

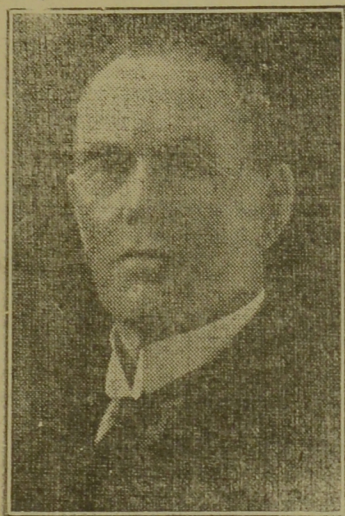
REVIEW FAVOURABLE YEAR FOR ROYAL BANK OF CANADA

Strong Position Maintained—Sir Herbert Holt, President, Takes Strong View That Canada Is Now Definitely on the Upgrade. — Morris W. Wilson, Vice-President and General Manager, Reviews Strong Statement.

The annual meeting of the shareholders of the Royal Bank of Canada marked the close of a most successful year.

Sir Herbert Holt, President, in his address struck an optimistic note when he stated that he considered that Canada was definitely on the upgrade. Its progress however was being retarded by too heavy taxation and cost of maintaining so many Governments in the country was rapidly becoming unbearable.

Morris W. Wilson Vice-President, and General Manager in his address



SIR HERBERT HOLT
President of the Royal Bank of Canada

reviewed the outstanding features of the strong statement of the Bank. The feature of paramount importance in connection with the possible formation of a Central Bank, added Mr. Wilson, would be the quality of its management.

President's Address

Sir Herbert S. Holt, President, in moving the adoption of the Director's Report, said in part:

The 64th Annual Report and Balance Sheet submitted to you to-day disclose the strong position of the bank. While Balance Sheet figures are somewhat smaller than those of a year ago, this reflects a falling off in international deposits rather than contraction of Canadian business. In fact, a notable feature is an increase in Canadian Demand and Savings deposits during the year. The liquid position is eminently satisfactory. As you would expect, the restricted demand for commercial loans, and the resultant increase in our holdings of less remunerative assets in form of Dominion and Provincial Government securities has combined with other factors to reduce profits. In April last, the dividend was reduced from 10 per cent to 8 per cent, and the last three quarterly dividends have been paid at that rate. The improvement which has taken place in business during the last six months, has already had a beneficial effect on earnings.

Referring to the situation in Canada the President said: "I am glad to say that since we last met there has been a distinct improvement in Canadian business. I have had the opportunity of seeing this country recover from depressions on various occasions during the last fifty years and the present movement appears to be taking place along the accustomed lines. As soon as world trade commences to revive there is an improved demand for Canadian raw materials. Canadian exports increase substantially surplus inventories disappear and the general activity in the principal exporting industries provides additional employment with a consequent improvement in purchasing power and domestic trade. This has been the sequence of events in Canada during the last six months."

The Railway Situation

Dealing with the situation of the Government railways, Sir Herbert expressed the opinion that the time for half measures had passed and that

bold and courageous action was required. He felt that the views expressed at the last Annual Meeting that enforced co-operation between the two railway systems would not be a satisfactory remedy had been confirmed by the experience of the past year and is still of the opinion that the maximum of economy can only be obtained by some form of administrative amalgamation.

The President made a strong demand for a reduction of Governmental debts and pointed out that the cost of maintaining too numerous governments, Federal, Provincial and Municipal, was becoming unbearable. He said: "Greater activity in business will reduce unemployment, produce increased revenues, and a reduction of disbursements for public relief. Advantage should be taken of these developments to reduce debts rather than increase expenditures."

In referring to the newsprint industry, Sir Herbert said: "There has been greater activity in the manufacture of pulp and paper. While the price of newsprint is lower than a year ago, the market situation shows



M. W. WILSON
General Manager of the Royal Bank of Canada

signs of greater stability. It has been strengthened by a material advance in the price of pulp which enables operations in that division of the industry to be conducted on a profitable basis. While Canada still suffers from the problem of surplus capacity in the newsprint field an increase in consumption makes the outlook somewhat more reassuring than it was a year ago."

