

In moving the adoption of the report, the president said:

PRESIDENT'S ADDRESS.

It gives your directors great pleasure to lay again before the shareholders a report showing handsome profits and most substantial growth. The profits again exceed one million dollars, and while in view of the increase in capital for a part of the period the percentage is less than last year, still it exceeds 12 per cent. on the average capital of the year. In addition to these ordinary profits, we have to deal with the sum of \$293,028.88, being the profit derived from the purchase of the assets of the Halifax Banking Company. Out of this total we have transferred to the Rest Account \$500,000, and we have expended on bank premises, out of the year's profits, the large sum of \$185,007.62. After making our usual annual contribution to the Pension Fund, the balance of the Profit and Loss account carried forward amounts to \$165,559.14. It will be observed that out of the surplus in the assets of the Halifax Banking Company we have provided \$40,000 in order to place the officers of that bank, who have been fully admitted to our staff, on an equality with their fellows in our Pension Fund. But for this the profit on the purchase would have been \$333,028.38. The expenditure on bank premises, which will probably be considerable for each year during the present period of rapid growth, has been unusually large this year on account of the addition and the improvements made in our Head Office building.

The increase in the total of our assets is about \$10,500,000. Towards this the Halifax Banking Company contributed \$5,870,000, and the balance represents the growth of our ordinary business. Our bank note circulation shows an increase of \$512,505, but this is more than balanced by the circulation of the Halifax Banking Company, now either assumed in our account or replaced by our notes. In past years many banks, whose capital did not afford circulation sufficient for their actual business, borrowed or hoarded our notes in times when circulation was urgently needed. This year, owing to the large increase in the capital of many banks, most of them have been able to supply their own wants, and thus the maintenance of our circulation at last year's level indicates sufficient growth in our own business to overcome this use of our notes by other banks.

This has been another year of rapid expansion in banking in Canada, especially if we judge by the number of new branches opened. Over 150 new offices of Canadian banks have been created during the year. This brings the total of bank establishments up to about 1,020, as compared with about 700 in 1900. No new banks, however, commenced business during the year and by absorption the total number of banks is even slightly reduced. To what extent the opening of new branches is being carried beyond prudence it is not easy to say. That the country still desires the opening of branches in very many places where there is satisfactory promise for the future but inadequate banking facilities, is certainly true, but the problem which we have to consider is at least two-fold. First, we cannot carry on a bank successfully without a well-trained staff, and we cannot provide bank-managers to order, if the requirements are too numerous at any one time. Secondly, we cannot afford to carry more than a certain number of new, and therefore probably for the time being, unprofitable branches, at any one time. The chief fault on the part of the banks seems to be in the distribution of the facilities they have to offer to the public. People are well pleased when first one and then two, three and four banks open branches in their particular town, but unfortunately this often very foolish competition has not only the effect of making profit impossible for the banks in the particular place, but of making it impossible for some of these banks to put the wasted facilities in this town at the disposal of some other place where there is no bank at all. I hope it will be understood that we are not attempting to criticize other banks. We are all guilty and will probably continue so until competition enforces a more sensible policy.

While our statement shows that we have been prosperous, and our general manager, in the summary of business conditions, about which he will speak to you in a few minutes, sees no reason to doubt the continuance of at least reasonable prosperity, still the year has been one of unusual anxieties, requiring on the part of your directors and the general management the exercise of great prudence. Not to aid in a too rapid expansion, and yet not to check a legitimate expansion, is clearly our duty, but it is one requiring the exercise of constant study and anxiety. We have had a year unusually free from the losses attending the business of lending money, but we have come to the end of a year almost unparalleled in shrinkage in the quotation value of almost all securities, and in this shrinkage the most important relatively has been that of British Consols, of which we hold a considerable amount. In view of our very large holding of various classes of securities, we are glad to be able to state that we have provided whatever was necessary to write every security to the quoted value at the date of our statement. Were it not for the necessity of making this provision, we would have been able to show profits considerably larger than last year.

