

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881.

PUBLISHED EVERY FRIDAY.

F. WILSON-SMITH,
Proprietor.ARTHUR H. ROWLAND,
Editor.

Office:

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

Annual Subscription, \$3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, OCTOBER 13, 1916

THE AUGUST BANK STATEMENT.

The feature of the August bank statement, the leading figures of which were given in our last issue, is the large increase in deposits by the public. Demand deposits increased during August by \$11,359,087 to \$443,317,275 and notice deposits by \$17,410,768 to \$806,774,687. The gain in public deposits during August thus approached \$28,000,000. Their gain during the last year is over \$223,000,000. Under such circumstances the oversubscription of the recent war loan can be readily understood.

The falling off in deposits abroad to the extent of over \$30,000,000 and a coincident decline of \$5,741,000 in call loans abroad is probably largely accounted for by the repayment of the Dominion's one-year notes which were floated in New York last year and became due on August 1st. The funds to meet these and other obligations, it will be remembered, were provided by the \$75,000,000 loan floated in New York in the early part of this year, those funds largely swelling the banks' foreign deposits and call loans abroad pending their disbursement. The effect of this repayment transaction is slightly to reduce the banks' liabilities and assets in comparison with July. The result, however, in this connection is trifling owing to the rise in public deposits and the granting of new temporary credits by the banks to the Dominion Government, presumably pending the receipt of the proceeds of the recently floated War Loan. The results of this temporary financing are seen in a rise during August of over \$12,000,000 in the Dominion and provincial securities held by the banks, the total of their security holdings now reaching a new high level of \$253,657,061 or more than double their amount at the end of August, 1915.

Canadian loans and discounts show a slight decrease from their July level—an indication that

repayments of bank loans are more than keeping pace with new demands. Circulation also shows a slight recession in comparison with July, but it will be noticed, is over \$23,000,000 higher than at the corresponding date of 1915. Last year there was an expansion in the note circulation between August 31 and November 30, of some \$24,500,000. If a similar expansion were seen this year, by the end of next month the banks' circulation would be up to nearly \$150,000,000. Possibly, however, this year's crops may result in a smaller demand for currency than last year and the more active redemption of the large supply of notes now outstanding may tend to keep down the fall expansion in circulation.

The banks' reserves naturally continue at a high level. Against circulation and deposits of all kinds, immediately available reserves of specie and Dominion note holdings, deposits in the Central Gold Reserve and to secure the note issues, net bank balances abroad and foreign call loans were in a proportion at the end of August of 30.6 per cent. The end of July proportion was 31.3 per cent.

ROYAL BANK TO ABSORB QUEBEC BANK.

Official announcement was made yesterday afternoon that arrangements have been completed for the absorption by the Royal Bank of the Quebec Bank. The deal now awaits the sanction of the Quebec Bank shareholders which will doubtless be given as the arrangement is strongly and unanimously recommended by the directors. It is understood that the Minister of Finance has taken no objection to the negotiations.

Under the terms of the agreement the shareholders of the Quebec Bank for every three shares of Quebec Bank stock will receive one share of Royal Bank stock, plus \$75 in cash. Fractional shares of Royal Bank of Canada stock will be paid for in cash at the rate of \$225 per share. Three directors of the Quebec Bank will be added to the Board of the Royal Bank.

The Quebec Bank is the second oldest banking institution in Canada, dating from 1818, but probably for lack of aggressive management, it has never been able to make the vigorous headway that has marked a number of Canadian banking institutions established many years subsequent to it. The latest bank return shows that the assets at August 31st were \$22,250,937. Paid-up capital is \$2,735,000 and reserve \$1,000,000, deposits amounting to \$15,608,665.

The energetic character of the management of the Royal Bank is well-known. It has been developed rapidly in recent years, its assets at August 31st last being \$238,411,224. Paid-up capital is \$11,987,070, rest \$12,560,000, and total deposits \$190,812,254.