Conditions in Other Countries

In referring to conditions in other countries he expressed the view that the low point of the depression for most of the world was reached in the latter part of 1932 and since that time there has been a general increase in international trade. Reference to the United States was made as follows:—"While business in the United States commenced to improve about the middle of 1932 it later suffered a relapse due to their banking difficulties and the hesitation and uncertainty that precedes a change of administration. Since last March quite material progress has been made. It is difficult to analyze the effects of their policies and impossible to prophesy the outcome. Their central idea that an increase in the price level must be obtained is sound common sense and is now quite generally accepted as such throughout the world. At our Annual Meetings of the last three years we have emphasized and re-emphasized the necessity for a higher price level. I see no reason why it cannot be achieved in due course."

In closing Sir Herbert Holt said: "At our last Annual Meeting I expressed the feeling that indications pointed to the initiation of a substantial recovery in 1933. This year it is possible to go one step farther and to venture the opinion that we are now definitely on the up-grade. If we deal intelligently with the main problem that confronts us we can expect within

measurable time a return of general prosperity."

General Manager's Address

Mr. M. W. Wilson, Vice-President and General Manager in referring to the position of the bank pointed out that liquid assets totalled \$362,471,000 and were equal to 55.76% of public liabilities, compared with 52.86% of the previous year. A notable feature is that 24.26% of such liabilities is represented by cash and cash balances aggregating \$157,699,000. He mentioned the further interesting fact that in Canada current deposits increased about \$17,000,000 during the year and savings deposits were higher by \$2,000,000.

In discussing the proposed central bank he recalled the hope which he expressed at the last Annual Meeting that the Government would see fit to have the project examined by a body of experts and said: "The Royal Commission on Banking and Currency which was constituted last summer could not have been better chosen. Under the chairmanship of Lord Macmillan their sittings in all parts of the country were notable for the freedom with which all possible evidence was received and for the patience and tact displayed in dealing with the material submitted. While I do not agree with the report in its entirety I believe that a properly constituted Central Bank can be developed as a useful adjunct to our banking system. I should have

preferred to see it come into being at a time when general economic conditions were nearer normal than they are at present. However, if a central bank is to be established forthwith, it is our duty and intention to make it efficient every way possible to make it efficient and useful."

Note Issue

Mr. Wilson expressed the strong opinion that the recommendations in the Report with respect to the gradual withdrawal of the note-issuing privileges of the Chartered Banks did not appear to be in the public interest. Retention of these privileges would not hamper the Central Bank and its effort to control credit. In this connection he quoted an editorial which appeared in the London Economist to the effect that the Central Bank would not be in the least weakened by allowing the Chartered Banks to retain their present issues under the present restrictions. Mr. Wilson went on to say: "I think, therefore, that we should view the elimination of bank note issues not as a step which must inevitably accompany the creation of a Central Bank but as a separate matter entirely. The real question is whether the Government desire to have banking service maintained at many small points throughout the country or to appropriate the revenue of note issues for themselves. I believe that the gain to the Government would not offset the loss to the public

through curtailment of banking facilities. Unquestionably there are many places which could no longer support a branch bank if note issuing privileges were to be withdrawn. The operation of a number of small branches at a bare margin of profit is characteristic of banking in this country. We have a system which in many of its aspects is native to the Dominion and prudence should prompt us to be very cautious in advocating fundamental changes."

"At this point I might quote the following from the Report of the Royal Commission:

"...Insofar as the ordinary functions of banking are concerned, the Canadian banks give admirable evidence of security, efficiency and convenience. In a time of universal economic difficulty the Canadian banks have stood firm and continued to render to the people of the Dominion the same high quality and the same wide variety of services as in the past."

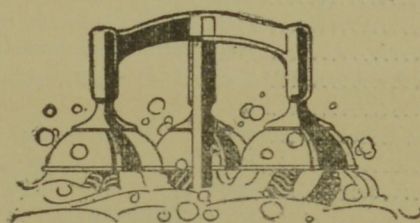
"The chartered banks could adjust themselves to the gradual loss of the note issuing privileges over a period of years, but unquestionably it would necessitate the withdrawal of banking facilities from many of the smaller communities in Canada. This would be a high price to pay for a central bank."

