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of January 17 will have the
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THE STANDARD FINANCIAL SECTION

FIFTY-SECOND ANNUAL MEETING OF ROYAL BANK OF CANADA

Sir Herbert Holt, President, states that considering the times, we are a fortunate people—Government ownership of railways and fleet more expensive than pension charges and other legacies of war.

Edson L. Pease, Vice-President and Managing Director, points out that business is being brought down to a new and sounder basis—Foreign branches important factor in building up foreign trade of the Dominion.

C. E. Neill, General Manager, reviews most successful year in history of the Bank—Total assets now stand at \$594,670,013, an increase for the year of \$61,022,928.

The Annual General Meeting of the Shareholders was held at the Head Office of the Bank in Montreal Thursday, January 13th, at 11 o'clock a.m. Sir Herbert S. Holt was in the chair.

Mr. S. D. Best acted as Secretary of the Meeting and Messrs. A. H. Sims and Alex. Paterson as scrutineers.

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

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

The Statement submitted to you today records another year of substantial growth. The total assets of the bank are now \$594,670,013.43, an increase of \$61,022,928.50 for the year. Total deposits are \$455,017,367.02, the growth being \$81,465,224.74.

It will be noted that there is a shrinkage in free deposits, which is accounted for by the fact that on November 30, 1919, we had large special deposits in connection with subscriptions to the Victory Loan.

The substantial increase in interest-bearing deposits is a particularly satisfactory feature, inasmuch as deposits of this class to a considerable extent represent the savings of the people.

The note circulation of the bank continues to expand.

An increase of no less than \$23,511,830 in current loans is the result of our policy of affording legitimate assistance to clients of the bank during a period of great trade expansion. The percentage of current loans to total assets of the bank is now 48.18.

The substantial reduction in our holding of Government securities is due chiefly to repayment of loans granted to the Imperial Government for war purposes.

In view of the heavy demands made on us by commercial borrowers, it is satisfactory to note that the liquid position of the bank is well maintained. Liquid assets being \$60.50 p. c. of liabilities to the public, our actual cash and deposits in banks being over 30 p. c. of our total liabilities.

Increase in Capital and Reserve.

The capital of the bank has been increased during the year by the issue of 24,000 shares to our shareholders at \$10 per share. Although the final instalment is not due until April 11th, only \$35,890 remains to be paid on account of the new issue.

The Reserve Fund now equals the capital, having been increased through the year by premium received on new stock and by an appropriation from profits.

The substantial growth in the bank's resources has resulted in a satisfactory increase in earnings, the net profits being \$4,233,649.24, equal to 23.76 p. c. on our capital, or 12.01 p. c. on our combined capital and reserve.

The usual dividends and an additional bonus of 2 p. c. have been paid to shareholders, and a balance of \$446,333.25 is carried forward in Profit and Loss Account.

I desire to draw particular attention to the fact that in addition to writing off all bad debts, the fullest provision has been made for any loans of a doubtful character.

In view of existing conditions, a particularly careful revaluation of the assets of the bank has been made, and it is gratifying to know that our position is a very satisfactory one. In this connection I wish to draw special attention to the fact that the loans of the bank are very widely distributed and that we have no unusually large individual advances of any kind on our books.

Our loyal and efficient staff has rendered particularly good service during the past year.

The President's Address.

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

It affords me great pleasure to move the adoption of the report.

In a year marked by world-wide economic disturbances, our profits have been very large, enabling us to make liberal distributions to our shareholders.

Credit inflation and increased prices for all commodities continued up to three months ago when we entered upon the last and most difficult stage of reconstruction, the lowering of abnormal prices to natural levels.

We stated at our last Annual Meeting that such a readjustment was inevitable, and all the efforts of the bank have been directed to a quiet and orderly transition with the least possible injury to trade and industry.

An increase in our current loans of \$40,000,000 proves that we have been at all times ready to extend reasonable assistance to the business community.

The precipitate decline in the price of practically all commodities has been followed by an epidemic of cancellation of contracts, not widespread in Canada, but very prevalent abroad. I consider this a very dangerous symptom.

