# Forty-Eighth Annual Meeting of the Royal Bank of Canada

**Sir Herbert Holt, President, Refers to Principal Problems Canada Must Be Prepared To Deal With in the Post War Period.**

**Mr. Edson L. Pease, Managing Director, Deals With Marvellous Strides Canada Has Made During Past Year and Assistance Given to the Government by Canadian Bankers' Association.**

**Mr. C. E. Neill, General Manager, Pays Tribute to the Record of the Staff of the Bank Overseas and Draws Attention to the Necessity of Making Provision For Them On Their Return.**

The Forty-Eighth Annual General Meeting of the Shareholders was held at the Head Office of the bank in Montreal on Thursday, January 11th, at 11 o'clock a.m., Sir Herbert S. Holt in the chair.

Mr. W. B. Torrance acted as secretary of the meeting and Messrs. A. Haig Sims and Alex Paterson as scrutineers.

The Directors' Report was read by the General Manager, Mr. C. E. Neill.

### DIRECTORS' REPORT.

The Directors have pleasure in submitting to the shareholders the Forty-Seventh Annual Report, for the year ending November 30, 1916, accompanied by the Statement of Assets and Liabilities.

The assets of the bank have recently been subjected to the usual careful revaluation.

Your Directors record with deep regret the death of their late colleagues, Mr. Wiley Smith, His Honor Lieutenant Governor MacKeen, and Mr. T. J. Drummond. Mr. Wiley Smith and Governor MacKeen were the Directors of longest standing, having served continuously on the Board for twenty-eight and twenty-one years, respectively. Mr. Drummond joined the Board in 1909. The vacancies were filled by the appointment of Messrs. M. B. Davis and G. H. Duggan, of Montreal, and Mr. C. C. Blackader, of Halifax.

On October 5th last we concluded an agreement with the Directors of the Quebec Bank to purchase the assets of that Bank, for a consideration of 9,117 shares of this bank and $683,775 in cash. This was ratified by the shareholders of the Quebec Bank on the 28th of November. The approval of the Governor-in-Council was obtained in due course, and the assets were transferred on January 2nd. By this purchase we have acquired on satisfactory terms, assets approximating $22,000,000.

In addition to the thirty-five Quebec Bank branches added to our list, offices were opened during the year as follows: In ONTARIO—Church St., Toronto; in NEW BRUNSWICK—Buctouche, Richibucto; in NEWFOUNDLAND—Heart's Content, Placentia; in CUBA—Palma Soriano; in COSTA RICA—Limon; in the DOMINICAN REPUBLIC—Sanchez, Santiago de los Caballeros; in VENEZUELA—Caracas. A sub-branch has been opened at Keewatin, Ont.

Fifteen of the Quebec Bank branches were closed when the transfer took place, and our branches at the following points were closed during the year: In ALBERTA—Athabasca, Blairmore, Namayo Ave., Edmonton; in SASKATCHEWAN—Luseland, in ONTARIO—Dundas St., Toronto, Gerrard and Main, Toronto; in QUEBEC—Beaumont St., Montreal, Terrebonne. We have also closed the sub-branches at Bentley, Blackfalds and Peace River, West Side, Alta., and Copetown, Ontario. Sutherland, Sask., Branch has been changed from an independent branch to sub-branch.

The Head Office and all our branches of the bank have been inspected as usual during the year.

Your Directors desire to express their appreciation of the efficient manner in which the officers of the bank continue to perform their respective duties.

All of which is respectfully submitted.

H. S. HOLT, President.
E. L. PEASE, Vice-President.

### GENERAL MANAGER REVIEWS STATEMENT.

The General Manager, Mr. C. E. Neill, then referred to the Annual Statement as follows:

The Balance Sheet before you is the best ever submitted to the shareholders, and shows striking progress in all departments of the bank's business during the past year.

Total deposits now exceed $200,000,000, the increase for the year being no less than $45,000,000. 42 per cent of the advance was in the Savings Department. It is a satisfactory feature that these figures include no large or unusual deposits of a temporary nature.

Our note circulation is approximately $4,000,000 higher, and exceeds the paid up capital of the bank by over $6,000,000. The excess is covered by a deposit in the Central Gold Reserve.

