

THE ROYAL BANK OF CANADA--Continued.

that a violent dislocation will then take place. The prices of most commodities will probably recede rapidly from the present high level, and it is certain that the labor question will present grave difficulties in view of the abnormal wages now being paid, and the prospects of unemployment. Therefore, while we profit by the present opportunity, this unparalleled situation should not be made the basis of optimism regarding the future. The proper course is to conserve the unusual profits and accumulate working capital, the lack of which is so prevalent and so detrimental to the general interests of the manufacturer.

We believe that Canada, like her neighbor to the south, is on the threshold of prosperous times. Certainly we shall prosper while the war lasts, and no doubt for some time afterwards, as we may take for granted an enormous demand for raw materials and cereals during the physical reconstruction of Europe.

The Federal and Provincial Governments, banks and railways should do everything possible to foster and aid the increased production of the land, forests, mines and fisheries, so as to turn the balance of trade to our advantage. There should be no further borrowings for, or expenditure in, unproductive enterprises, which have been too prevalent during the past ten years.

You are aware of the failure of our negotiations regarding an amalgamation with the Bank of Hamilton. The directors of both banks had unanimously approved the terms and conditions of the proposed amalgamation and were prepared to recommend it to their shareholders, but

the Minister of Finance refused his consent on the ground that it was not in the public interest. It is difficult for us to understand his objection on this ground, as it has been demonstrated that every previous bank amalgamation in this country—and we believe in other countries—was distinctly in the public interest. The public directly concerned, namely the involuntary creditor—the note holder, and the voluntary creditor—the depositor, could not conceivably object to increased security; nor has experience shown that the borrowing classes would prefer a bank with small resources to a bank with large resources. The decision establishes a dangerous precedent, as it denies to the shareholders of a bank, who, as you know, have a double liability, the right in their corporate capacity to control their own property, and also the opportunity to enhance its value.

I beg to announce, on behalf of the Directors, that the capital stock of the Bank is being increased \$440,000, i.e., from \$11,560,000 to \$12,000,000, in order to round off the amount. I have pleasure in stating that the new stock is being offered at par to shareholders of record at the close of business on yesterday's date. At the present market value of the stock, this is equivalent to a bonus of over 4 1-2 per cent. The basis of issue will be approximately 1 share in 27. As the terms of the Bank Act prevent the allotment of fractional shares, the holders of less than 27 shares of old stock will receive no allotment; but the shares comprising unallotted fractions will be offered to the public for subscription, and the premium derived from the sale will be distributed rateably to the respective shareholders from whose shares the fractions arose.

GENERAL MANAGER'S ADDRESS.

Mr. E. L. Pease, Vice-President and General Manager, in seconding the adoption of the report, said:

The important changes in the financial statement which we have the pleasure of submitting to-day, as compared with the statement of the previous year, are as follows:

Increase in Deposits in Canada	\$8,035,000
Increase in Deposits elsewhere	10,889,000
Decrease in Current Loans in Canada	2,581,000
Increase in Current Loans elsewhere	9,545,000
Increase in Note Circulation	719,000
Increase in Investments	1,727,000
Increase in Total Assets	18,895,000
Increase in Percentage of Liquid Assets to	

Liabilities to the Public	46.06 to 49.03
Increase in Net Profits on Paid up Capital	16.31 to 16.48

The increase in deposits does not include any large amounts of a special nature, but consists chiefly of savings deposits, which are widely distributed and therefore, we trust, of a permanent character.

The decrease in loans in Canada is in line with the general contraction. The expansion elsewhere took place in the West Indies—principally in Cuba, where prosperous conditions prevailed owing to the abnormal demand for sugar caused by the war.

The increased profits are chiefly due to this expansion of loans, the contraction in Canada being more than offset by the increase elsewhere; and to economy in administration.

The increase in investments consists almost entirely of participations in British Government and Canadian Government war loans.

Of the six branches opened during the year, five are in the South. Fifteen branches and two sub-branches in Canada were closed during the year in consequence of the trade depression, which necessitated retrenchment, and

the difficulty of filling staff vacancies caused by enlistments compelling economy in men. This policy may have to be carried further, as over 400 members of our staff, including many senior officers, have left on military service, and we are daily receiving advice of other enlistments.

While the depletion of the number of our trained men has caused great inconvenience we are proud to think that our staff is bearing its share of the Empire's heavy burden. On behalf of all those left to pursue their duties in the ordinary channels, I may express admiration and gratefulness to the men who are in some sense our special representation in the field and to the families of those who have given their lives in this righteous struggle our deepest sympathy. So far as we know, the casualties number 23. Eight names have been added to the Roll of Honor through loss of life, and 15 have been wounded, six of the latter being also taken prisoners.

The highly creditable way in which Canada has stood the shock and strain of the war for seventeen months has justified the confidence expressed at our last meeting in her ability to weather the crisis. No better demonstration of her resourcefulness and economic stability could be offered to the world. The Moratorium Acts in some provinces and the suspension of specie payments for bank and Dominion notes were the only departures from sound finance, and the latter was a purely precautionary measure. It is truly wonderful to record during such a period of world upheaval that this country has experienced no financial disturbance, a very small increase in failures, and with one exception no permanent default by municipalities. Furthermore, that the loan companies report comparatively few arrears of interest on mortgage loans. As a result, the anxiety felt at the beginning of the war has been replaced by a spirit of relief and confidence. The great improvement in the general situation is reflected in the following statistics:

	1914.	1915.		
Value of Field Crops (Dec. 31)	\$ 639,000,000	\$ 749,000,000	Increase	\$110,000,000
Railroad Earnings (June 30), 12 mos.	241,300,000	210,000,000	Decrease	31,000,000
Bank Clearings (Dec. 31)	8,073,461,000	7,796,781,000	Decrease	276,680,000
Note Circulation (Nov. 30)	114,767,000	124,153,000	Increase	9,386,000
Chartered Banks—Total Deposits (Nov. 30)	1,146,412,000	1,288,985,000	Increase	152,573,000
Chartered Banks—Current Loans (Nov. 30)	898,333,000	881,101,000	Decrease	17,232,000
Total Exports Merchandise (12 months, Nov. 30)	446,427,000	598,742,000	Increase	152,315,000
Total Imports Merchandise (12 months, Nov. 30)	495,931,000	435,250,000	Decrease	60,681,000
Customs Receipts (Dec. 31)	84,664,000	87,618,000	Increase	2,954,000

The gross earnings of the railways, which for the twelve months ended June last, declined upwards of \$30,000,000, show for the five months ended November last an increase of \$12,000,000 as compared with the corresponding period of 1914.

The increase of \$142,573,000 in the total deposits of the chartered banks and the decrease of \$17,232,000 in current

loans have increased the liquid position of the banks by approximately these figures combined.

The decrease in imports of merchandise, namely, \$60,681,000, and the increase in exports, \$152,315,000, for the year ended November 30th have turned the balance of trade in our favor to the extent of \$163,491,000. These figures do not fully reflect the improvement, as it is estimated

(Continued on following pages).