

# The Chronicle

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F. WILSON-SMITH,  
*Proprietor.*

ARTHUR H. ROWLAND,  
*Editor.*

*Office:*

406-408 LAKE OF THE WOODS BUILDING,  
10 ST. JOHN STREET, MONTREAL.

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## BANKING PROFITS IN CANADA (III).

The table printed in to-day's issue of THE CHRONICLE on page 201 shows in striking manner the effects produced on the banking reports by the tendencies and happenings of recent years. For example, the war tax on circulation absorbed \$1,008,773 in 1915—this being a new item of expenses appearing since 1914. At the same time net profits as declared have been shrinking. The net earnings for 1916, after allowing for the British and Weyburn on the basis of last year's figures, would be roundly \$2,200,000 less than in 1913. This falling off in earnings occurred in spite of the fact that the banks in 1916 had \$280,000,000 more assets to operate or handle. It indicates that the expense ratio has risen considerably. It is interesting to compare the total resources and profits of the banks as shown for 1916 with the same items ten years ago. The aggregate resources controlled by the banks in 1906 (average for the fiscal year) were \$847,537,380; and in 1916 the total had risen to \$1,793,864,162—the increase being \$946,000,000, or over 110 per cent. During the same period the net earnings increased only \$4,000,000, or less than 30 per cent.

### RESULTS OF DECREASE IN PROFITS.

Owing to the decrease of profits and increased taxation in 1916 and 1915, the total amount distributed as dividends shows a reduction; and it was necessary to cut down the appropriations for writing down Premises' Account and for adding to Rest. As regards both of these accounts, 1916 and 1915 contrast strikingly with preceding years. In 1916 the net addition to Rest was only \$50,000; and in 1915 there was a net deduction from Rest. In preceding years the additions out of current earnings (apart from premiums on new stock) have usually been large. The same applies to Premises' Account, the amount written off in 1916 or 1915 being only one-third of the amount appropriated for 1914, and only one-fifth of the amount written off in 1913, 1912 or 1911. It is to be remembered however, that as the Rests, in the aggregate, have now been brought to equality with the paid up capital, there is not the same necessity for adding large amounts as in previous years. As regards the premises, many banks have already written the item down to 60 or 65 per cent. of cost; and the general opinion doubtless is that appropriations might be omitted in bad years.

In order to explain what look like discrepancies in the table, it is necessary to remark again, that in some years there were special items such as "recoveries" included in the net profits as shown in the lower table, but not taken into the upper table. Also the large difference shown in profits, 1911, was due to the readjustment of the Bank of Montreal premises account—the item being written up to \$4,000,000 from \$600,000. Absorptions and failures have affected the totals of profit and loss balances brought forward from one year into the next.

### THE NEW BRITISH WAR LOAN.

While the returns are not yet complete, Mr. Bonar Law, the British Chancellor of the Exchequer announced this week in the House of Commons that the new British War Loan had brought in at least £700,000,000 new money (approximately \$3,500,000,000.) This figure takes no account of the conversions of the old war loans and Exchequer Bonds, which are on an immense scale. The new money is almost equal to the figure at which the entire British National Debt stood on the outbreak of war, and it has been subscribed at a time when the British Government is raising an annual revenue by taxation of over £500,000,000. In order that the liquidity of the British banks may be preserved, they did not subscribe to the loan, and the whole of the new money has been subscribed by institutional and private investors, the desideratum of a very large number of small subscriptions having been obtained.

This great achievement is a striking indication of the magnitude of the financial resources at the disposal of the British people, resources which have been by no means exhausted in this latest effort, as well as an index of their determination to "see the thing through."

Great Britain's daily war expenditure has now risen to \$28,950,000, including loans to the Allies. Total expenditures since the war began have amounted to \$21,000,000,000.

### LAST YEAR'S CROPS LARGER THAN ORIGINAL ESTIMATES.

Railway returns already indicate, points out the Canadian Bank of Commerce in its monthly commercial letter, that last year's grain crops were very much larger than as shown by the official estimates. The reports received up to the close of September, when the larger proportion of the crop had been cut, indicated a total yield of 159,123,000 bushels of wheat. The amount of grain inspected up to the close of 1916, and the amount still in interior elevators and in the hands of the farmers, make it quite obvious that the official estimate and even others, which took a more hopeful view of the grain outlook, were too low. A revised, but not final, estimate issued in January, places the yield of wheat at 220,000,000 bushels, of which 197,000,000 bushels were grown in the West.

"New Ideals in Business," by Ida M. Tarbell, published by the Macmillan Company of Canada, describes the efforts now being made in factory betterment by a number of large manufacturers and others.