

THE ROYAL BANK OF CANADA

Annual General Meeting

(Continued from Page 165.)

tion. He is an experienced business man of high character and enjoys great popularity.

PORTO RICO.

Porto Rico produced a crop of 371,000 tons of sugar last year, about 21,000 tons more than the previous year. The prosperity of this island, which had been continuous since the American occupation, suffered a reaction during the past twelve months, caused by the lower sugar tariff agitation in the United States, and land values, which had reached excessive figures, as we mentioned last year, have severely declined. Pending definite action by Congress regarding the tariff, the sugar industry in the island will probably remain in a depressed condition. A moderate reduction would not seriously affect the industry. It would diminish profits, but these have been excessive under the present free tariff which was the cause of the inflation of land values. It is inconceivable that the United States, with a consumption of sugar last year of \$400,000,000, would do anything to imperil the industry in Porto Rico, her own colony.

A contributory cause to the present setback was the outbreak of the bubonic plague, which, however, has been controlled. Fortunately the coffee and fruit crops last year were unusually large, with good prices, and this has helped out the situation. Our business in the island, I am pleased to say, is on a sound basis. No losses have been made and none are anticipated.

BANK OF BRITISH HONDURAS.

As mentioned in the Directors' report, we have purchased the assets of the Bank of British Honduras, Belize. This Bank was established in 1902. While a small institution, it was very successful, dividends latterly having been paid at the rate of 20% per annum on its capital of \$100,000. There is no other bank in the colony.

BRITISH WEST INDIES.

The business of our branches in the British West Indies where we are represented—Jamaica, Bahamas, Barbados and Trinidad—continues to be quite satisfactory. The crops in these islands suffered more or less last year from drought. Otherwise general conditions are not much changed. The oil industry in Trinidad is developing slowly but satisfactorily. The reported damage in Jamaica from the hurricanes in November last was greatly exaggerated. The trade of this island is steadily increasing, as indicated by the growth of over £1,000,000 in exports in ten years, and £1,143,000 in imports.

MR. E. F. B. JOHNSTON.

Mr. E. F. B. Johnston, K.C., made the following remarks:—

Mr. President: It is with feelings of great satisfaction that the Ontario members of your Board have listened to the remarks of yourself and Mr. Pease, Vice-President and General Manager. As one of the Ontario members I desire on my own behalf, as well as on behalf of my co-directors, to say to you that the result of six months careful study of the affairs of the Royal Bank and its management have impressed us with confidence in its progressive and conservative management. Our connection with the Traders Bank, of which, as you are aware, we were three of the Directors, afforded us a fairly correct estimate of the practical requirements of a bank; as well as giving us some knowledge of the wants of the public. We kept before us the fact that we were the trusted agents of our fellow-shareholders. To the great body of depositors who entrusted their funds to those in control of the bank's affairs, we felt a still graver obligation. For them, especially we were trustees, and we were fully aware that by both shareholders and depositors a very great confidence was reposed in us. We proceeded cautiously. The result was a unanimous approval of our negotiations and final arrangement with the Royal Bank. Our people had before them the full details of the proposition. They had the unqualified recommendation by us, as their directors, that the union would inure to the benefit of both banks, and today, as a result, I believe we have one of the strongest and most progressive banks in this country.

I mention these preliminary matters because it is well to understand the fundamental principles which govern the situation as regards the bank and the public, and to consider the moving causes which led up to the amalgamation.

And let me point out that what I have to say to you is not based on the technical or professional knowledge or theories of a banker. As those who watch the game often

see and hear more than the players do, so it may be that an outsider and a layman may be able to put things after his own fashion and thereby give to you and the public some ideas which may be useful and more or less instructive. I want to put on record some reasons why we approved of the amalgamation, and why I think it is a matter of great advantage to the community, as well as to the banks immediately concerned.

First.—It is fundamental that the continuous control of money is the greatest necessity in banking business. If a bank is able to meet all the reasonable requirements of the public who deal with it, it is serving one of the great objects of the banking system. It can only do so by being ready at all times to meet the proper demands made on its resources. Whether it be the borrowing customers or the depositors, their wants must be attended to. Failure in either case means loss of business on the one hand, or want of confidence and perhaps disaster on the other. The withdrawal of deposits means scarcity of funds for legitimate borrowers, and therefore, both progress and stability are endangered. Strength and solidity in a bank increase the supply of money, and the public are in consequence better served. That this has been the case in the present instance is undeniable. Our deposits have increased, and the united bank is every day growing in strength and usefulness. The old Traders Bank depositors have continued and increased. There has not been a withdrawal, except in one or two cases, where the ordinary current of business would have shown the same result if the union had not taken place. This shows that this source of supply was not affected, except for the better. It shows also that our depositors, as well as our shareholders, approved of and confirmed the act of amalgamation, and enabled us to continue and increase our usefulness as a public financial institution.

Another feature we looked for was economy in management. The present relative cost is and will continue to be less than the aggregate cost of maintaining two separate corporations. We have even at this early day realized on properties rendered unnecessary by reason of the change, and which has resulted in handsome profits, and in the near future, a still greater saving will be effected in this direction. In course of time, a saving in the multiplicity of officials can be accomplished, or the work can be eventually done for less money as the older and higher paid members of the executive staff retire on allowance, and other arrangements are made for the performance of the duties. Cost of advertising, always a very serious item, will be substantially lessened by reason of there being one bank advertising instead of two, and other elements of expense can be moderated without any disadvantage or loss. The opening of new branches, where one will serve all the purposes of two, means a great saving, as all new branches must necessarily involve considerable loss for a few years. This means a very large sum in the case of an expanding and progressive bank, and is much more than most people imagine. A bank cannot stand still. The moment it does in a growing country like Canada where new demands for money are being daily created, it begins to lose its foothold and other financial institutions forge ahead and capture the business and its connections. It is, therefore, necessary to keep advancing, even if the outlay is great. We have only to look at our great West, to say nothing of the progress being made in the older Provinces, to feel that hundreds of thousands of dollars must be spent in opening new branches before much return can be had, in order that a bank may be able to hold its own and increase its business so as to keep step with the onward march of commercial and industrial development.

Stability is another feature of the gravest importance, and this we considered very material in our negotiations. As an outsider this element appealed to my mind with convincing force. A large institution, well managed, controlling great resources, having the confidence of the public, and able to meet all the demands made on it for the purposes of its customers, must be stronger and better able to weather a commercial storm than an institution not so favorably situated. The barometer of a bank is a peculiarly sensitive article. There is sometimes difficulty in accounting for the sudden rise and fall of the financial mercury. Difficult situations and stringent periods must be constantly provided against by cash reserves, liquid assets, or other available means of meeting any sudden or unforeseen demand. Certainty with the public is everything. "As safe as the Bank of England" is a common comparison, and it shows the attitude of the public mind on questions of stability when money is concerned. Absolute security is what is meant, and fortunately our Canadian banks generally are in a position to warrant the application of the saying to themselves. With large resources and assets available at a moment's notice, our own Bank may safely lay claim to a high degree of stability which should be most gratifying to the former shareholders of the Traders Bank as well as to the public. Our former shareholders and depositors feel a confidence in the larger institution, which, with a smaller and less re-