

During the year, in accordance with the resolution referred to in the directors' report, new stock amounting to \$1,300,000 was issued. It is now clear that it was wise not to delay its issue, as the activity in business, and especially the movement of the crops in the North-West, made both the capital thus acquired and the circulation thus authorized very useful and profitable.

We are spending more money on bank premises than ever before. As we said a year ago, we believe that in times of unusual prosperity we should do all that we reasonably can to provide the bank with handsome and permanent establishments; such a course not only aids very much in building up our business, but as one of the great fixed charges in banking is rent, a policy tending towards the ownership of as many as possible of our branch buildings must in the long run add greatly to our net earnings. The large sum thus expended and written off has not prevented us from adding to the premium on new stock, amounting to \$564,996, a sufficient sum to make an increase to the rest account of \$1,000,000, thus bringing the total of the rest up to \$4,500,000.

Our deposits show an increase of only about \$4,000,000. The actual increase in ordinary deposits is, however, much greater, as at the close of the previous year we held a considerable amount of trust money awaiting early disbursement. Our loans are much larger relatively than last year, the wide-spread business activity throughout Canada, and especially the unusually large crop movement in the North-West, being a sufficient cause.

By the purchase of the Bank of British Columbia, in 1900 we acquired premises in London at 60 Lombard Street. We need not say that the situation is most excellent, but the amalgamated businesses of the two banks, together with the great growth of the last few years, have made the premises most uncomfortably small for our purposes. The premises situated alongside the Mansion House and occupied for so long a period by the ancient banking house of Smith, Payne & Smiths, lately amalgamated with the Union of London and Smiths Bank, are about to be rebuilt, and this bank has secured that part of the site which will be known as No. 2 Lombard Street, No. 1 being occupied by a branch of the Union of London and Smiths Bank. In our opinion the situation could not possibly be better, and we are very glad that we shall be able to find a permanent home in such a prominent situation, although we cannot expect to enter upon our tenancy for about two years.

The general manager then spoke as follows:

General Manager's Address.

In reviewing the business situation a year ago we found it a much more difficult task than usual because of the very varying state of the many factors which influence our progress. We began the year 1904 expecting some curtailment of a prosperity which had perhaps lasted too long without a check. But although the results from the forest, from agriculture, pasturage and fishing, were all less than we had hoped, the end of the year found us prosperous and more confident than ever. Beyond a doubt, however, we were spending money in all matters, public and private, on an unexampled scale for this usually prudent and economical country, and nothing but large results from industry for the past year would have justified our course. Throughout the whole of 1905, however, there has been no moment of national doubt, and nature seems to have furthered almost every effort we have made. This has clearly produced an optimism which is fraught with great danger, and it is to be hoped that everywhere in Canada the many who did not hesitate to incur debt because they believed in the future, will, now that partial fruition of their hopes has come, hasten to get out of debt before they consider what new expenditure the still further removed future will justify. In saying this I need not apologize for repeating what has already been said elsewhere; indeed, it can hardly be said too often.

It may be well before dealing with details, to consider the main facts which seem to influence our immediate future. So far as our interests are in common with those of the rest of the world, the end of the Russo-Japanese war seems the most important event of the year. The cost of money in the markets of Europe, owing to recent wars, has been abnormally high for many years. If, after the final loans caused by this last war are placed, we are to have a long period of peace, then the value of money in Europe should gradually decline, and this would have a most favorable effect not only in the ease with which money could be got for Canadian enterprises, but in the cost of the fixed charges upon the enterprises arising from such borrowings. Of course the present terribly disordered state of Russia must pass away before Paris and other continental money markets are restored to a normal condition. But in any event, unless China intends to resent her bad treatment by the Western nations, it seems as if we may reasonably expect peace and great industrial development in that part of

Asia which looks across the ocean to our own provinces, and to those States in the American Union which have their shores on the Pacific Ocean. If so, we are reasonably certain that this bank will share largely in the trade which must come to both Canada and the United States. While the purchasing power of each individual of these Japanese and Chinese peoples may be very small—and that part of it which represents what is called foreign trade is certainly very trifling—still the aggregate, owing to the vast population, will be very large as soon as they are well enough off to buy such great staples as wheat, flour, timber, railroad supplies, etc., in any proportion to their desire to obtain these commodities.

