

BANK OF BRITISH NORTH AMERICA.

While differing in important respects from the other Canadian banking institutions in its constitution and organization, the Bank of British North America has always been known as a leading exponent of conservative Canadian banking practice. For nearly a century now, the Bank has played an important part in the development of the Dominion. It has, too, consistently maintained a high standard both of resources and of business conduct, with the result that it long since achieved and now continues to hold that reputation both for solidity and courtesy, which are always the desire of the banker to obtain and maintain.

The profits for the Bank's financial year ended November 30, 1914, are returned as \$536,577 against \$689,745 in the previous twelve months. It is to be presumed, however, that this year's figures are only declared after the reservation of a substantial amount for depreciation in the securities held. It is noted in the balance sheet that Stock Exchange securities held have been valued at or under the prices of July 27, 1914—a very low level, suggesting that thorough precautions have been taken to provide against any possible losses on this account. A balance of \$108,438 brought forward from the previous year makes the total available on this account, \$645,014. Of this amount the 8 per cent. dividend absorbs \$389,333. The usual generous provision is made for the officers and staff of the Bank, contributions from the profit and loss account to the various funds maintained for their benefit being over \$63,000. Subscriptions amounting to \$24,333 to the Canadian Patriotic Fund and the Canadian Red Cross Society were also made, and the largely increased balance of \$167,082 carried forward.

A STRONG POSITION.

The following are the leading figures of the current balance sheet in comparison with that for 1913:—

	1914.	1913.
Paid-up Capital	\$4,866,667	\$4,866,667
Reserve	3,017,333	3,017,333
Circulation	4,427,424	4,876,310
Deposits	42,275,356	38,230,931
Gold and Dominion Notes	10,622,047	15,379,476
Call and Short Loans	4,648,650	9,323,143
Current Loans and Discounts	32,236,943	36,415,600
Total Assets	60,604,993	62,644,890

* Excluding \$500,000 in Central Gold Reserve.

† Excluding \$250,000 in Central Gold Reserve.

It will be noted from these figures that a very strong position is maintained. The holdings of gold and Dominion notes have been practically doubled in comparison with a year ago and in the case of gold alone, almost tripled. These cash holdings are in the proportion of about 20 per cent. to the Bank's liabilities to the public. The sharp reduction in call and short loans is wholly accounted for by the contraction in the foreign call loans which have been reduced nearly \$5,000,000 in comparison with last year, while Canadian call loans have been advanced about \$160,000. Similarly the fall in current loans and discounts is accounted for in part by a contraction in foreign loans under this heading to the extent of \$1,700,000, the reduction in Canadian current loans and discounts being \$2,500,000. Circulation is about \$450,000 less than a year ago, while deposits

have gained \$4,000,000, the greater part of this advance, over \$3,500,000, being in non-interest bearing deposits.

In proportion to liabilities to the public, liquid assets are in a satisfactory ratio approaching 50 per cent. It is clear, in fact, that throughout a period of great difficulty, the Bank has maintained a characteristically strong position. Under the management of Mr. H. B. Mackenzie, there is every reason to believe that its prestige will be still further enhanced as time passes.

WATCH THE MORAL HAZARD.

The trend of a good many fire losses recently suggests that at the present time an extra sharp look-out for moral hazard requires to be kept. Local agents of the fire companies can in their respective districts render valuable service in this direction by the simple process of keeping their eyes and ears open as they move around the community. Efforts which will minimize the losses due to moral hazard are not only a valuable service to the companies the agents serve but to the community at large.

LIFE COMPANIES AND SECURITY DEPRECIATION.

At the recent annual meeting of the Scottish Amicable Life Assurance Society, some interesting observations were made by the chairman regarding the effect of the depreciation in securities on life companies' investments. "The liabilities of a life assurance office," he pointed out, "are not immediate, but are distributed over a long period of years, and, further, its assets do not consist solely of the existing funds, but also of future premiums. In these circumstances there is on the one hand no possibility of a forced realisation of securities, and on the other hand, depreciation in the market value of securities enables us to invest our fresh funds on more favourable terms. Then again it must be remembered that the rate of interest exercises an important influence, not only on the assets, but also on the liabilities of a life office. In valuing these liabilities it is usual to assume a rate of interest considerably lower than the investment rate, so that a margin exists, not merely for the purpose of greater security, but also as the source of much of the surplus out of which bonus additions are declared to the participating policies. This margin is increased by the act of writing down our investment values. The process automatically raises the rate of interest on the existing funds, bringing it into relation with the more favourable terms upon which we can invest our fresh funds, and the increased margin over the rate used for valuing our liabilities goes a long way to neutralise the effect of depreciation. The actual result will vary with the age of the office, the character of the business on its books, and the distribution of its investments, but it may be stated generally that an office of average age and constitution, with a due proportion of mortgages or short dated securities included among its investments, has really nothing to fear from depreciation, so long as that does not arise from any impairment of the actual security or reduction of the income."