ENGLISH BANK REPORTS, 1902.

HIGH DIVIDENDS OF ENGLISH BANKS—WHENCE COME SUCH LARGE PROFITS?

The reports of English banks now coming in are more than usually alike to those of the previous year. There has not been in England the development of business and of profits that have been so generally enjoyed by the banks of Canada. The trade, however, in Great Britain is so diversified in character, so subject to conditions affecting the commerce of every country in the world, that a comparison between British and Canadian trade conditions cannot be accurately made because the former has an incomparably broader basis than the commerce of this country. There is not a crop or material of any kind grown or produced on earth which does not affect British trade directly or indirectly by its extent and quality. Hence there is an enormous basis for creating an average condition of trade and finance in the old land which far exceeds the data provided by the conditions of the trade of any other country. The following shows the dividends declared by 20 of the leading English banks in London and the provinces for past 5 years as given in the "London Economist":—

Bank.	1902.	1901.	1900.	1899.	1898
London & Prov'l	18	18	18	18	18
" & Sth West	16	16	16	16	16
" & Westminster	15	15	16	16	14
" & Yorkshire	12	12	12	11	10
Paris	19	19	19	19	19
London City & Midland	19	19	19	19	19
" Joint Stock	12	12	12	12	10
" County	20	20	20	20	20
Union	12	12	12	12	11
National Provincial	18	20	22	22	22
Birmingham District	15	13¾	13¾	13¾	12½
Bradford Bkg. Co.	11⅔	11⅔	11⅔	11⅔	11⅔
Halifax & Huddersfield	8	8	8	8	8
Halifax Joint Stock	12½	12½	11¼	10	10
Lancashire & Yorkshire	15	14½	14½	13½	12
Manchester & County	15	15	15	15	15
" & L'pool District	20	20	20	20	20
Nottingham Joint Stock	12½	12½	12½	12½	12½
Capital & Counties	18	18	...	17	16
Lloyds	20	...	...	18¾	18¾

The average of above for last year is over 16 per cent.

The Manchester and Liverpool District Bank has decided to capitalize a portion of its large reserve fund by calling up £2 per share, and paying the calls pro rata from the reserve fund. This bank's paid-up capital amounts to $6,250,000 and its reserve fund to $10,075,000, After this operation has been carried out the reserve fund will stand at $8,825,000, or 2½ millions of dollars more than the paid-up capital.

We were recently asked how so many English banks were able to pay such large dividends? Over two thirds of the joint stock banks of England usually pay dividends at the rate of from 15 to 16 per cent. per annum. About 10 per cent. of those banks pay dividends of 20 per cent. and over per annum, and the joint stock banks of Scotland and Ireland fall little below this record. The main reason is this, the banks in Great Britain have an enormous amount of deposits compared to their paid-up capital, the average being about $1,000 of deposits to $100 paid-up capital. Several have $2,000 and over of deposits to $100 of capital, with, of course, a business in loans and discounts in equal proportions. One Irish bank, the Munster and Leinster, has $2,109 in deposits for each $100 of paid-up capital. Some Canadian banks stand in a good position in this respect, so far as profit making is concerned, for 11 of them have deposits exceeding six times their paid-up capital and two have nearly reached the proportion of 10 to 1. The average proportion between deposits in Canada and paid-up capital is $500 deposits to $100 paid-up capital; five years ago it was $360 deposits to $100 paid-up capital. It is obvious that, if a bank can clear a net profit of one per cent. per annum on its deposits and those deposits amount to ten times the paid-up capital, the result is a contribution of 10 per cent. from this source to the net profits of the business, and so on in proportion to the net difference between the cost of deposits and the amount they realize when utilized as loans and discounts. Another reason for such large profits being generally made by the banks of Great Britain is, the small ratio of losses to business done owing to the more stable conditions of trade in the old land and the highly conservative methods in vogue there of conducting banking business. A Canadian banker when intervewing an English bank manager was asked by the latter to guess what his losses had been in the last five years. The Canadian banker taking the extent of the bank's loans as a rough guide, said he thought an average annual loss of $1,000, or, $4,500 to $5,000 in five years would be moderate. The reply was: "My entire losses in the last five years amounted to less than $500, an average of less than $100 per year. Large supplies of cheap money, active business, strict rules of credit, small paid-up capital compared to Deposits and Loans, these conditions account for the high dividends paid by the bulk of English banks.

THE PHOENIX ASSURANCE COMPANY, OF LONDON, has issued a statement of its United States' branch, which reports the total assets to be $3,063,483, and net surplus $666,265, the assets having increased over $100,000 in 1902, and net surplus $200,000. The Phoenix is one of the best known and most substantial of fire companies.