

THE CANADIAN BANK OF COMMERCE

Report of the Proceedings of the Annual Meeting of Shareholders, Tuesday, 11th January, 1916.

The forty-ninth Annual Meeting of the Shareholders of The Canadian Bank of Commerce was held in the Banking House on Tuesday, 11th January. The President, Sir Edmund Walker, having taken the chair, Mr. A. St. L. Triggs, was appointed to act as Secretary and Messrs. Edward Cronyn and J. E. L. Pangman were appointed scrutineers.

The President called upon the Secretary to read the Annual Report of the Directors, as follows:

REPORT.

The Directors beg to present to the Shareholders the forty-ninth Annual Report, for the year ending 30th November, 1915, together with the usual statement of Assets and Liabilities.

The balance at credit of Profit and Loss Account brought forward from last year was	\$1,117,763.27
The net profits for the year ending 30th November, after providing for all bad and doubtful debts, amounted to	2,352,035.95
	\$3,469,799.22

This has been appropriated as follows:

Dividends Nos. 112, 113, 114 and 115, at ten per cent. per annum	\$1,500,000.00
Bonus of one per cent., payable 1st June	150,000.00
Bonus of one per cent., payable 1st June	150,000.00
Reserved against further depreciation in value of securities held by the Bank	1,000,000.00
War tax on bank note circulation to 30th November	122,906.97
Transferred to Pension Fund (annual contribution)	80,000.00
Subscription to British Red Cross Society	5,000.00
Balance carried forward	461,892.25

In accordance with our customary practice, the assets of the Bank have been carefully re-valued and full provision made for all bad and doubtful debts. During the year the Bank opened the following new branches in Ontario: Emo, Ford and Wychwood (Toronto). A sub-branch of the Windsor, N.S., branch was opened at Hantsport, N.S. The following branches have been closed: In British Columbia, Alma Road (Vancouver), Pandora and Cook (Victoria); in Alberta, Girouard and Mirror; in Saskatchewan, Redway; in Ontario, Port McNicoll; in Quebec, Nicolet. The branches at Monarch, Alta., and Laird, Sask., have been closed since the end of the year.

Your Directors deeply regret to record the loss by death during the year of one of their colleagues, the late General Manager, Mr. Alexander Laird. Although a member of the Board only since 1911, Mr. Laird had served the Bank in many capacities for nearly forty years, becoming General Manager in 1907 and retiring only a few months ago. He had an international reputation as a banker and expert in foreign exchange, and his death is an irreparable loss to the Bank and the whole community.

During the year the audit required by Section 56 of the Bank Act has been made by the Auditors appointed at the last annual meeting, in addition to the usual inspection of the branches and agencies of the Bank in Canada, the United States, Great Britain and Newfoundland and of the departments of the Head Office by the staff of our own Inspection Department.

Your Directors again desire to express their appreciation of the efficiency and zeal displayed by the officers of the Bank in the performance of their respective duties.

JOHN AIRD,

General Manager,
Toronto, 31st December, 1915.

B. E. WALKER,

President.

General Statement 30th November, 1915.

LIABILITIES.

Notes of the Bank in circulation	\$ 16,379,907.68
Deposits not bearing interest	\$ 52,964,795.51
Deposits bearing interest, including interest accrued to date	141,558,283.05
	194,523,078.56
Balances due to other Banks in Canada	751,376.67
Balances due to Banks and Banking correspondents elsewhere than in Canada	6,300,029.77
Bills payable	1,501,442.90
Acceptances under Letters of Credit	1,458,398.64
	\$220,932,234.22
Dividends unpaid	2,713.55
Dividend No. 115 and bonus, payable 1st December	525,000.00
Capital paid up	\$15,000,000.00
Reserve Account	13,500,000.00
Balance of Profit as per Profit and Loss Account	461,892.25
	\$28,961,892.25
	\$250,421,840.02

ASSETS.