Apart from the decline in the prices of securities our

greatest anxiety during the year has been in connection with the money markets of the world. There seemed to be a conviction that in view of the discrediting of so many United States stock-exchange securities and of the quantity of undigested securities carried by the banks in eastern reserve cities, these banks would be unequal to the demand made in the autumn for carrying the western and southern crops to market. This conviction was noticeably strong in London and seemed to materially influence opinion there. We, however, have steadily hoped that the warning of the spring would cause that adjustment of affairs all over the country which would avoid in the autumn what everybody dreaded and what everybody had in mind, and this is what did take place. When we compare the condition of the banks in the reserve cities with that of a year ago, we find that while the resources of New York, Boston, and four middle and western cities declined, Chicago, just about held its position, and nine other reserve cities, mostly western, increased their resources.

In London many influences besides the condition in New York have been apparent. The sudden rise in the bank rate following a period when the money market seemed to be righting itself, and the great fall in the price of Consols and Transvaal war loan issues, accompanied naturally by the sale of large blocks for foreign account, all seemed to show that Great Britain had perhaps not felt the full cost in money of the war until now. With the stoppage of new flotations, at least of the speculative kind, and the gathering of the results of the year's industry unaccompanied by violent expenditures on capital account, we must hope that the London money market will gradually improve. Although the drought is over and the business outlook in Australia is now much better, the new Government and the various States are making demands on the London money market which are seriously large, while in South Africa there has been a collapse of the inflated trade which followed the establishment of peace, and it is thought that business will be very dull for some time to come. Whether our credit will be aided by the contrast we present both in prosperity and in the extent of our demands on the London money market, or not, this much is clear, that it should be, and that we should do as little as possible to impair the high standing to which we are justly entitled at the present time.

The general manager then spoke as follows:

GENERAL MANAGER'S REMARKS.

In coming to the end of the year we must all be conscious that while in most respects it has not been different from other recent years of prosperity, in certain phases it has been sufficiently different to constitute a check upon the rather violent pace of our industrial movement. Whether it is the banker's natural function or not, it is his habit to obtrude his warning in the face of the business world, and if we review what was said in this room a year ago we have little cause to change the opinions then expressed. We have had a year in which the general results of agriculture, pasturage, dairying, mining, lumbering, trading and manufacturing have been excellent, and unmistakably in the matter of national prosperity we are well forward in the race as compared with any previous time. Nor is it easy to imagine conditions in the near future which will prevent this country from making steady progress in a large way relatively to our past.

But just because our future over a series of years seems reasonably certain, it behooves us from time to time to consider in close detail the causes of our general prosperity and of our occasional reverses. It is well to remember that whether we make or mar the future of this great country we did not create its boundless stores of raw material, and we have only occasion for self congratulation in proportion to the good use we make of our opportunities. During the past year it is clear that we have been sharply warned as to our capacity for hindering rather than aiding the industrial development of Canada. The spirit of speculation, especially of ordinary stock and other forms of gambling on the exchanges, had received a severe check in the autumn of 1902, and during the year following we have witnessed a decline in stock exchange quotations so severe as to sweep away many hastily acquired fortunes, and, what is much worse in the case of very many people who were not rich, the savings acquired in their ordinary labors. That the importance of these losses in relation to the prosperity of the country as a whole is quite small there is little doubt, but this fact does not ease the smart to the individuals who have to bear it. We can only hope that the lesson will last for a few years at least, and that we may rest satisfied with a prosperity more humdrum perhaps, but more conducive to real happiness and national well-being. The causes of this check to speculation are of course, not entirely local, and it is not a mere coincidence that we suffer at the same time as our neighbors. It is not even due in as large a measure as some people suppose, to the connection of our stock and produce exchanges with the exchanges of the United States, and to the international aspect of some of our industrial movements. As in the case of any other violent and long