ing him Managing Director. This was a well-deserved promotion, for a careful survey of the progress of the Company during the seven years that Mr. Sutherland has been its Manager will convince the most severe critic that he has guarded its interests faithfully and well. From a copy of the Company's paper entitled *Our Advocate* which we have before us, we learn that the amount of insurance in force has increased 124 per cent., its number of lives insured has increased 202 per cent., its assets, not including paid-up capital, have increased 719 per cent., while its general expenses for Head Office management have only increased 3 per cent., which is practically nothing.

Seven years ago there was an impairment of capital amounting to nearly one-half of the full amount paid-up, while at the end of 1896, there remained a surplus over all liabilities of $45,000, although a considerable sum had been paid in dividends to both policy-holders and shareholders in 1895, and again in 1896. The death rate of the Company has been abnormally low on the average right along, showing care in the selection of risks. But perhaps the highest credit is due to Mr. Sutherland and his fellow directors for the careful selection they have made of investment securities. When a Company is able to say at the close of each year, for three years in succession, that it closed its books at the end of the year "without a dollar's worth of real estate on its hands or a dollar of interest in arrears," it certainly shows that it is possessed of assets of the cleanest possible character. We wish Mr. Sutherland continued and increasing prosperity, and his Company a continuance of the well-deserved success it has had under his management.

THE SMALLER AND LARGER BANKS AS PROFIT MAKERS.

The large net profits made in the past year by the Maritime Province banks has led some to the conclusion that these large profits are owing to those banks being small institutions. The proposition may be stated thus : "The Bank of New Brunswick, which is a small bank, made larger profits than the Bank of Montreal which is a large bank, therefore the larger profits of the former bank arose from its being a small institution." The logic is very defective. It would be as reasonable to say, "Banks near the ocean made larger profits than banks far inland, therefore the larger profits arose from such banks being near the ocean." The mere size of a bank has no necessary effect on its profit-earning capacity, The three largest banks in Canada for many years past have made a far larger percentage of net profits than the three smallest ones operating in the same field. We say "operating in the same field," because that condition is one which has a direct, material, and constant influence upon the profit-earning power of a bank. If we take the eleven banks with capital of $1,500,000 and upwards whose head offices are in Quebec and Ontario, we find the average dividend they paid last year was 8.42 per cent., while the remaining twelve whose capitals were below $1,500,000 averaged only 6.20 per cent. dividend. If we divide the banks into sections, in order to compare the amount of their undistributed profits or reserve funds, we get the following results :—

	Aggregate. Capital.	Reserve Fund.	Average per cent. of Reserve Fund to Capital.
	$	$	%
11. Banks with Capital less than $500,000	2,932,000	574,000	19.00%
Average each	266,666	52,000	
13. Banks with Capital from $500,000 to $1,250,000	11,050,000	3,505,000	35.00%
Average each	850,000	269,600	
14. Banks with Capital of $1,500,000 and above	47,820,000	22,587,000	47.25%
Average each	3,416,000	1,613,000	

Earning capacity is largely enhanced by a reserve of those profits already earned. A group of the banks having capital of $1,500,000 to $2,000,000 shows such banks to have an average of 75 per cent. of Reserve Fund, and as paying a higher average dividend than those larger and smaller. The evidence then is conclusive that it is not the small banks in Canada which are the most prosperous, but those whose capital is of a medium size. The high profits made by the Bank of Nova Scotia, the Merchants of Halifax and the Bank of New Brunswick are not accounted for by their being small, but by their severally enjoying a practical monopoly of the best business of their localities ; by their reserve funds being in two cases equal to the capital ; and, in the third case over 70 per cent. of the capital; and, in their size being most suitable for the sphere in which they operate, which is too restricted to allow of any larger capital being kept in active and profitable use. The following table gives the percentages to capital of the deposits held by the banks in the three above groups, the percentage of their circulation and current loans to capital, and of their reserve funds :—

RATIO TO CAPITAL.

	Ratio of Circulation to Capital.	Ratio of Deposits to Capital.	Ratio of Current Loans to Capital.	Ratio of Reserve Fund to Capital.
11. Banks with Capital less than $500,000	51%	170%	250%	19%
13. Banks with Capital of from $500,000 to $1,250,000.	76%	386%	430%	35%
14. Banks with Capital of $1,500,000 and above	48%	308%	322%	47¼%

Here again we find the smaller sized banks, comparing unfavorably in their dividend-earning capacities to those of larger capital. The 11 having an average capital of less than $300,000, each have deposits averaging $170 to each $100 of capital, and $250 current loans for each $100 of capital , while the 13 banks, whose average capital each is $850,000, have deposits of $386 for each $100 of capital, and current loans of $430 for each $100 of capital. The banks in this group also enjoy by far the largest average circulation which with them runs as high as