

## FINANCIAL REVIEW.

We present below a condensation of the monthly statement of Canadian banks for December, 1905. It is compared with the Bank Statement for the previous month, and shows capital, reserve, assets and liabilities, and average holdings of specie, Dominion notes, etc.

## Canadian Bank Statement.

	LIABILITIES.	
	Nov. 1905.	Dec. 1905.
Capital authorized .....	\$102,646,666	\$102,646,666
Capital paid up .....	84,542,598	85,294,210
Reserve Funds .....	58,529,624	59,898,397
Notes in circulation .....	\$72,592,543	\$69,981,574
Dominion and Provincial Government deposits .....	10,274,546	11,555,484
Public deposits on demand in Canada ..	157,548,539	155,346,759
Public deposits after notice .....	354,393,953	356,880,974
Deposits outside of Canada .....	43,997,686	44,063,572
Bank loans or deposits from other banks secured .....	577,865	766,799
Due to other banks in Canada .....	6,413,169	5,678,809
Due to agencies or other banks in Great Britain .....	5,280,560	4,098,095
Due to other banks in foreign countries ..	2,159,488	1,569,828
Other Liabilities .....	11,099,904	12,218,155
<b>Total Liabilities .....</b>	<b>\$664,328,327</b>	<b>\$662,160,127</b>
	ASSETS.	
Specie .....	\$20,701,503	\$19,649,545
Dominion Notes .....	39,712,009	38,055,620
Deposits to secure note circulation .....	3,875,499	3,435,334
Notes of and cheques on other banks .....	25,325,795	28,345,495
Loans to other banks, secured .....	573,784	684,898
Deposits with other Banks in Canada .....	7,977,408	8,591,796
Due from agencies or other banks in Great Britain .....	11,421,005	8,308,239
Due from Banks or agencies in foreign countries .....	15,886,242	14,344,574
Dominion and Provincial Government securities .....	8,957,075	9,182,353
Other securities .....	59,493,371	59,813,007
Call and short loans on bonds and stocks in Canada .....	48,792,009	49,704,928
Call and short loans elsewhere .....	59,598,234	61,010,020
	<b>\$302,223,925</b>	<b>\$301,125,809</b>
Current Loans in Canada .....	\$457,008,145	\$458,355,366
Current Loans elsewhere .....	32,080,027	30,882,959
Loans to Dominion and Provincial Governments .....	1,858,859	2,063,362
Overdue debts .....	1,696,723	1,665,732
Real estate .....	661,081	691,828
Mortgages on real estate sold .....	530,780	481,970
Bank premises .....	11,220,397	11,569,131
Other assets .....	9,836,267	8,696,970
<b>Total assets .....</b>	<b>\$817,149,132</b>	<b>\$815,533,302</b>
Average amount of specie held during the month .....	19,776,046	19,246,431
Average Dominion notes held during the month .....	37,533,332	38,330,071
Greatest amount notes in circulation during month .....	79,226,877	75,850,739
Loans to directors or their firms .....	8,594,105	8,039,444

About half a dozen of the banks have added slightly to their subscribed and paid-up capitals during the month, but the total changes in these items are not large. Subscribed capital has increased by \$725,000 and paid-up capital by \$751,000. The Bank of Ottawa shows the largest increase for any single bank, having increased its subscribed capital from \$2,500,000 to \$2,933,500, and its paid-up capital from \$2,500,000 to \$2,873,860. An addition of \$1,369,000

has been made to total Rest Account, the principal increases being shown by the Bank of Nova Scotia, the Royal Bank of Canada and the Bank of Ottawa. The Rest of the Bank of Nova Scotia now amounts to \$4,200,000, or 168 per cent. of its paid-up capital; the Royal Bank of Canada has added \$400,000 to this account, which formerly stood at the same figures as its paid-up capital, and has thus joined the ranks of those banks whose Rest funds exceed their capital, while the Bank of Ottawa has added \$373,860 out of premiums on new stock. The tendency is becoming more marked among our banks to follow the lead of banks across the border, where small capital stocks are the rule, and to make of the Rest or reserve fund, not so much what it was originally intended to be—a fund for the purpose of equalizing the results of good and bad years, and thus ensuring a steady dividend to the stockholders—as a permanent addition to the funds in the business, taking the place of additional capital, with the advantage that on the amounts so laid up no dividends need be paid. Undoubtedly a large Rest is a most excellent thing, adding to both the stability and the prestige of a bank; but a development along the lines along which certain well-known New York banks first pointed the way is not akin to the spirit or consistent with the normal development of our Canadian banking system, which demands the provision of sufficient capital to afford an ample basis for the circulation requirements of the country.

The amount of notes in circulation has fallen from \$72,593,000 to \$69,981,000, a decline of \$2,611,000. The fall of the past two months, taken together, is \$6,909,000, almost 9 per cent. of the total circulation at its high level of \$76,890,000 at the end of October, and there is still another month of rapid contraction before us. Last year the reduction during the same two months was \$7,709,000 from the October figures of \$72,216,000, being a decrease of 10.6 per cent.

Quite a large increase is shown for the month in balances due to the Dominion Government, this item increasing from \$3,672,000 in November to \$5,211,000 in December. The difference is almost entirely accounted for by the figures of the Bank of Montreal, though the Bank of Nova Scotia also shows an increase under this heading. The increase is usual at the end of the year, being in anticipation of the payment of provincial subsidies due on the 1st of January.

In deposits a slight but steady growth continues all along the line, except in public deposits in Canada payable on demand, which show a decrease of \$2,202,000. It is the first time since April last that an increase has not been shown under this heading.

Decreases of \$1,182,000 and \$590,000 appear in balances due to agents in the United Kingdom and to those in foreign countries respectively. Total liabilities have fallen off from \$664,328,000 to \$662,160,000; last year the figures were \$588,645,000 in November and \$587,918,000 in December.

Turning to the other side of the return, we find a slight decrease in specie and Dominion notes. The total held is \$57,705,000, or 8.7 per cent. of the total liabilities. Last month the ratio was 9 per cent., and in December, last year, 9.6 per cent. The reason for the reduction of .9 per cent. since December, 1904, is doubtless the fact that while total deposits have increased during the year by \$62,964,000, total advances have increased by \$79,742,000, the difference of \$17,000,000 having to be met out of quick assets.