Another great factor in the gradual restoration of the money markets to a normal condition is the rapidly increasing new gold supply. The addition in each year to the world's store of precious metals of about \$350,000,000 worth of gold and about \$100,000,000 worth, at present market prices, of silver, is large enough not only to steady the money markets in the course of time, but also to give great impetus to the efforts being made in some countries to escape from a mere paper basis, and in others which are on a silver basis, to advance to a gold basis. We have entirely recovered from the decline in the volume of production caused by the South African war; indeed the output of \$350,000,000 for 1904 means an increase in the annual production of \$150,000,000 in nine years. So that we may soon be able to say that the world has doubled its annual new supply of gold in twelve or fifteen years.

Other important facts, but of more local and direct concern to Canada, are our good crops, the enlarged scale of our railroad building, the satisfactory inflow of immigration, the development of steel and iron making, and the tremendously enhanced interest shown regarding Canada in both Great Britain and the United States, particularly exemplified by acute discussions of tariff preference and of reciprocity.

It is hardly necessary to enter as fully into the details of our foreign trade as we did a year ago. The fiscal year covered by the Dominion Government reports ended 30th June, 1905, and the effects of the harvest of 1905 on our exports is therefore not yet evident. We again show a serious loss in exports, the total falling to \$203,316,000, about \$10,000,000 less than in 1904, and \$22,500,000 less than the high-water mark of 1903. The loss is practically all in agricultural products, other increases and decreases about offsetting each other. Doubtless in the first half of the present fiscal year the loss will have been made up. The more serious aspect of our foreign trade is on the import side. We had \$10,000,000 less to pay with by way of exchanging commodities, and yet we bought \$7,500,000 more than for the previous year, widening the unfavorable balance between exports and imports to \$63,500,000. From 1895 to 1901 inclusive, but deducting the small contra balance of 1899, the excess of exports over imports was \$51,000,000. This has been followed by an excess of imports over exports from 1902 to 1905 inclusive, but practically for only three years, of \$125,000,000. As we said a year ago, we are spending money in public and private improvements, looking to the future for a return, but do not let us overlook the fact that we are putting a heavy mortgage on the future. It is well to notice that we imported a little less from Great Britain in the year under review than in the previous year, while our imports from the United States were nearly \$11,000,000 greater. Of our imports, iron and steel in all forms, including rails, account for nearly \$40,000,000. This gives a concrete illustration of what it would be worth to Canada to make these articles entirely, or as nearly as possible, in our own country.

The Clearing House returns help us to understand the growth of the internal trade of Canada. In 1904 the total of the operations of eleven clearing houses was \$2,735,744,235. For 1905 the total is \$3,336,602,170.

The Maritime Provinces.

In view of the rather unhappy conditions we had to report last year regarding the Maritime Provinces, it is pleasant to have to deal with a much improved state of affairs this year. The Provinces experienced another unusually severe winter, and this had a somewhat adverse effect on business. For instance, it increased the cost and lessened the cut of lumber. The cut, it will be remembered, was being in any event intentionally reduced because of a sharp fall in the price of deals. The usual result of this curtailment of product has happily been obtained, and returns for all lumber products are again high, while the prices offered for the next season's cut of spruce deals are almost a record, and the demand for freight space at St. John, N. B., has very greatly increased rates. For fish, prices have been paid which have not been reached before, and results in some kinds of fishing are quite satisfactory. There are, however, details in this important industry which are worth our attention. While the bank and the bay fishing have been equal to the average of the last three seasons, with better prices, the shore fishing, except in