Current Coin	\$18,363,031.97
Dominion Notes	21,538,961.50
	\$39,901,993.47
Notes of other Banks	\$1,676,137.00
Cheques on other Banks	7,854,036.29
Balances due by other Banks in Canada	59.19
Balances due by Banks and Banking correspondents elsewhere than in Canada	6,319,807.98
	15,850,039.46
Dominion and Provincial Government Securities, not exceeding market value	1,923,576.27
British, Foreign and Colonial Public Securities and Canadian Municipal Securities	1,719,258.60
Railway and other Bonds, Debentures and Stocks, not exceeding market value	9,613,178.80
Call and Short Loans (not exceeding 30 days) in Canada on Bonds, Debentures and Stocks	12,847,521.37
Call and Short Loans (not exceeding 30 days) elsewhere than in Canada	18,534,329.337
Deposit with the Minister of Finance for the purposes of the Circulation Fund	783,460.60
	\$101,173,357.94
Other Current Loans and Discounts in Canada (less rebate of interest)	10,027,802.39
Other Current Loans and Discounts elsewhere than in Canada (less rebate of interest)	130,893,064.62
Liabilities of customers under Letters of Credit, as per contra Overdue Debts (estimated less provided for)	1,458,398.64
Real Estate other than Bank Premises (including the unsold balance of former premises of the Eastern Townships Bank)	\$1,264,083.21
Less mortgage assumed	100,000.00
	1,164,083.21
Mortgages on Real Estate sold by the Bank	389,534.21
Bank Premises at cost, less amounts written off	\$5,039,623.55
Less mortgage assumed on property purchased	300,000.00
	4,739,623.55
Other Assets not included in the foregoing	67,459.90
	\$250,421,840.02

B. E. WALKER,
President.

JOHN AIRD,
General Manager.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF THE CANADIAN BANK OF COMMERCE.

In accordance with the provisions of sub-sections 19 and 20 of Section 56 of the Bank Act, 1913, we report as follows:

We have audited the above Balance Sheet and compared it with the books and vouchers at Head Office and with the certified returns from the branches. We have obtained all the information and explanations that we have required, and are of the opinion that the transactions of the Bank which have come under our notice have been within the powers of the Bank.

We have checked the cash and verified the securities representing the investments of the Bank at its chief office and principal branches at a date other than and in addition to the verification at 30th November, 1915, and found that they were in agreement with the entries in the books of the Bank relating thereto.

In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of the Bank according to the best of our information and the explanations given to us, and as shown by the books of the Bank.

T. HARRY WEBB, C. A.
of Webb, Read, Hegan, Callaghan & Co.
JAMES MARWICK, C. A.,
of Marwick, Mitchell, Peat & Co.,
Auditors.

Toronto, 17th December, 1915.

Before moving the adoption of the report the President asked the General Manager to address the shareholders.

GENERAL MANAGER'S ADDRESS.

The statement presented to you today is a striking illustration of our policy during the year. The net profits amounted to \$2,352,035, or 8.25 per cent. upon the moneys which belong to the shareholders of the Bank, that is, upon the total of the paid-up capital and Res. This is a decrease of \$316,197 from the figures of the preceding financial year, but under the conditions which have prevailed since we last met, we trust that you will consider the result satisfactory, especially as we have been able to continue the payment of the usual dividend of 10 per cent. per annum and of two semi-annual bonuses of 1 per cent. each, a total of 12 per cent. We have, as usual, appropriated \$80,000 for the Officers' Pension Fund and after paying the war tax of 1 per cent. upon our note circulation, amounting to \$122,906, subscribing \$5,000 to the British Red Cross Fund, and reserving as a special appropriation the sum of \$1,000,000 against possible further depreciation in the values of the stocks, bonds and similar securities owned by the Bank, we have been able to carry forward \$461,892 at the credit of Profit and Loss Account.

An Additional Precaution.

It is the time-honored custom and wise precaution of every general manager of a Canadian bank upon first assuming the responsibilities of his position, to assure himself that each individual asset of his bank represents the value assigned to it in its books and published statements. Upon undertaking this important duty, I found that the conditions brought into being by the war and particularly the restrictions placed upon the leading security markets of the world, had made the task one of unusual difficulty. The hazards of war have not only seriously lowered the prices of all securities, but they have introduced an element of doubt into existing values, which it is difficult to allow for in dollars and cents. As a matter of additional precaution, therefore, we have taken the step of reserving out of Profit and Loss Account, as a special provision against these contingencies, the sum of \$1,000,000. After the war has been successfully prosecuted to a close, it is probable that some, if not all, of this amount will come back sooner or later into profits.

