The Chronicle

Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION

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the banks will have returning to them a considerable number of young, trained bankers, who for the last two or three years have been in the army. A natural sequel, also, to such a programme of expansion will be an increase in the banks' paid-up capitals which have been practically at a standstill for several years, and immediately the time becomes ripe it is to be expected that the stockholders of the banks will find themselves invited to increase their holdings on favourable terms.

There has been some discussion lately regarding the amount of Canada's share in the indemnity to be paid by Germany, and apparently in some quarters an assumption that it would be an easy matter to get back practically the whole of what Canada has expended. There seems no doubt that Germany can well afford to pay a substantial indemnity. One London writer calculates that by additions to taxation by no means unbearable in amount, a levy for the Allies of some three thousand million dollars a year could be raised. This sounds a very handsome amount, until it is placed in comparison with the financial costs of the war to the Allies of two hundred thousand million dollars. Moreover, it is to be remembered that the Allies have three or four small bankrupt nations on their hands, and that these nations will very rightly have first claim in the indemnity for the ruin which Germany has brought to them. In any case, any expectation that Canada's share of indemnity will be sufficient to reduce federal taxation to a pre-war standard is likely to be disappointed.

BANK OF MONTREAL.

The 101st annual statement of the Bank of Montreal published on another page affords convincing evidence of that foresight in policy, and statesmanship in action which has long been a characteristic of the management of this great institution, thus enabling it to steer in safety through the financial crisis at the outbreak of the war and since to render important service to the cause of the Allies, which has not only been of importance to Canada in the stimulation of industry and trade, but of very great value to Great Britain.

The Bank still retains its commanding position.

Part of the increase in resources became available only towards the close of the year, when the Bank of British North America was taken over, and consequently did not enter to any extent in the earning results of the year. Profits, however, show a moderate gain at $2,562,720 against $2,477,969 a year ago. After payment of the usual dividends and bonuses, totalling 12 per cent., providing $160,000 for war tax on circulation, donating $46,000 to patriotic funds and reserving $200,000 for bank premises account, a sum of $236,720 remained to be added to profit and loss balance.

Comparisons of earning results for three years follow:

	1918	1917	1916
Profits..........	$2,562,720	$2,477,969	$2,200,471
Less:			
Dividend.......	1,600,000	1,600,000	1,600,000
Bonuses........	320,000	320,000	320,000
War tax........	160,000	160,000	160,000
Patriotic........	46,000	47,500	....
Bank premis....	200,000	100,000	....
Tot. deduct.....	$2,326,000	$2,227,500	$2,080,000
Balance.........	236,720	250,469	120,471
Prev. bal........	1,664,893	1,414,423	1,293,952
Tot. P. & L......	$1,901,613	$1,664,893	$1,414,423

Cash holdings exclusive of a deposit of $27,700,000 in the Central Gold Reserve, amount to 94 millions, or about 18.1 per cent. of liabilities to the public, against 51 millions or about 14 per cent. a year ago. Quick assets including security holdings, amount to 370 millions, a proportion of 71.3 per cent. to liabilities to the public, against 276 millions, or 75.5 per cent. in 1917.

The expansion within the war period is striking. When the statement of October, 1914, was drawn up there were no indications of the large influence war was to exert on the finance and business of the country. Business was depressed, but the banking position was steady. Taking the 1914 statement, therefore, as the position on the outbreak of war, and the 1918 statement, drawn up about ten days before the signing of the armistice, as the position at the close, comparisons would show that the bank has somewhat more than doubled in size. Total assets of 558 millions now compare with 259 millions then; savings deposits of 345 millions and total deposits of 469 millions compare with 154 millions and 197 millions respectively.

The proportion of cash to public liabilities shows little change, 18.1 per cent. against 18.3, but the proportion of quick assets to public liabilities has risen to 71.3 per cent. against 55.1, the principal factor in the increase being the rise from 12 to 110 millions in the bank's holdings of securities, chiefly obligations of the Dominion and Imperial Governments.

The bank's foreign reserve, represented in cash balances and call loans abroad, has been kept at a very high level considering the large demands for money at home. It represents today about 20 per cent. of the total assets of the bank, against a proportion of about 22 per cent. four years ago.

Deposits at Record Levels.

That the policy of thrift so strongly advocated by the Bank has been followed in a large measure by the people of Canada is shown by the increase in interest bearing deposits to the record level of $345,552,764 as compared with $246,041,786, a gain of almost One Hundred Million Dollars, while Deposits not bearing interest stand at $124,175,047 up

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