

THE ROYAL BANK OF CANADA—Continued.

suffer by the establishment of more ordinary conditions. Exports will decline as Europe imports less, and commodity prices will recede. Labor will become a glut on the market, aggravated by the return of soldiers in large numbers. All this appears certain to follow the establishment of peace, and the longer the war endures the more drastic will be the depression, because of the greater economic exhaustion of Europe, and the effect upon her buying power. We have already seen the stock markets convulsed by a most improbable suggestion of peace.

However, after the first shock of readjustment we may expect a great demand for our farm products, building material, farming implements, etc., etc., in the rehabilitation of Europe. Pending this demand and in preparation for the depression in business that must occur, the prudent man will put his house in order.

The war is now in its third year and prospects of peace in the near future are not bright, but the people of Canada are increasingly determined to help at any cost to bring about a complete victory for the Allies.

QUEBEC BANK.

The Quebec Bank, incorporated in 1818, whose assets we have recently acquired, was one of the oldest banks in Canada. Until a few years ago its operations were confined to Ontario and Quebec—principally to Quebec, in which province it had a valuable connection. As we had very few branches in this province, the acquisition of their connection was specially desirable. Our branches now number over 400. The fifteen Quebec Bank Branches closed by us were located mostly in leading western cities where we are duplicated, and the resultant saving will be considerable. The closing of these offices gave us over one hundred men, of whom we were in great need, to supplement the staff at other offices.

You will be asked to-day to pass a resolution increasing the number of Directors from seventeen to twenty, in order to include three of the Quebec Bank Directors.

You are aware that the capital was rounded off to \$12,000,000 during the year by the issue of 4,400 shares allotted to the shareholders at par. The issue of shares in connection with the Quebec Bank purchase has placed it again at an odd figure, namely, \$12,911,700. As the outstanding circulation of this Bank and the Quebec Bank at the highest point in December last was approximately \$10,000,000 in excess of the present paid-up capital, it may become expedient to increase the capital further. It is expected, however, to make no issue before the end of the war, or until conditions warrant an increase on terms favorable to the shareholders.

Last winter six of your Directors, including the Managing Director and myself, made a tour of inspection of our branches in the South. None of us had previously visited any branch south of Cuba. We returned most favorably impressed with the excellent connection acquired in Cuba, Porto Rico, Santo Domingo, Costa Rica and the British West Indies by many years of patient work. It was distinctly advantageous to obtain a personal knowledge of local conditions, and to meet our leading customers. We were pleased with the buildings erected by the Bank and our locations in general, and were happy to learn that the Bank is held throughout the South in the highest esteem.

We also visited the republics of Venezuela and Colombia. Since then we have opened one branch and will open two others forthwith in Venezuela, where the outlook is promising. We were gratified to receive from Viscount Grey, the late Foreign Secretary, his approval of the establishment of branches in that country, and a promise of support from the British Government.

MANAGING DIRECTOR DEALS WITH GENERAL SITUATION.

In seconding the motion for the adoption of the Directors' Report, Mr. E. L. Pease, Vice-President and Managing Director, said:—

The President and General Manager having reviewed the Bank's position, I shall refer briefly to some aspects of the general situation. The financial and economic strength developed by Canada since the beginning of the

war is little short of marvellous. In the first seventeen months she evolved from a debtor to a creditor country, with a balance of \$206,706,000 in her favor. In the past twelve months the balance has reached \$329,000,000. More remarkable still is the transition from an habitual borrower in London to a lender to the Imperial Government, coincident with the raising of large domestic loans.

In July, 1914, before the war, the percentage of liquid assets of the associated banks to their liabilities to the public, as it is commonly determined, was 43.34. On November 30, 1915, this percentage stood at 50.85, and on November 30, 1916, at 55.73. During the period between November 15, 1915, and December 15, 1916, the Dominion Government floated two domestic loans of \$100,000,000 each, the first of this character put out in Canada. The banks underwrote \$25,000,000 of the first loan and \$50,000,000 of the second, but were relieved of the latter underwriting as public subscriptions aggregated \$200,000,000. Despite withdrawals of savings for investment in these loans, and the fact that during the same period the Canadian banks advanced the Imperial Government \$100,000,000 (expended for munitions of war in Canada and still current), their combined deposits on November 30th last were \$232,000,000 greater than at the beginning of the year, and the liquid percentage was higher. Of the increase in deposits \$122,000,000 was in the Savings Department in Canada. This extraordinary showing is due to large expenditures for munitions; to a rich harvest; to the sale of surplus wheat (estimated at 30,000,000 bushels) from the previous year's bumper crop at very high prices; and to the sale in the United States of \$75,000,000 Dominion Government and \$75,000,000 miscellaneous securities. It is probable, however, that a large proportion of these security sales represented renewals of obligations. Be that as it may, the accession of national wealth has been great.

It was a wise and courageous departure of the Government to take advantage of the great improvement in the monetary situation in Canada to float internal loans. The vigorous response by the public was a general surprise, both offerings being subscribed for twice over. The benefit of the investment of the country's savings in our own Government bonds is obvious. It is estimated that not over \$35,000,000 of these issues went to American investors. Another notable feature of the times is the loan of \$100,000,000 made by the associated banks during the year to the Imperial Government on Treasury Bills at twelve months' date for the purpose of purchasing munitions. Since the close of our fiscal year \$20,000,000 additional at six months' date has been advanced by a syndicate of six banks, including ourselves, for the purpose of buying wheat and storing it over the winter. A further munitions credit of \$50,000,000 having a currency of twelve months has also been recently extended. The affording of credits to the Imperial Government will have a very beneficial influence on Canadian finance, and the possession of short date British Treasury Bills will place the banks after the war in a very strong position.

ASSISTANCE GIVEN BY CANADIAN BANKERS' ASSOCIATION.

The great factor in support of the financial situation in Canada since the beginning of the war has been the collaboration of the chartered banks, through the intermediary of the Canadian Bankers' Association, with the Minister of Finance. They may be depended upon to co-operate loyally in assisting the Minister to the utmost limit, having due regard to the needs of commercial borrowers and the maintenance of proper liquid reserves, in his arduous task of financing Canada's war. The banks are also co-operating with the Minister of Agriculture in his praiseworthy efforts to increase production and expand the country's live stock trade. To this end liberal advances are being extended to breeders of cattle. As a result of their combined action, the Department of Agriculture has been instrumental in turning back to the farms of western Canada from Winnipeg and other Stock Yards in the last three months over 9,000 head of cattle and 1,400 sheep, which would otherwise have been slaughtered or shipped to the South. It is interesting to note the large diversion of cattle from the Winnipeg Stock Yards to the prairies in-

(Continued on following pages).