To seek to escape payment for merchandise at prices which now indicate a loss is dishonourable. Our entire business is based on integrity, and has developed only as business morality has developed.

Creditors should, whenever possible, give longer time to those of their customers who have to realise on goods bought at high prices. In return, these customers should stick to their agreements. Any other procedure is fatal to good business.

Our trade continues to grow in volume, but during the year just ended imports have exceeded exports to the extent of some \$50,000,000. This adverse balance of trade is disquieting, and the outflow of returns on foreign capital adds to the difficulties of the situation.

The steady increase of American investments in Canada is an equalising factor, but inadequate. Only by increasing the sale of Canadian commodities can we avoid increasing our foreign indebtedness. However, even in war time, was it so essential to increase our exports? A duty falls on manufacturers to produce articles of a quality and price that will compare favourably with foreign makes, and on our agricultural interests to increase production.

Canada's Position Sound.

The position of Canada is fundamentally sound. Considering the times, we are a fortunate people. No nation has escaped the aftermath of the war, and throughout the world there is disturbance or unrest. In China famine spreads desolation, confusion and terror reign in Russia, while Europe is grappling with complex problems. Even in progressive Japan, industry is paralyzed. Contrast this with our condition. Our crops are the most valuable in our history, even at the reduced prices obtainable; bank deposits have doubled since 1913; most merchants have set aside reserves in the years of plenty to tide them over a lean period, and a great part of the bonded independence of the country is held within the Dominion. Moreover, our friendship and cordial relations with our neighbor render unnecessary the expenditure for armaments which is strangling Europe. Unemployment is less and business failures are fewer, comparatively, than in the United States, and when our war liquidation is over, we should be among the first to enter upon a new era of stable prosperity.

High Cost of Government Operation.

Government control has practically disappeared during the year just past—when, paper and sugar being the commodities to be freed from regulation. Government ownership of transportation systems developed. We have no advantage to the public in efficiency or rates, the operation of our national railways during the last twelve months has resulted in a loss which will probably more than absorb the amounts collected on Income Profits and Income Taxes for the year 1919. Unless Government methods of operation are more efficient in this country than they have been in others, taxpayers in Canada may find the maintenance of their railways and fleet more expensive than pension charges and other legacies of the war combined. Of a total of \$4,460,000,000 spent by the United States during the last year, \$1,087,000,000 went to pay the cost incurred by the Government in its control of the railways. The present waste is obvious and the remedy should be speedy and effective. The needs of the country call for business-like administration of its affairs. If this be effected, we can attack our problems with added confidence.

Our subscription of \$250,000 to the recent Campaign Fund of McGill University—payment of which is agreed upon a grant of two pence—will, I

am confident, meet with your hearty approbation. Our country, with its undeveloped natural resources, its vast stretches of uncultivated farm lands, and its growing trade, needs the services of skilled men and women such as McGill students sent forth. In years to come the expenditure will yield a manifold return to the nation, and through the nation to the bank.

Situation in Cuba.

You will doubtless wish to hear how we fared in Cuba, in view of the recent financial disturbances in that island, and our interests there. The business of Cuba is bound up in sugar. Production last season was some 700,000 tons less than estimated, and prices naturally rose abnormally, reaching over 25 p. c. in May. A sugar famine in the United States appeared inevitable, when relief came from an unexpected source. Financial disturbances in the Far East, and the sudden fall in the silver exchange, led to the curtailment of Far Eastern purchases of sugar in the Java market. This sugar was available for the United States, and it is estimated that that country purchased altogether 500,000 tons of Java and other sugars, of which ordinarily not a pound would have come to this continent. The market price broke violently and has continued steadily downward, today the quoted price being 1 1/2 cents per pound. Cuba was left holding a stock of 300,000 about 18 p. c. of last season's production, 90 p. c. of the crop had been sold at prices which averaged not less than 100 per cent. over the amount thus realized, over \$700,000,000 was much greater than that obtained for the whole crop of 1918-19, itself a record season. Certain individuals and firms, however, were hard hit by the collapse in prices. The fall left them to face a severe loss, and these individual embarrassments were the original cause of Cuba's troubles. That difficulties of one Cuban bank, which suspended operations in October last, were caused only partly by losses in sugar. The main reason was probably over-extension of its business. On its suspension the Cuban Government declared a moratorium.