Current loans show a moderate expansion. In Canada the increase is $4,931,759, due chiefly to the acquisition of new accounts, and temporary loans to customers producing munitions of war. Commercial loans abroad are higher, on account of the active demand in the West Indies in connection with the production of sugar and other staple commodities. These loans will decrease substantially during the next two or three months.

The liquid position of the bank has been well maintained, liquid assets being 53.24 per cent of liabilities to the public, as compared with 49.03 per cent last year.

The increase in investments represents subscriptions to British Government loans, the proceeds of which were to a great extent expended in this country.

Net profits for the year were 17.87 per cent on the capital, as compared with 16.48 per cent last year; or 8.66 per cent on combined capital and reserve, as compared with 7.90 per cent last year.

The year's remarkable results are attributed to four causes — prosperous conditions in Canada and the West Indies, the advantageous location of our branches, co-operation on the part of the Directors, and a loyal and efficient staff.

### President's Address.

In moving the adoption of the Directors' Report, Sir Herbert S. Holt, President, said:

In view of the comparative uncertainty with which Canada necessarily looked forward to the year just passed, it is specially gratifying to be able to present so excellent a statement as that before you to-day. It undoubtedly excels any previous exhibit. Our total assets have increased during the year fifty-five million dollars. Seven years ago there were sixty-seven millions; to-day they are two hundred and fifty-three millions.

In keeping with the fixed policy of the bank, the ratio of liquid assets to liabilities to the public has been maintained at a high percentage. The rate at the close of the year was 53.24 per cent against 49,03 per cent at the end of the previous year. No matter how rapid the bank's extension, we have not in the past departed from this cardinal principle, and we do not intend to in the future.

We are not singular, however, in respect of the years' growth. The wonderful prosperity of the country was reflected in the assets of Canadian banks in general, the total increase amounting to two hundred and fifty-five millions. This prosperity is not confined to those engaged directly or indirectly in the supplying of war materials. It is widely diffused, as may be seen by the record bank clearings, the congestion of railway traffic, the general activity in every department of wholesale and retail trade, and the great volume of exports. Labor is scarce and never commanded higher wages. Commodity prices have attained a level comparable only with civil war times in the United States. The following is a statement of some present prices compared with those of twelve months ago.

| | 1915. | 1916. |
|---|---|---|
| Wheat, per bushel.. .. .. .. | $1.00-$1.10 | $1.70 (av.) |
| Copper, Ingots, per lb. .. .. | .20½ | .31-32 |
| Pig Iron, per ton .. .. .. .. | 25.00 | 41.00 |
| Steel Billetsc, per ton.. .. .. | 42.50 | 50.20 |
| Steel Rails, per gross ton.... | 28.00 | 38.00 |
| Structural Steel, per ton—bars | 54.60 | 76.20 |
| Structural Steel, per ton, plates | 56.00 | 99.00 |
| Structure Steel, per ton, shapes | 48.40 | 77.60 |
| Staple Cotton, per lb. .. .. .. | .12 | .17 |
| Wool, per lb., Lincoln Clothing. | .38 | .55-60 |
| Wool, per lb., South Downs... | .46 | .75 |
| Wool, per lb., Merino........ | .70 | 1.25 |
| Sole Leather, per lb. .. .. .. | .41 | .63 |
| Print Paper, per ton ........ | 40.00 | 60.00 |
| Wood Pulp, per ton ........ | 15.00 | 40.00 |
| Sulphite, per ton .. .. .. .. | 38.00 | 100.00 |

The list might be extended indefinitely. Abnormally high prices are enriching the producer and manufacturer, but profits are not so large as might appear on account of material increases in the cost of production.

### Post-War Conditions.

Meanwhile, the liabilities of manufacturers and others to their bankers are greatly reduced—in many cases wiped out—and large credit balances created. This is a very satisfactory situation, as working capital now accumulated will be of great utility on the return of peace. We should bear in mind that there is no permanence in war prosperity; that it is war business which has so accelerated the wheels of industry; and the termination of this must react on industrial activities with far-reaching results. Factories employed exclusively in this connection will close down. Kindred industries stimulated by high prices will 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 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 th 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. T. 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 17 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 b rrower 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 no November 30, 1916, at 5- 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 ..aving a cur-