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Banking, Insurance and Finance

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BANKING PROFITS IN CANADA (III)

The table in to-day's issue of THE CHRONICLE, on page 209 gives a comprehensive view of the tendency of banking profits. In perusing the figures it should be remembered that, while the exhibits from 1907 to 1916 inclusive in the lower table represent full returns from all chartered banks, the 1917 results deal with 18 banks only—the Bank of British North America, Bank of Hamilton, and Weyburn Security Bank not being included as their reports have not been published up to date of writing. In the case of the upper table, the 1917 figures for average capital, average capital and rest and average total resources cover the full number of 21 banks—it being possible to get the necessary details from the monthly Government bank return. But the net profits are those reported by 18 banks, and of course the percentages are calculated on the totals applying to those 18 banks. In 1917, taking all banks, they had $270,000,000 more resources with which to operate than in the preceding year and the average resources for 1916 in turn were $196,000,000 greater than the 1915 figures. It is to be noted, too, that at the close of the calendar year, 1917, the actual total of bank resources was above $2,300,000,000, or nearly $300,000,000 greater than the average for 1917 as appearing in the table. This circumstance points to a further substantial increase in the average resources for 1918.

STOCKHOLDERS' RESOURCES NOT INCREASED.

Capital account is not increasing proportionately. As regards paid-up capital, the 1917 figures are less than any year since 1912; and as, regards capital and rest, there has been no net gain since 1914. Notwithstanding that the resources of the banks have more than doubled in the ten-year period, the ratio of net profits to average capital and rest, in other words the return on the stockholders' investment, has not increased. The responsibility and risk involved in the handling and investment of an additional billion dollars has therefore brought no commensurate increase in the rate of remuneration enjoyed by capital invested in banking. With reference to the differences in profits shown respectively in the upper and lower tables in 1913, 1911, and preceding years, the explanation is that the profits in the lower table include "recoveries" and other special items. The $20,442,506 profits shown in 1911 included the adjustment of $3,400,000 made that year in the Bank of Montreal premises account. Also it is to be observed that the amounts carried forward from one year to the next are affected by bank failures, amalgamations and changes in date of annual returns.

GERMANY'S FINANCES.

Sir Edward Holden, chairman of the London City and Midland Bank, addressing his shareholders recently, save a lengthy review of German fiscal operations during the war. A comparison of balance sheets of the Reichsbank at December 31, 1917 and July 23, 1914 shows a 1917 ratio of gold to notes of 20.9 per cent. against 71.7 per cent. in 1914; gold to liabilities, 12.3 per cent. against 47.8 per cent.; cash balance to notes, 34.0 per cent. against 95.0 per cent.

Germany had prepared, Sir Edward pointed out, to raise all paper money required, regardless of inflation, through the Reichsbank, and, if this proved insufficient, through loan banks, and to leave all arrangements for rectifying her finances until after the war. Despite every measure taken, the Reichsbank could not obtain enough gold as a basis for issuing new notes, and accordingly banks called Darlehnskassen, with power to make loans by issuing Government notes, were established, the Reichsbank holding these notes as the equivalent of gold, and having the power to issue its own notes in the proportion of three to one, for every Darlehnskassen note in its cash balance. At December 31st, 1917, the Reichsbank held in its cash balance Darlehnskassen notes to an amount of almost $310,000,000. These notes are issued as loans on securities, unsuitable for ordinary banks, to individuals, firms and municipalities.

MONTREAL'S NEW LOAN.

The Bank of Montreal, fiscal agents of the City of Montreal, is offering for public sale $6,900,000 five-year 6 per cent. refunding gold bonds of the City of Montreal, at par. The bonds are dated December 1st, 1917, and as a full half year's interest will be paid on June 1st, although subscriptions for the issue will not be due until April 8th, the net yield of the bonds is about 6½ per cent.

Applications for the bonds, which are payable in Montreal and New York, are in coupon form, and in denominations of $100, $500 and $1,000, will be received by the Bank of Montreal here, or any of its branches, beginning Monday, February 25th, and the offering is subject to withdrawal on or before March 18th. This issue has not been underwritten, and the actual work of selling the bonds is being undertaken by the various investment organisations, who will be allowed a commission on the subscriptions they turn in, while they can, of course, subscribe themselves for blocks with a view to subsequent re-sale.

The sums wasted during the lifetime of the average man represent the price of a good home and an old-age endowment.—*North American Life.*

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The only business that pays—that pays the agent, pays the company and pays the assured—is the business that stays. Any other kind is worse than worthless; it represents nothing but failure.—*G. Cecil Moore, Imperial Life.*