Thanks to the precautions taken by our management in early warning our officers in Cuba of the inevitable reaction that would follow the excessively high prices, and instructing them to adhere to our policy of making no advances for speculative purposes, I am pleased to tell you that we have made no loss, and do not anticipate making any loss as a result of the present financial disturbances; in any case full provision has been made for unforeseen contingencies. We are conducting business as usual, not taking advantage of the moratorium, being satisfied, after an experience of over twenty years, that there is no safer banking field than Cuba.

The Vice-President.

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

The past year has been an eventful one. Within the last few months we have seen the period of rising prices brought to an end. The high was reached in May last, since when there has been an average decline in wholesale prices of more than 15 p. c. in the United States there was a decline of 24 p. c. of thirteen per cent. of which occurred in the month of November. For the remainder, the cost of living is governed, not by wholesale, but by retail prices, and the average of these in Canada and elsewhere has not yet declined to nearly the same extent as that of wholesale prices. Stocks are probably quite up to normal while buying power has weakened, therefore retail price reductions are to be expected, now that the holiday season is over.

The character of our foreign trade has also changed sharply. The year ending November 30, 1919, shows an adverse balance of \$55,000,000 as compared with a favorable balance for the year ending November 30, 1918, of \$720,000,000. Exports during the past year were well maintained at slightly above the level of the previous year, but imports showed an increase of \$425,000,000. Our imports from the United States amounted to \$225,000,000, an increase of \$200,000,000 over the previous year, due in large part to increased prices of commodities. During the five years, 1910-1914, the percentage of exports to the United States to imports from the United States averaged 40 p. c. Since then the percentage has improved, and will probably be 55 p. c. this fiscal year. Our exports last year were not only supported by sales of lumber, pulp and paper. On the other hand, the consumption of these articles for the supply of which we are largely dependent upon the United States, is increasing with the growth of the country. Iron and steel products imported during the six months ending September, were of about the same value as those of the same period of 1913, viz.: \$130,000,000. The year's purchases of cotton and its products in the United States were \$70,000,000, compared with \$17,000,000 in 1913. Automobiles 11,000 as against 8,000; \$12,500,000 worth of automobile parts as compared with less than a million dollars. We consumed \$100,000,000 gallons of United States petroleum, gasoline and lubricating oils, as against 190,000,000 in 1913.

Necessity of Increased Exports.

Is it any wonder we are suffering from adverse exchange rates? The only correctives are, we repeat, the curtailment of imports of non-essential articles and the increase of exports. So far as a country's currency is at a discount, the cost of imports is increased and wide fluctuations tend to change legitimate business into speculation. We in Canada have been fortunate in that our exchange relations with the United States have been fairly stable compared with those of other countries with the United States. The premium on American funds ranged from eight to nineteen per cent. during the past year, and is now 15 p. c. Compare this with the discount on other currencies in New York on December 31st: Sterling 27 p. c., French exchange 69 p. c., and Italian exchange 82 p. c.

A favorable feature, and one likely to have considerable effect on the future production of Western Canada, is the improvement of the Soldiers' Settlement scheme. The Board in charge of this scheme reports that in the Western Provinces alone, returned men have taken up a total of 3,100,000 acres of land; of these, two million acres are free lands granted to veterans, 8,000 acres are in the hands of the Government, and the balance of nearly 14,000 acres, amounting altogether to 57 million, have been made by the Board to settlers in the three Prairie Provinces. In all Canada, there were 20,000 loans effected, totalling \$80,000,000.

Development of Foreign Trade.

Despite the generally unsatisfactory condition of international trade due to impaired buying power and depreciation in exchanges, we have every reason to be thankful for the results and the quality of the business we have built up in the countries where we are represented. Our branches in South America are making steady progress, and we are moving slowly, but surely, towards the outcome of our first year's operations there. We are moving slowly, taking no undue risks. It must not be supposed that a bank's interests in a foreign country are necessarily jeopardized in consequence of weak exchanges. As a matter of fact we are not affected by the wide up and down movements in exchange, since our position in the exchange market is covered daily by sales against purchases and vice versa.

