

of \$2,422,708, due largely to the effect of the war upon our foreign exchange business and to the unsatisfactory conditions which have prevailed in the exchange markets during the year.

#### Strong Cash Reserves.

In view of the general situation we have thought it prudent to keep strong in cash reserves, particularly in gold, the medium for the settlement of international obligations, and that it might be the more readily available for such purposes we have carried an unusually large proportion of our holdings at points outside of Canada. Our total holdings of coin and legal tender are \$39,901,993. If to this amount we add the balances due us by other banks and correspondents, our holdings of government and municipal bonds and stocks, and call and short loans, our liquid assets amount to \$101,173,357, or 47.62 per cent of our liabilities to the public.

#### Current Loans Increase.

Total Current Loans show an increase of \$2,037,254, more than accounted for by an increase of \$3,704,464 in Call and Short Loans due to the policy of keeping our assets in the most liquid shape possible during the unstable conditions which are the outcome of the war. The fact that our loans show an increase despite the shrinkage which has taken place in general business, bears witness to our earnest efforts to assist the business community to the utmost of our ability consistent with prudence, and should be sufficient answer to those persons who assert in the press and on the public platform that the banks have failed to provide the necessary financial assistance for the commerce of the country. There are some who go further, and by quoting the figures of Canadian bank deposits without setting alongside these figures those of the loans, mislead the public and cause them to look upon the banks as enemies to the public welfare. To all such, I say, the figures of our balance sheet are sufficient answer. There has been a reduction of \$7,935,233, or over 37 per cent, in the total of securities held, occurring principally in those classes as railway and other bonds, debentures and stocks. In view of the extent to which we have been, and are still likely to be, called upon to assist in the various measures taken to finance the war, it seemed wise to take every reasonable opportunity of realizing upon our holdings of securities. Total assets show an increase of \$5,057,441, which may be considered very satisfactory growth under the conditions which have prevailed.

#### Turnover of \$15,000,000,000.

Our records show that on the average we handle every dollar of our assets over 60 times a year; so that the figures at which they stand indicate a turnover of 15 billions of dollars during the year. In return for the immense labor and heavy responsibility involved in handling this huge sum, we have earned slightly more than one-and-a-half cents on every hundred dollars.

Before passing on to deal with other matters, I should like to refer briefly to our policy in the matter of dividends. At the annual meeting in 1914 the hope was expressed that we should be able to maintain payments upon the basis which has been adopted during the last two years. At this time there was, of course, no European war in prospect, and while it will be our earnest effort to maintain the earning power of the Bank upon a level which will render possible a continuation of the present rate of distribution, it is well to remember that the end of the war is not yet in sight, and that no one can predict what changes it may bring when it does come. Our policy, therefore, during present conditions will be based upon weightier considerations than the mere earning of dividends, and in this I am sure that we shall have your hearty support.

Our shareholders number 194 more than a year ago, a moderate increase, but one which reflects a movement in the direction of distributing the stock over a wider area, which is in the interests of both the Bank and its stock-owners.

As stated last year, the business of our City of Mexico branch has been ably managed, and on the whole it has been profitable. We have made no losses, and our loans have either been liquidated or fully provided for. The capital necessary for our operations has been supplied entirely by our local deposits. Full provision has also been made for depreciation in the value of such Mexican securities as remain on our books. Our standing in Mexico is particularly high, and the foundations have been laid for a large and prosperous business when that country returns to settled conditions. In the meantime we are holding the ground with a considerably reduced, although sufficient staff.

In the opening of new branches there has been little done during the year, due principally to the inactivity of general business, especially during the earlier months. We have continued the policy of closing branches which did not prove profitable after a fair trial, with the net result that our branches now number 374 in all.

#### Success of War Loan.

As indicated in our remarks on the figures of the balance sheet, we have joined with the other banks in subscribing for our proportion of the \$25,000,000 of the Canadian 5 per cent War Loan, taken by the banks in order to ensure the success of the issue. The exact amount of our subscription was \$3,426,000, and in this connection I am sure that the success of our able Finance Minister, Sir Thomas White, in obtaining through this domestic loan the sum of \$100,000,000, or twice the sum asked for, must be a source of pride to every Canadian. The loan marks a notable turning-point in the economic history of Canada.

