

company is not, fundamentally, what shall we insure? but, how much is it worth to carry the risk? The difficulty with the fire insurance business to-day is, not that it carries a good many hazardous risks, but that it charges too often for a bad risk the price belonging only to a good one. The merchant who habitually sells his wares at or below cost will invariably land in the bankruptcy court, and certainly nobody charges him with monopolistic tendencies because he quits that kind of foolishness and insists on a selling price which affords a reasonable margin for profit.

CANADIAN BANKING PROFITS, II.

In the foregoing part of this article published in THE CHRONICLE last week, the profits of the chartered banks of Canada, reported in 1905-6 were given, it will be interesting to compare the totals with those of previous years and to note how the banking policy is tending in respect to profits and their disposition. The writer has available the figures for 1903, for 1904, and for the present year 1905-6. In the case of 1903 they represent the earnings reported at the various bank year ends between 28th February, 1903, and the same date in 1904; in the case of 1904 the earnings reported between February, 1904, and the same date in 1905, the last statement covers the reports issued between 31st May, 1905, and 31st May, 1906. This explanation given, the following table is submitted:

	PROFITS.		
	1903.	1904.	1905-6.
Balance brought in.....	\$1,596,481	\$2,270,595	\$2,480,459
Earnings for year.....	9,530,074	10,153,828	11,117,983
Premiums on new stock..	5,099,376	591,380	4,436,589
	<u>\$16,225,931</u>	<u>\$13,015,803</u>	<u>\$18,035,031</u>
	HOW DISPOSED OF		
Paid in dividends.....	\$5,761,903	\$6,228,803	\$6,748,650
Added to Reserve Fund...	7,640,683	3,496,125	7,094,677
Applied to premises.....	615,094	807,707	992,462
Written off—Depreciation, etc.....			*182,697
Donations (pensions, etc)...	115,577	129,847	189,822
Balance carried out.....	2,092,874	2,263,321	2,826,723
	<u>\$16,225,931</u>	<u>\$13,015,803</u>	<u>\$18,035,031</u>

* In the first two columns the amounts written off for depreciation, etc., were included under the heading "Applied for Premises."

It will be noticed that there is a difference between the "balance of profits carried out," 1903, and the "balance of profits brought in," 1904. That is accounted for by the fact that some one or two banks changed their year ends and issued statements covering broken periods of a year (these statements were ignored), and by the fact that in the former two years the statement did not as it should contain the figures of one of the smaller French banks which appear in the last exhibit.

The regular earnings of the banks show a steady gain right through the three year period. In the

case of nearly all the important institutions the tendency is to maintain the ratio of increase. Needless to add, the present high rates for money prevailing in New York will tend to increase the profits of our banks, not only of those which lend in that market, but also of the others which put out all their funds at home. Home rates will be more stiffly held when New York rates are high. There are some striking fluctuations in the amounts received as premium on new stock issues. In 1903 these were greater than in either of the two succeeding years. A glance at the records shows that in that year the Bank of Montreal completed the addition to its capital, this institution alone reported "premium on stock" \$1,381,492. And besides, the Imperial, Dominion, Royal, Toronto, Molsons and Ottawa, reported large amounts. Then, in 1904, there were only the Hamilton and Traders reporting sums as much as \$150,000. In 1905-6 again, there are some large stock increases shown, the most important being the Imperial, Nova Scotia, Sovereign and Commerce. There are some further issues of stock announced but not completed, and the probability is, if the present boom in trade continues, that the banks will be obliged to call on their stockholders for still further contributions in order to finance the growing demand for accommodation. The existing banks are showing themselves quite ready to increase their capital whenever the demands upon them for credit approaches the limits of their capacities. As their strength and solidity are well known all through the country it is more desirable that they should do this rather than that too many new banks should enter the field.

Turning to the disbursements, it is seen that dividends are increasing steadily. The amount of the capital bearing dividends is increasing, as are also the rates of distribution of many of the banks. To this latter circumstance, and to the fact that the outlook for future profits is excellent, is due the recent steady rise in bank stock quotations.

The banks are continuing their conservative policy of putting a very large proportion of their profits into their "Rests" or Reserve Funds. These funds are valuable not only for the increased stability they give the dividend rate, but also for the increased protection they give to the banks' creditors.

The matter of the expenditure on premises has already been discussed in THE CHRONICLE. It has been pointed out that the appropriations here mentioned do not cover the whole expenditure under this head, as most of the banks have substantially increased the amounts at which their premises are carried on their books in addition to applying the above amounts from their profits.

It is satisfactory to note that the appropriations for pensions, etc., are growing larger. The banks