Without exception, the operation of our foreign branches has been satisfactory, and in this connection I desire again to put on record my views as to the advantage of conducting foreign business, where possible, through the medium of our own branches rather than through affiliations with other banks, which we do not control. It is only through its own branches that a bank can keep in close touch with its customers and give efficient personal service.

That the expansion of a bank does not mean a drain on the main organization is something which I have had occasion to point out many times. The figures of our foreign loans and deposits as they stood at November 30th last year affirm this fact.

Deposits \$164,000,000
Loans \$202,000,000

The Commerce Reports of the Dominion have year by year afforded ample testimony of the national service rendered by the bank in extending our markets abroad. Wherever we have opened branches, trade with Canada has been stimulated. This statement is emphasized by a recent report by which the Trade Commissioner for Brazil draws attention to the fact that since the inauguration of a direct shipping service by the Dominion and the banking facilities which The Royal Bank of Canada have provided, trade between Canada and Brazil, previously of small dimensions, has shown a distinct increase.

I referred last year to our intention of establishing a department which would provide enquiries with any special information desired. The Foreign Trade Department has now been in operation for nearly a year, and during that time has been able to render many services to Canadian exporters and importers, and to our clients. In addition to providing general information on foreign markets, this department has, in many cases, placed Canadian exporters in touch with prospective customers with whom they have later developed a satisfactory business. In the early part of the year it was frequently impossible to find Canadian producers who were in a position to consider the many orders which came from other countries. Canadian conditions are now changing, but in view of the conditions abroad we are advising exporters to proceed with caution. We think that in the years to come our Intelligence Department will prove of great utility.

Preferential Tariff With British West Indies.

The preferential tariff agreement between Canada and the British Colonies in the Caribbean, which now awaits ratification by the Dominion Parliament, will not only result in trade advantages, but will serve to strengthen the one market for close union. A most gratifying feature is that Jamaica, British Honduras, Bermuda, and the Bahamas, which did not join in the old pact of 1912, are parties to the new arrangement. Canadian trade with these British colonies, which was increasing steadily under the

influence of the preferential tariff arranged in 1912, will receive fresh impetus from the very favorable conditions now in prospect. The trade of the British West Indies reaches surprisingly large figures, the total value of their 1919 imports and exports being about 250 million dollars. Of this amount, a little over 100 million dollars is represented by imports, one-third of which are supplied by the United States.

In summing up the general business situation, while I feel that casual optimism is out of place, and that we ought all to recognize the fact that business is being brought down to a new and sounder basis, I think that undue pessimism is just as bad as the other extreme. Whatever the difficulties we have to face in the near future, the fundamentals of Canada's position are sound, grained that the Canadian people work hard and exercise reasonable economy.

In the period we are thus looking forward to, I feel confident that this bank will play no small part.

I beg to second the motion for the adoption of the Report.

Auditors.

Mr. S. R. Mitchell, Mr. James G. Ross and Mr. W. Garth Thomson were appointed Auditors for the ensuing year.

The Staff.

A vote of thanks was passed to the President, Vice-President and Directors, also to the General Manager and Staff. In replying to the latter Mr. C. E. Neill, General Manager, said:

On behalf of the officers of the bank and myself, I thank you for this expression of appreciation of our services. We have a most efficient staff, and I can assure you the thanks of the shareholders, tendered at each Annual Meeting, are received by all with the greatest possible pride and pleasure. I cannot speak too highly of the efforts of all officers to advance the interests of the bank, and their loyalty and devotion are outstanding features of our service.

Board of Directors.

The following were elected Directors for the ensuing year:
Sir Herbert S. Holt, K. B.
E. L. Pease
Jas. Rodmond
G. R. Crowe
D. K. Elliott
R. W. H. Thorne
Hugh Paton
A. J. Brown, K. C.
W. J. Sheppard
C. S. Wilcox
A. E. Dymott

At a subsequent meeting of the Directors, Sir Herbert S. Holt was unanimously re-elected President and Mr. E. L. Pease, Vice-President and Managing Director.