In addition this Bank has participated in the various British war loans, and other measures adopted to finance the war, and has subscribed \$250,000 to the French 5 per cent War Loan just floated. We also placed at the disposal of our Italian Allies the

facilities of this Bank and its branches for the purpose of accepting any subscriptions which Italian residents in Canada might desire to make to the 5 per cent War Loan of their native country. Nor do these various contributions constitute the whole of our share of the financial burden of the war. Of the special taxation imposed by the Dominion Government as a result of the war, our share has so far amounted to over \$160,000, apart altogether from additional real estate and other taxes imposed for the same purpose, the amount of which is not readily arrived at.

#### The Bank's Taxation.

There is an impression abroad which appears to exist even among many who should be better informed, that the banks do not bear their just share of taxation. During the year we paid in taxes, Dominion, Provincial and Municipal, over 27 per cent of our net profits, or to make the statement in more concrete form, inclusive of the special war taxes, we paid no less than six hundred and fifty thousand dollars in taxes. These figures surely show that this Bank bears at least its fair share of taxation; probably there are not many other businesses in which the proportion of taxes to net income is so high.

#### Officers on Military Duty.

The members of the staff number 2,828, made up as follows:—

Officers . . . . .	2,187
Stenographers . . . . .	407
Messengers . . . . .	234
	2,828

In addition to which we have 369 janitors, making a total of 3,197 persons permanently employed by the Bank. The number of officers who had taken up military duty at December 31st was 748, representing 27 per cent of our staff, 30 per cent of our male staff, and over 34 per cent of those of military age, that is, from 18 to 45 years of age. We have seen the actual figures in connection with only a few of the other banks and corporations, but we have yet to learn of anything which approaches the sacrifice which we have been called upon to make either in extent or in the proportion of the figures. We have made many sacrifices in order to allow officers to take up military duty without delay, and have placed no restrictions in the way of their doing so, although this policy has resulted in our losing the services of those officers whose special training made it difficult for us to replace them. In this connection it is interesting to note that representations have been made by the Clearing House banks in London, England, to the effect that certain classes of trained officers should not be called upon for military service, being regarded as indispensable for the carrying on of the work in the banks.

Twenty-five of our officers have already laid down their lives on the battlefield, and a further 50 to 60 have appeared in the casualty lists. When the war is over it is our intention to erect a suitable tablet or some other form of permanent memorial to these brave and loyal young men. We have already communicated with the families of those who have laid down their lives, and it only remains to express our regret at their loss and our appreciation of the fact that the members of the staff of this bank are made of such stuff that they can be counted upon to do their duty no matter in what form that duty may be presented to them. In this, of course, we include those other members of the staff whose lives and health have fortunately been spared, but who have, nevertheless, put themselves to the test. We should like, too, to pay tribute to those officers of the Bank whose every instinct calls on them to enlist, but who through the calls of family or business duty honestly feel that their place is still at home. There is in many ways the harder part and the reward can only be in their own consciousness that "They also serve who only stand and wait."

We have recently taken the forward step of issuing a Monthly Commercial Letter dealing with the conditions of trade and commerce at home and abroad, and pointing out, when possible, the bearing of current events on the business outlook. The first number was issued last month, and as it is prepared by competent authorities we commend it to the careful perusal of those into whose hands it may come. We shall be glad to send it on application to any one whose name is not now on our mailing list.

We also desire to draw attention to the very copious and authentic portrayal of the conditions which have prevailed in the various parts of Canada, Great Britain and in the foreign countries where this Bank does business, which is given in the Review of Business Conditions for 1915, of which copies have been distributed to you. The various parts of this Review will be found worthy of careful study.

#### Optimistic on Future.

With regard to the future, our view on the whole cannot but be optimistic. Thanks to the ability of our public men to cope with an unprecedented situation, and the determination of our people to effect personal and public economies, we have been able to bring about a most amazing adjustment from the prosperous enjoyment of an abounding flow of borrowed capital to a condition of severe trade contraction. Our harvests have been bountiful, our cultivated acreage has been increased, and our factories have been entrusted with large contracts for army equipment, munitions and foodstuffs. While this terrible war must bring us much anguish and sorrow, it is clear that in proportion to her population no country will benefit economically to a greater degree than Canada.