No Unnecessary Expenditures.

Our Bank Premises Account, as well as the accounts of Real Estate owned and mortgages held, remain practically stationary, the generally unsettled condition of affairs not having warranted our undertaking any expenditure on new premises which did not appear to be absolutely necessary. The small increase of \$52,631 shown in Premises Account represents purchase of promising locations for new branches and of permanent sites for long-established branches, such as Belleville and Parkhill, and for others, the business of which will eventually warrant the erection of a permanent building. We dealt with this matter fully in our report of last year, and for the reason therein set out we feel that no further appropriation is necessary, the figures shown in our balance sheet being well below the limit of 50 per cent. of the actual value, as has been our policy with respect to this particular asset.

The note circulation stands in the balance sheet at \$16,379,907, an increase of \$1,455,350 as compared with the figures of a year ago, and only a few thousand dollars short of the record figures of 1912. This is due to the demands made upon us for moving the large grain crops of the country. The issue of notes in excess of the paid-up capital of the Bank under the emergency provisions of the Bank Act began on October 16th, and the movement reached its height for the time being on November 20th, at which date the circulation stood at \$17,084,598. The lowest level recorded during the year was reached in the month of April. The deposits of the Bank show a satisfactory increase, distributed under every heading, the total increase being slightly over \$13,000,000. Bills payable again show a considerable decrease, the figures being \$1,501,442, as against \$2,924,151 a year ago, or a decrease of \$2,492,708, due largely to the effect of the war upon our foreign exchange business and to the unsatisfactory conditions which have prevailed in the exchange markets during the year.

Strong Cash Reserves.

In view of the general situation we have thought it prudent to keep strong in cash reserves, particularly in gold, the medium for the settlement of international obligations, and that it might be the more readily available for such purposes, we have carried an unusually large proportion of our holdings at points outside of Canada. Our total holdings of coin and legal tender are \$39,901,993. If to this amount we add the balances due us by other banks and correspondents, our holdings of government and municipal bonds and stocks, and call and short loans, our liquid assets amount to \$101,173,357, or 47.62 per cent. of our liabilities to the public.

Current Loans Increase.

Total Current Loans show an increase of \$2,037,254, more than accounted for by an increase of \$3,704,464 in Call and Short Loans, due to the policy of keeping our assets in the most liquid shape possible during the unstable conditions which are the outcome of the war. The fact that our loans show an increase despite the shrinkage which has taken place in general business, bears witness to our earnest efforts to assist the business community to the utmost of our ability consistent with prudence, and should be sufficient answer to those persons who assert in the press and on the public platform that the banks have failed to provide the necessary financial assistance for the commerce of the country. There are some who go further and by quoting the figures of Canadian bank deposits without set-

ting alongside these figures those of the loans, mislead the public and cause them to look upon the banks as enemies to the public welfare. To all such, I say, the figures of our balance sheet are sufficient answer. There has been a reduction of \$7,935,233, or over 37 per cent. in the total of securities held, occurring principally in those classes as railway and other bonds, debentures and stocks. In view of the extent to which we have been, and are still likely to be, called upon to assist in the various measures taken to finance the war, it seemed wise to take every reasonable opportunity of realizing upon our holdings of securities. Total assets show an increase of \$5,057,441, which may be considered very satisfactory growth under the conditions which have prevailed.

Turnover of \$15,000,000,000.

Our records show that on the average we handle every dollar of our assets over 60 times a year, so that the figures at which they stand indicate a turnover of 15 billions of dollars during the year. In return for the immense labor and heavy responsibility involved in handling this huge sum, we have earned slightly more than one-and-a-half cents on every hundred dollars.

Before passing on to deal with other matters, I should like to refer briefly to our policy in the matter of dividends. At the annual meeting in 1914 the hope was expressed that we should be able to maintain payments upon the basis which has been adopted during the last two years. At this time there was, of course, no European war in prospect, and while it will be our earnest effort to maintain the earning power of the Bank upon a level which will render possible a continuation of the present rate of distribution, it is well to remember that the end of the war is not yet in sight, and that no one can predict what changes it may bring when it does come. Our policy, therefore, during present conditions will be based upon weightier considerations than the mere earning of dividends, and in this I am sure that we shall have your hearty support.

