

THE ROYAL BANK'S STATEMENT

The rise of the Royal Bank of Canada is a romance of Canadian Banking history. So recently as 1907—to go no further back than twelve years—the total assets of this bank were under \$50,000,000. In the annual statement for the year ended 30th November last, total assets are reported as \$533,647,085. Expansion on this scale is without parallel in Canada, and the probabilities are that it has few parallels in the banking chronicles of either the United States or of Great Britain.

This progress is in part due to the enterprise which has distinguished this bank for some years past in the development of connections abroad. The old standing trade interests, between Halifax, the Royal Bank's old home, and the West Indies had the natural result of the establishment of the Bank's first southern branches, and the modest beginning in foreign connections made in those days, has since been followed by very wide expansion. The development of these foreign connections has culminated for the time being within the current year in the formation of a close working arrangement with one of the most important British banking institutions, the London County, Westminster and Paris Bank, an example of banking arrangement interest, we are inclined to think, is likely enough to be followed by other Canadian banking institutions at no distant date. The importance of the Bank's foreign connections, is indicated by the fact that current loans abroad are shown in the present statement at over \$90,000,000, while the bank's holdings of United States currency, and other foreign money are over \$11,000,000. Considering the present importance of the bank's foreign connections, it would we think, be interesting, if in future annual statements the amount of deposits abroad were to be separately stated, as well as the loans made by the Bank in connection with its foreign business.

The figures of the financial statement are given in full on another page, but attention may be drawn to the remarkable increase in assets compared with a year ago, of over \$100,000,000, and also the very large increase in deposits of over \$86,500,000. At the same time liquid assets are in a satisfactory proportion to liabilities to the public of over 55 per cent.

Profits are on the way to \$3,500,000, and to signalize its semi-centennial, the Bank, made a special distribution of a bonus of 2 per cent. by way of a "Christmas box" to its shareholders. We are glad to note a generous distribution was also made at the same time among the staff. While there has lately been a considerable amount of exaggerated talk regarding the poverty of the salaries of bank staffs, the fact remains, that the present high cost of living is felt most severely by the salaried classes, whose remuneration has increased in proportion to the rise in prices, less than that of any other portion of the community. The real value of such bonuses as that distributed by the Royal Bank and other institutions, is however,

less in the actual amount, than in its indication to the staff, of a real appreciation of their services, and in its utility in increasing, their loyalty and interest.

The Royal Bank is now entering upon the second half century of its history. The speeding of its enterprise over such wide and divergent fields, outside the Dominion naturally involves additional and heavy responsibilities. It may be said, however, that if the Royal Bank continues to be directed with the business shrewdness which has marked its course in recent years, that a future of great success is assured.

INVESTMENT OF INSURANCE FUNDS

MR. A. R. HERR (Vice-president, Equitable Life New-York), views on the investment of funds are of much interest to financial and insurance men. He says:—

"It is an axiom of the banking and investment profession that safety of principal varies inversely with the rate of interest. If a low return is deemed adequate, investments can always be procured in which the element of risk is almost non-existent. But a vast amount of money is invested on the promise of high interest rates or dividends. Generally speaking, the security behind investments of this class cannot be compared with that of low yield bonds. So those who are called upon to invest the Equitable's funds are between two fires. One is the tendency to be unduly exacting as to security at the expense of income; the other is the desire to increase the average return on the Society's investments. In view of these opposing factors, it is often difficult to reach a conclusion on a specific investment or loan. Competition emphasizes the apparent advantages of higher yield, and often it takes no little moral courage and determination to decline offerings that are especially attractive from the standpoint of income.

"Only a small proportion of the investments offered to the Society meet the requirements both of adequate yield and safety. Under normal conditions probably only one or two per cent. of the investments offered are purchased. Certainly the Equitable could not be accused of neglecting security in favor of higher yield. The human mind is not infallible of course, but the members of the finance committee doubtless feel that if they are yielding unduly to either of these conflicting forces, they had better err on the side of too great conservatism.

"The methods of procedure in the investment of the Society's funds are about as follows: Suggested loans or investments are first critically examined in the comptroller's or treasurer's department, according to the class of security offered. They are then presented to the finance committee, which meets weekly. The committee consists of the president, and four directors who are not officers of the Society. Two of the vice-presidents, the comptroller and the secretary of the committee, also participate in its

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