#### The Late General Manager.

I cannot close these remarks without referring to my predecessor, Mr. Laird. Since his untimely

death we have received numberless testimonies, not only to the high esteem in which his business talents were held, but also to that strong note of personal affection which his human qualities evoked in all those who knew him. Fully charged though his mind was with other matters appertaining to the interests of the Bank, the subject of the staff was always uppermost in his thoughts and he was ever the first to evidence gratification in their success, sympathy in their misfortunes and leniency towards their shortcomings. In him the Bank has lost a staunch and fearless leader, and the staff, particularly, a great and good friend. The President then said:

#### PRESIDENT'S ADDRESS.

The Directors have referred in their report to the death of our late General Manager, and Mr. Laird has just spoken of him with the warmest appreciation. I knew him longer than most of his associates—indeed, we worked together over thirty-five years ago—and I have lost not merely a business friend, but one for whom I cherished the deepest affection.

We have been told many times during the past year that we are passing through the most fateful moment in the history of the world, and that we shall emerge with a greater assurance of liberty and of all that accompanies a progress based upon our natural rights, or that we shall fall—a condition too black for contemplation. Within this vast march of history, affecting every civilization on the globe, lies the narrower march of our own affairs in Canada. We think so much about the war that Canada as an entity is generally forgotten in the larger scope of Imperial affairs, but it is our special business to-day to review the position of Canada, and to withdraw our attention from the war sufficiently to study the course of our own history, as only by understanding this shall we be able to act with courage and wisdom in the present emergency.

#### Canada's War Time Position.

When in 1913 we came to the end of a period of expansion, we found ourselves like a healthy but overgrown youth, still dependent upon the mother. We had to sell over 400 millions of securities in order to settle our foreign debt balance for the Dominion fiscal year ending March 31st, 1913. During the year ending March, 1914, the difference between our exports and imports decreased by 130 millions, but still left over 300 millions to be provided by the sale of securities in a market very much more difficult than that of the year before. More than one-half of the year ended March, 1915, was affected by the war, and the situation was still further improved to the extent of over 144 millions. For the six months ended September, 1915, there is a further improvement of 10 millions as compared with the previous year, but this same half year, when compared with the corresponding period in 1914, shows an improvement of 109 millions. For reasons explained a year ago, coin and bullion are left out of our totals.

#### International Position.

The following figures will illustrate the astonishing change in our international position:

	Imports.	Exports.
1913 . . . . .	\$686,515,536	\$377,068,355
1914 . . . . .	635,383,222	455,437,224
1915 . . . . .	497,376,961	461,442,509
Six months . . . . .	228,335,678	273,377,082
	Excess	Imports.
1913 . . . . .	\$309,447,181	Exports.
1914 . . . . .	179,945,998	
1915 . . . . .	35,934,452	
Six months . . . . .	\$45,041,404	

In order to estimate our true position, we must add to the excess of imports the interest due upon Canadian securities held abroad, now estimated at about 140 to 150 millions, and we may count upon any excess of exports as available to pay this interest. During the last half of the present Dominion fiscal year the effect of the export of our great crops, of our manufactured munitions, prepared foodstuffs, cattle, horses, etc., will be felt and the excess of exports by 31st March, 1916, should be about equal to our interest charges payable abroad.

In 1913 we knew that we had used our credit to the available limit, but we hoped gradually to move into safer conditions. If anyone had suggested that we could so adjust matters within three years as to have a credit balance in our foreign trade, instead of a debt, and that this credit balance would be large enough to offset our interest payable abroad, our answer would have been that it was folly to indulge such hopes.

The improvement of 144 millions between March, 1914, and March, 1915, was brought about by decreasing our imports by 138 millions and increasing our exports by only six millions. This was due to a tremendous contraction in the business of all trades requiring such imports on the one hand, and on the other to a serious decline in exports of the products of agriculture and of the mine, which was a little more than offset by the increase in animal foodstuffs and manufactured munitions. The decrease in imports shows in an almost unbroken line of articles, the exceptions being mainly in such materials as jute cloth, wool, hides, leather, dyes, rubber needed in the manufacture of munitions, and about \$3,000,000 in value of articles for the use of the army and navy.

#### Exports Increase.

The improvement of 109 millions in the first six months of the present fiscal year, that is, down to September last, is caused by a decrease in imports of 52 millions and an increase in exports of 57 millions. The exports show handsome increases, especially in manufactured munitions of war, but they still suffer from the effects of the poor crops of 1914 and there is an actual decline of 12 millions in agricultural products. The decrease in imports is again