Our shareholders number 194 more than a year ago, a moderate increase, but one which reflects a movement in the direction of distributing the stock over a wider area, which is in the interests of both the Bank and its stock-owners.

As stated last year, the branch has been ably managed and on the whole it has been profitable. We have made no losses, and our loans have either been liquidated or fully provided for. The capital necessary for our operations has been supplied entirely by our local deposits. Full provision has also been made for depreciation in the value of such Mexican securities as remain on our books. Our standing in Mexico is particularly high, and the foundations have been laid for a large and prosperous business when that country returns to settled conditions. In the meantime we are holding the ground with a considerably reduced, although sufficient, staff.

In the opening of new branches there has been little done during the year, due principally to the inactivity of general business, especially during the earlier months. We have continued the policy of closing branches which did not prove profitable after a fair trial, with the net result that our branches now number 374 in all.

Success of War Loan.

As indicated in our remarks on the figures of the balance sheet, we have joined with the other banks in subscribing for our proportion of the \$25,000,000 of the Canadian 5 per cent. War Loan, taken by the banks in order to ensure the success of the issue. The exact amount of our subscription was \$3,426,000, and in this connection I am sure that the success of our able Finance Minister, Sir Thomas White, in obtaining through this domestic loan the sum of \$100,000,000, or twice the sum asked for, must be a source of pride to every Canadian. The loan marks a notable turning point in the economic history of Canada.

In addition this Bank has participated in the various British war loans and other measures adopted to finance the war, and has subscribed \$250,000 to the French 5 per cent. War Loan, just floated. We also placed at the disposal of our Italian Allies the facilities of this Bank and its branches for the purpose of accepting any subscriptions which Italian residents in Canada might desire to make to the 5 per cent. War Loan of their native country. Nor do these various contributions constitute the whole of our share of the financial burden of the war. Of the special taxation imposed by the Dominion government as a result of the war, our share has so far amounted to over \$160,000, apart altogether from additional real estate and other taxes imposed for the same purpose, the amount of which is not readily arrived at.

The Bank's Taxation.

There is an impression abroad which appears to exist even among many who should be better informed, that the banks do not bear their just share of taxation. During the year we paid in taxes, Dominion, provincial and municipal, over 27 per cent. of our net profits, or to make the statement in more concrete form, inclusive of the special war taxes, we paid no less than six hundred and fifty thousand dollars in taxes. These figures surely show that this Bank bears at least its fair share of taxation; probably there are not many other businesses in which the proportion of taxes to net income is so high.

Officers on Military Duty.

The members of the staff number 2,828, made up as follows:

Officers	2,187
Stenographers	407
Messengers	234
	2,828

In addition to which we have 3369 janitors, making a total of 3,197 persons permanently employed by the Bank. The number of officers who had taken up military duty at December 31st was 748, representing 27 per cent. of our staff, 30 per cent. of our

male staff and over 34 per cent. of those of military age, that is, from 18 to 45 years of age. We have seen the actual figures in connection with only a few of the other banks and corporations, but we have yet to learn of anything which approaches the sacrifice which we have been called upon to make either in extent or in the proportion of the figures. We have made many sacrifices in order to allow officers to take up military duty with out delay, and have placed no restrictions in the way of their doing so, although this policy has resulted in our losing the services of these officers whose special training made it difficult for us to replace them. In this connection it is interesting to note that representations have been made by the Clearing House banks in London, England, to the effect that certain classes of trained officers should not be called upon for military service, being regarded as indispensable for the carrying on of the work in the banks.

Twenty-five of our officers have already laid down their lives on the battlefield, and a further 50 or 60 have appeared in the casualty lists. When the war is over it is our intention to erect a suitable tablet or some other form of permanent memorial to these brave and loyal young men. We have already communicated with the families of those who have laid down their lives, and it only remains to express in a general way our regret at their loss and our appreciation of the fact that the members of the staff of this bank are made of such stuff that they can be counted upon to do their duty no matter in what form that duty may be predestined to them. In this, of course, we include those other members of the staff whose lives and health have fortunately been spared, but who have, nevertheless, put themselves to the test. We should like, too, to pay tribute to those officers of the Bank whose every instinct calls on them to enlist, but who through the calls of family or business duty honestly feel that their place is still at home. Theirs is in many ways the harder part and their reward can only be in their own consciousness that "they also serve who only stand and wait."

