

THE CANADIAN BANK OF COMMERCE.—Continued

In moving the adoption of the Report, the President requested the General Manager to address the shareholders:

GENERAL MANAGER'S ADDRESS.

As has been foreshadowed by the easy position of the money market during the greater part of the year under review—the outcome of a general disposition to continue the liquidation of old obligations and of a lack of desire to engage in new undertakings, which resulted in a large accumulation of funds at important centres—the profits of the Bank show a decrease of \$116,636.92, as compared with the figures of the previous year. They are, however, somewhat in excess of 15 per cent. on the paid-up capital, and we believe that you will not consider this an unsatisfactory showing. Had it not been for the quickening in general trade which occurred during the last three months of the year, and which was no doubt accelerated by the bountiful harvest reaped in the Western Provinces, the decrease would inevitably have been much larger. The surplus of funds not needed for the ordinary commercial requirements of the country, and the large amounts which came to us through the sale of securities abroad, were temporarily loaned in New York; and as rates ruled low for a long period, the resulting profit was not entirely satisfactory; but the results of the policy we have pursued in regard to holding a considerable amount in reserve on quick call, even at low rates, has again justified the wisdom of such a course.

The year has been one of gradual recovery in trade, accompanied by a general appreciation of values, and we have been fortunate in this respect in recovering from assets in connection with which appropriations had previously been made the sum of \$300,000. This sum added to the ordinary earnings of the year has enabled us, after paying the usual dividend and providing for the annual contribution to the Pension Fund, to write \$419,801.72 off Bank Premises Account, and to carry forward \$722,139.02 in Profit and Loss Account.

This autumn we have for the first time made use of the provisions of the Bank Act amendment of 1908, which empowers the banks during the grain-moving season to issue circulating notes in excess of their paid-up capital to the extent of 15 per cent. of the total of paid-up capital and surplus combined. At the close of our year the Bank's circulation stood at \$19,327,415, an increase of more than \$686,000 over the figures of the previous balance sheet. The highest amount of the excess circulation of this Bank during the past two months has been \$954,000. The wisdom of this provision for additional circulation has been signally demonstrated by the ease with which the necessary circulating medium has been provided for the movement of last year's abundant harvest, and we had no hesitation in exercising our right to take advantage of this provision, although it entailed a loss which might have been avoided by withholding our own circulation and paying out sundry notes of other banks. It is clear that unless arrangements are shortly made for additional circulation by increase of capital, a situation may arise in which a struggle to reduce the amount outstanding at the end of January to within the limit of paid-up capital will become inevitable, and if this becomes at all general, it is not likely to be accomplished without considerable disturbance to business.

The increase in deposits during the year amounted to \$25,449,182, the largest annual increase in the history of the Bank and an amount exceeding the total of its deposits only eleven years ago. An important part of this sum, however, consists of deposits known to be temporary, this class of deposits having probably reached a higher level than ever before. Concurrently with this large increase of deposits our loans have increased \$21,500,689, and we have nearly \$10,000,000 in excess of the figures of last year employed at call or short notice. We also hold \$3,388,571 more cash than a year ago, but this increase is only in proportion to the addition to our liabilities.

At the annual meeting of shareholders in January, 1907, we explained at some length the policy which was being pursued by your Directors in the matter of investments in bank premises, and we then reported that a subsidiary company had been formed under the name of the Dominion Realty Company, Limited, to construct and own our smaller buildings, the funds required by this Company over and above the amounts received from the sale of its bond issues being supplied by the Bank's subscriptions

to its capital stock, such subscriptions in every year being less than the total amount written off Bank Premises Account. As we have been called upon since the date mentioned to make large expenditures upon the Bank's new buildings at Montreal and Vancouver, besides considerably increasing our investment in the Realty Company on account of smaller buildings, a revised statement of our total investment in connection with bank premises as at 30th November last will be of interest to the shareholders:—

The lands and buildings owned by the Bank (carefully appraised and full allowances made for depreciation of buildings) are valued at	\$3,173,000
The Bank's holding in the Dominion Realty Company, although the cost thereof has been entirely written off the Bank's books, represents a cash investment of	1,091,000
(The rentals of the buildings built by the Realty Company will in 15 years discharge the respective bonds.)	
Safes and fixtures (depreciation liberally allowed for) are valued at	560,000

Total \$4,824,000

From this statement it will be noted that our investments on Bank Premises Account are now shown in the balance sheet at only 41 per cent. of their value, namely, at \$2,000,000. We shall shortly have to undertake another large expenditure in connection with the erection of a larger building at Winnipeg, and the increase of branches incidental to the growth of the country will for some years necessitate our making considerable outlays of a similar kind on premises. With the completion of our Winnipeg office, however, our large individual expenditures will be almost at an end, and thereafter your Directors propose that the Bank's investments in Premises Account shall be carried at a figure not exceeding 50 per cent. of their value.

In view of the remarkable prosperity with which this Bank has been favoured during the past few years, we must reckon with the question as to what our duty is to those who have entrusted us with the investment of a large capital. During what may be called the formative period of the Bank we have asked the shareholders to accept a reasonable dividend while we endeavoured to lay the foundations of a safe and permanent business. In the management of our Bank we have had a twofold purpose; first, the permanence and continuity of a service to the country, which must bear some relation to our duty, and second, the successful administration of your property, looking to its earning power now and in the future. With these purposes in view we have had the courage to adopt the policy of erecting a large number of branch buildings, for the time being taxing your profits. It cannot in justice be said that what we have done has exceeded our requirements, or that we could safely have delayed this important work. Our reports indicate what we have accomplished, and we believe that candid consideration will bring a conviction that we pursued the proper course. While there may be some who think we should have been satisfied with a more moderate expenditure, to have done less would have shown us recreant to our trust. The results are seen in our splendid equipment of buildings from ocean to ocean, certainly creditable to our institution.

Nevertheless, we should not forget that you have been exceptionally patient with us in the working out of our plans, and we think the time has now come when the increment from your investment should be larger. It is our purpose to recommend during the coming year an increase of dividend to nine per cent. per annum, with the earnest expectation that our prosperity will before long justify a further increase.

We are not ignorant of the fact that our success would not be possible but for the active, intelligent and loyal support of our staff, and we have always had the heartiest co-operation of your Directors in every proposal for the well-being of the service. We cannot hope to perpetuate our business without giving the greatest consideration to those who carry the heavy burdens of management, and while there is a grateful acknowledgment of past recognition, a desire has been expressed for the establishment of a Widows' and Orphans' Fund in connection with the regular Pension Scheme, which will do much to cement the pleasant relations so long a distinguishing feature in our Bank.