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THE BANK OF MONTREAL'S STATEMENT.

The totals presented in the Bank of Montreal's statement for the half-year ended April 29th indicate strikingly the magnitude of the transactions in which this Bank and other Canadian banking institutions have lately been engaged. It may be presumed that the major part of the wonderful increase in deposits and in resources now reported by the Bank of Montreal is a consequence of the Dominion Government's recent \$75 million loan in New York and of the credit of \$76 millions extended by the Canadian banks to the Imperial Munitions Board. Deposits are now announced as \$334,358,415, an increase of about \$100 millions compared with April 30th last year, and the total assets of the Bank as \$390,421,701 compared with \$289,562,678. The March bank return showed the deposits of all kinds of the Bank of Montreal as \$251,967,667 and the total assets as \$309,390,788. So that evidently the great expansion came in April—the last month of the half-year. It will be in recollection that in the first week of last month, the Bank of Montreal, as fiscal agents of the Government of Canada, received from Messrs. J. P. Morgan & Company, a cheque for over \$70 millions, being the net proceeds of the Dominion Government's loan operation in New York. The effect of this transaction was, of course, to increase correspondingly the deposits of the Bank of Montreal and its resources in New York. Hence the remarkable bank balances abroad of \$67,171,736 reported by the Bank at April 29th, compared with \$24,350,496 at March 31st and \$14,205,378 at April 30th, 1915. It has been necessary to retain as cash these very large balances, presumably as part of these funds are being gradually transferred to Canada, according to the requirements of the Dominion Government. It seems possible that some amounts were transferred before the end of April, while at least \$25 millions has to be retained in New York in order to pay off when they become due the one-year notes which the Government negotiated there last year. Apparently, up to the end of last month, not a large proportion of these *pro tem* balances had been temporarily employed in New York call loans. The foreign call loans of the Bank of Montreal at April 29th last are reported as \$90,275,566, an increase of nine millions on the March total of \$81,250,927, and comparing with \$76,792,482 a year previously.

With regard to the credit to the Imperial Munitions Board, which was participated in by all the banks in proportion to their capital, an amount of \$50 millions was placed at the disposal of the Board on April 1st, subsequent monthly instalments making up the full total of \$76 millions. The effect of this arrangement would be, of course, at once to enlarge the deposits of the banks correspondingly. It is generally understood that the banks are taking for this credit British Government 5 per cent. Exchequer Bonds, and in this connection it is interesting to note in the Bank of Montreal's statement, the figures of the security holdings. The Bank has apparently almost or entirely disposed of its holdings in the Canadian War Loan, which it underwrote, it is understood, to the extent of some \$3,600,000. Possibly this realisation was regarded as a desirable preliminary to the granting of the credit to the Imperial Munitions Board. In any case the new statement of the Bank of Montreal shows that while its holdings of Dominion and Provincial Government securities have been reduced to \$450,872, those securities which are grouped as Canadian municipals and British, foreign and colonial public securities other than Canadian, were at April 29th, \$12,737,931 against \$4,422,840 at March 31st. This large increase of over eight millions is very possibly mainly due to an increase in holdings of British Exchequer bonds as a result of the credit to the Imperial Munitions Board.

These suggestions serve to point some reasons why for the Bank of Montreal's remarkable statement, though part at least of the Bank's increase in deposits appear to be due to the larger cash balances kept by the railways and some other of its important customers. Incidentally, the statement is highly instructive regarding ways and means by which war financing and consequent activities re-act upon the banks and result in the remarkable increase in the aggregate of banking resources, which has been a feature of war finance in several countries. It must necessarily be a matter of pride and satisfaction to Canadians that their banking institutions are able to take a by no means unimportant share in the financial support of the Allies' cause. They would not have been able to do this but for the far-seeing and statesmanlike policy which has controlled them both, in past peaceful times and through the critical period of the last two years.