

ises, showing an increase of \$219,000, call for the annual lamentation which you are accustomed to hear from successive chairmen. You know quite well what I am going to say, but nevertheless I must say it. The heavy expenditure upon bank premises is one that we are most reluctant to incur, but it is forced upon us. Not to go forward is to go back, and we must be constantly pressing forward though conservatism guides our steps. Nor can I even hold out any hopes that we are reaching the limit of this expenditure, for during 1912-1913 it will be necessary for us to undertake some important building work which has become inevitable. Those of you who know Montreal will regret that the time has come at last when the old building—put up more than sixty years ago—has been condemned. The constant increase of the work of the head office, owing to the establishment of so many new branches, has with difficulty been provided for during the last few years. The point has now been reached when it cannot be provided for any longer. The old building must come down, and on the present site we propose to erect a modern building which should provide ample space not only for present requirements but for the future. This will be a large and costly undertaking. But that is not all. We have purchased valuable building sites at St. John, New Brunswick, and at Edmonton, Alberta, and in the course of the present year we hope to put up suitable buildings in both places. We take \$48,666 from the profits of the half-year for the credit of the premises account and we wish that we could have done more. I warn you that later on we shall be obliged to do more, but I wish to make it quite clear that this provision is not in respect of any depreciation in values for the properties owned by the Bank are certainly worth more to-day than the figures submitted to you in the balance sheet. During the year 1911 eight branches and sub-

branches have been opened, and one sub-branch has been closed. We have now eighty-seven separate establishments, compared with eighty at the close of 1910. These figures show a general and satisfactory expansion and I am pleased to say that this expansion is also represented in the profits. For the preceding year the profits were \$554,800 whereas the sum now at your disposal amounts to \$627,800. The result would have been still better were it not for the fact that the average rate for call money throughout the year in New York was no better than 2.602 per cent., and in London 2.39 per cent., and consequently the large sum maintained at call and short notice, as the first line of our reserves, has been earning a low rate of interest. Of the sum at our disposal you have already received \$146,000, as an interim dividend, and we now propose to pay a dividend of 40s. per share, and a bonus of 10s. per share, making 8 per cent. for the year; to transfer to reserve fund \$121,666, to premises account \$48,666, to make the usual grants which you have always so cordially sanctioned for the benefit of the Officers' Widows' and Orphans' Fund, Pension Fund, and the Life Insurance Fund; and, finally, in the payment of a bonus of 5 per cent. on their salaries to the staff, and this I trust you will generously grant as you have done before, for I can assure you that they deserve it. Those appropriations will leave a balance of \$92,466 to be carried forward to the new account. You will observe that this year we are introducing a change in respect of the dividend by paying it "less income tax" instead of "free of income tax," as heretofore. As you are aware, this change has been adopted by nearly all the principal banks in the United Kingdom, who have considered it desirable to separate the income tax payment and to show to each shareholder his individual contribution in respect of the tax.

(Continued on next page.)

BALANCE SHEET, 30th DECEMBER, 1911.

To Capital.....	\$4,866,666.66
20,000 Shares of £50 each fully paid.....	
To Reserve Fund.....	2,774,000.00
To Deposits and Current Accounts.....	36,067,708.81
To Notes in Circulation.....	4,411,597.70
To Bills Payable and other Liabilities, including Provision for Contingencies.....	13,712,119.98
To Rebate Account.....	119,061.27
To Liabilities on Endorsements.....	\$606,584.43
To Liability under Guarantee in respect of which no Claim is anticipated.....	\$ 300,000
To Profit and Loss Account—	
Net profit for the year ending this date after deducting all current charges and providing for bad and doubtful debts.....	\$632,117.33
Balance brought forward from 31st December, 1910.....	\$278,378.90
Less, Dividend and Bonus paid April, 1911.....	194,666.66
	\$3,712.24
	\$715,829.57
DEDUCT:	
Dividend paid October, 1911.....	\$146,000.00
Transferred to Reserve Fund.....	121,666.67
Transferred to Bank Premises Account.....	48,666.66
Transferred to Officers' Widows' and Orphans' Fund.....	6,840.43
Transferred to Officers' Pension Fund.....	25,130.44
Transferred to Officers' Life Insurance Fund.....	973.33
Staff Bonus.....	29,200.00
	\$378,477.53
Balance available for April Dividend and Bonus.....	337,352.04
	\$62,288,506.46

By Cash and Specie at Bankers and in Hand.....	\$ 7,177,236.16
By Cash at Call and Short Notice.....	10,067,432.29
	\$17,244,668.45
By Investments—	
Exchequer Bonds—	
£310,300, 1915, at cost.....	1,505,165.22
Dominion of Canada 3% per Cent. Bonds, £250,000 at par.....	1,216,666.67
Other Investments.....	116,438.71
	\$ 2,838,270.60
By Bills Receivable, Loans on Security and other Accounts.....	40,686,722.78
By Bank Premises, etc., in London, and at the Branches.....	1,321,217.37
By Deposit with Dominion Government required by Act of Parliament for Security of general Bank Note Circulation.....	197,627.26

Note.—The latest monthly Returns received from Dawson, Yukon, and Fort George, B.C., are those of the 30th November, 1911, and the figures of those Returns are introduced into this Account. The balance of the transactions for December with those Branches has been carried to a Suspense Account, pending the receipt of the December accounts.

We have examined the above Balance Sheet with the Books in London, and the Certified Returns from the Branches, and find it to present a true statement of the Bank's affairs as shown by the books and returns.

G. SNEATH, } Of the Firm of
N. E. WATERHOUSE, } Price, Waterhouse & Co.,
Auditors } Chartered Accountants.

London, 20th February, 1912.