Advertising Agency
Makes An Important
Change In Business

McConnell & Fergusson Incorporated—Board of Directors Promise Better Service.

With the New Year comes the announcement of important changes in the organization of the well-known advertising agency, McConnell & Fergusson. The partnership has been incorporated and now includes as shareholders and directors several of the executives of the old firm.

J. E. McConnell is President and M. Fergusson is Vice-President. These two men formed the partnership which founded and built the business of McConnell & Fergusson to its present important volume. They will remain in their respective positions in the organization. A. R. Malton, formerly inspector of the Bank of Toronto, joins the board as an active executive officer. Walter E. Gunn, well-known throughout Canada as a publishing and advertising circles, is a director and manager of the Company's Toronto Office. As manager of the Montreal office, Lionel T. Denison has had many years experience in handling the complex advertising problems of Eastern Canada also joins the board. D. C. Coutts, manager for Western Canada, with his office in Winnipeg, is the Western representative on the board. John P. McConnell, well-known throughout Canada as a publicity writer and journalist, makes the seventh member of the board. He specializes in financial and propaganda work.

Convention Just Closed.

A convention of the managers and executive has just been concluded in the London Office, at which policies and methods for the ensuing year discussed and decided upon.

The principles and ethics which have governed the conduct of the business under Messrs. McConnell & Fergusson for the past seventeen years will be continued in the new organization.

It was concluded after a careful survey of conditions in Canada that greater merchandizing effort and more intensive advertising than had ever before been done in Canada was now necessary to solve the marketing problems of Canadian manufacturers. Undoubtedly the market in Canada will absorb the products of Canadian industries, but the consuming public is now critical of both price and quality and will demand to be shown "reasons why" in purchasing in the future.

Promise Efficient Service.

The McConnell & Fergusson (Limited), executive, in view of this situation, have decided to throw into the work of the coming year, the most serious and concentrated effort to bring the work of the various offices to the highest state of efficiency.

With four offices in the leading commercial centres of Canada, Montreal, Toronto, London, and Winnipeg each co-operating with the other in the merchandizing problems of their clients the new company claims it is in a position to offer the advertisers of Canada a highly efficient service.

CHEAPER ALCOHOL.

Victoria, B. C., Jan. 17.—British Columbia is now to have cheaper alcohol for use in manufacturing. Herebefore druggists have been allowed to import non-potable or non-matured alcohol only in limited quantities. Provincial prohibition officials asked for and obtained permission for federal authorities to import large quantities into British Columbia so that it could be sold at a lower price.

Heavy Loss.

Little Bobby—Say Uncle Jack. Uncle Jack—Well, what is it, Little Bobby?—Who looses all the fault our neighbors find.

There were 414 fur farms in operation, including 249 in Prince Edward Island, 48 in Nova Scotia, 21 in New Brunswick, 52 in Quebec, 10 in Ontario, 1 in Manitoba, 1 in Saskatchewan, 11 in Alberta, 8 in British Columbia and 13 in the Yukon.

The number of silver foxes was 6,433 with a total value of \$3,913,116, of the total number of silver foxes Prince Edward Island possessed 4,704, Nova Scotia 361, New Brunswick 472, Quebec 318, Ontario 130, the prairie provinces 280, British Columbia 65, and the Yukon 113.

WE OFFER

CITY OF

HALIFAX

6 p.c. Bonds due 1931

@ 98.16, to yield

6.25%

ALSO—

TOWN OF

CHATHAM

6 p.c. School Bonds

Due 1938 to 1958 inclusive to yield

6.40%

MAHON BOND CORPORATION

Limited

101 Prince William Street, St. John, N. B.

7%

Maritime Telegraph and Telephone Company

Refunding Mortgage Gold Bonds.

Dated 1st Dec. 1920. Due 1st Dec. 1945.

Denominations \$500, \$1,000.

Price 97 1-2 and interest

Yielding about 7 1-4 p.c.

This is a new issue which is well secured in every way, and which we believe will be quickly absorbed.

Ranking after these bonds, there is outstanding over \$3,000,000 of Preferred and Common Stock, on which dividends have been paid regularly, without interruption.

We recommend these bonds as an attractive conservative investment, giving a high return.