnings of the banks and disposition of the same for the past ten years. Before proceeding to discuss the tendencies and movements which are shown by the figures it will be well to explain, as in previous years, how it happens that the net profits as shown in the upper table do not correspond exactly in some cases with the profits shown in the lower table. The first table does not show special items such as "recoveries," which are included in the second table. It is also necessary to note that absorptions and failures in past years have affected the totals brought forward from one year into the next.

The decreasing ratio of earnings to capital and total resources has been referred to in a preceding article. Notwithstanding the check to the growth of deposits and to new capital issues, the banks had at their disposal roundly \$24,000,000 more in 1914 than in 1913. This increase of funds, however, did not suffice to enable them to increase their net profits—a falling off to the extent of over \$300,000 is recorded. Possibly the amount of net profits as shown in 1913—\$18,323,021—will stand as the high record for the next year or two. Prospects for increase of banking profits in the immediate future are not particularly bright.

EARNINGS AND AVERAGE CAPITAL.

With respect to the ratio of earnings to average capital, this must necessarily rise as the proprietors of the banks add extensively to their accumulations of capital under the form of "rest." The fluctuations in the ratio of profits to capital and rest are more interesting inasmuch as they show the true return on investments of capital in banking. High water mark in this ratio was reached four years ago, in 1911. Since then the movement has been steadily downwards. The ratio of net profits to average total resources reflects to a certain extent the charges levied by the banks on the public for services performed. This also has been moving steadily downward since 1911, and the figure shown for 1914—1.17—is only four-fifths of that for 1907—1.47.

DISPOSITION OF PROFITS.

Turning to the table showing disposition of profits one striking feature is seen in the steady growth of dividends paid. The amount paid last year was more than double the amount distributed among the shareholders in 1904. At present bank dividends in Canada average \$1,000,000 per month. The amounts added to rest and written off premises in 1914 were less than in any year since 1903. This is rather a remarkable showing. However, one reason is doubtless found in the fact that so many banks have brought their rest up to an equality with capital. The amounts written off for depreciation, and the contributions, on the other hand, were greater than in any preceding year of this period. This emphasises the statement that 1914 was a most difficult year for our banking institutions. It is clear that the banking executives met wisely and judiciously the various difficult problems that confronted them.

EXCESS ISSUES OF DOMINION NOTES.

According to an answer given by the Finance Minister in the House of Commons this week, the Government has issued Dominion notes to the extent of \$26,000,000 since the war broke out in excess of the amount authorized by statute.

Of this amount, \$10,000,000 was issued in order to meet obligations of Canada on loans and expenditures as they matured. Ten million dollars was advanced to the Canadian Northern Railway Company on security of the Company's 4 per cent. debenture stock, guaranteed by the Dominion, under the legislation of last year, to an amount of \$12,500,000. Six million dollars was advanced to the Grand Trunk Pacific Company, on security of \$7,500,000 of the Company's 4 per cent. bonds guaranteed by the Dominion last year. Both these advances are repayable on May 1 of this year and bear interest at 5 per cent. per annum.

The Finance Minister also stated that Canadian banks and taken advantage of the special legislation passed last August and had borrowed from the Government a total of \$14,439,767, on advances of Dominion notes, secured by approved collateral. Of this amount the banks had repaid \$7,047,267.

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