"The Royal Commission on Banking and Currency recommended that the Dominion Government, preferably with

the co-operation of the Provincial Governments, should forthwith institute a special investigation into the whole problem of the provision of short and intermediate rural credits, with a view to the preparation of an adequate and comprehensive scheme for submission to Parliament. I hope that their recommendation will be adopted, and that a commission of enquiry will be appointed to find out exactly what is required, and to what extent solvent borrowers are in distress through inability to obtain loans or renewals. I am not suggesting that we should set up an organization to make unsafe loans at the cost of the taxpayer, but undoubtedly there are cases where farmers are possessed of assets which do not constitute banking security, but which afford protection for monies advanced by another class of institution."

In conclusion Mr. Wilson said: "At our last Annual Meeting I ventured to suggest that the prospect of further improvement in the coming year was very much more hopeful than in the previous year. That prediction has been borne out by subsequent developments. For the first time in several years an attitude of quiet but confident optimism is in evidence almost everywhere. Many problems still have to be solved but I have full confidence in the ability of Canada to share in the continued improvement in economic conditions which I believe lies ahead of us."

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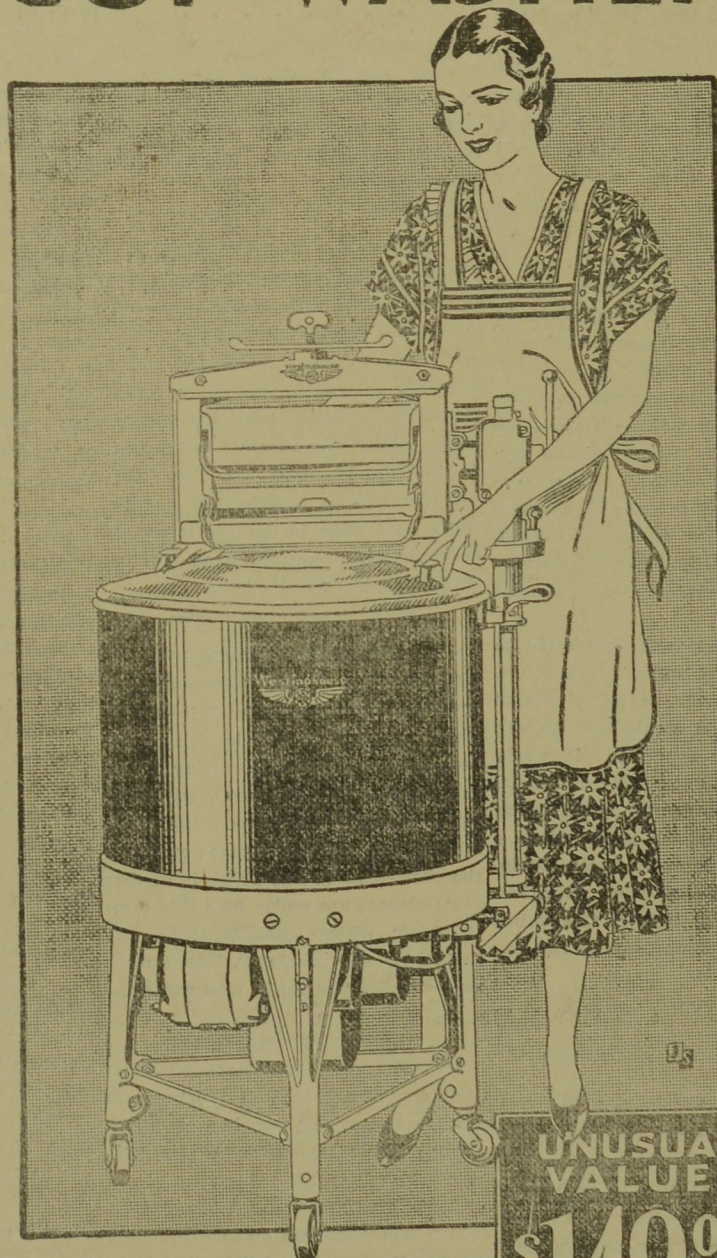
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