We have recently taken the forward step of issuing a Monthly Commercial Letter, dealing with conditions of trade and commerce at home and abroad, and pointing out, when possible, the bearing of current events on the business outlook. The first number was issued last month, and as it is prepared by competent authorities, we recommend it to the careful perusal of those into whose hands it may come. We shall be glad to send it on application to anyone whose name is not now on our mailing list.

We also desire to draw attention to the very copious and authentic portrayal of the conditions which have prevailed in the various parts of Canada, Great Britain and in the foreign countries where this Bank does business, which is given in the Review of Business Conditions for 1915, of which copies have been distributed to you. The various parts of this Review will be found worthy of careful study.

Optimistic on Future.

With regard to the future, our view on the whole cannot but be optimistic. Thanks to the ability of our public men to cope with an unprecedented situation, and the determination of our people to effect personal and public economies, we have been able to bring about a most amazing adjustment from the prosperous enjoyment of an abounding flow of borrowed capital to a condition of severe trade contraction. Our harvests have been bountiful, our cultivated acreage has been increased and our factories have been entrusted with large contracts for army equipment, munitions and foodstuffs. While this terrible war must bring us much anguish and sorrow, it is clear that in proportion to her population no country will benefit economically to a greater degree than Canada.

The Late General Manager.

I need not close these remarks without referring to my predecessor, Mr. Laird. Since his untimely death we have received numberless testimonies, not only to the high esteem in which his business talents were held, but also to that strong note of personal affection which his human qualities evoked in all those who knew him. Fully charged though his mind was with other matters appertaining to the interests of the Bank, the subject of the staff was always uppermost in his thoughts and he was ever the first to evidence gratification in their success, sympathy in their misfortunes and leniency towards their shortcomings. In him the Bank has lost a staunch and fearless leader, and the staff, particularly, a great and good friend.

PRESIDENT'S ADDRESS.

The President then said: The Directors have referred in their report to the death of our late General Manager, and Mr. Laird has just spoken of him with the warmest appreciation. I knew him longer than most of his associates—indeed, we worked together over thirty-five years ago—and I have lost not merely a business friend, but one for whom I cherished the deepest affection.

We have been told many times during the past year that we are passing through the most fateful moment in the history of the world and that we shall emerge with a greater assurance of liberty and of all that accompanies a progress based upon our natural rights, or that we shall fall—a condition too black for contemplation. Within this vast march of history, affecting every civilization on the globe, lies the narrower march of our own affairs in Canada. We think so much about the war that Canada as an entity is generally forgotten in the larger scope of Imperial affairs, but it is our special business today to review the position of Canada and to withdraw our attention from the war sufficiently to study the course of our own history, as only by understanding this shall we be able to act with courage and wisdom in the present emergency.

Canada's War Time Position. When in 1913 we came to the end

of a period of expansion we found ourselves like a healthy but overgrown youth, still dependent upon the mother. We had to sell over 400 millions of securities in order to settle our foreign debit balance for the Dominion fiscal year ending March 31st, 1913. During the year ending March, 1914, the difference between our exports and imports decreased by 130 millions, but still left over 300 millions to be provided by the sale of securities in a market very much more difficult than that of the year before. More than one-half of the year ended March 1915 was affected by the war, and the situation was still further improved to the extent of over 144 millions. For the six months ended September, 1915, there is a further improvement of 80 millions as compared with the previous year, but this same half year, when compared with the corresponding period in 1914, shows an improvement of 109 millions. For reasons explained a year ago, coin and bullion are left out of our totals.

International Position.

The following figures will illustrate the astonishing change in our international position:

	Imports.	Exports.
1913..	\$686,515,536	\$377,068,355
1914..	635,383,222	455,437,224
1915..	497,376,961	461,442,509
6 months..	238,335,678	273,377,052
	Excess	Excess
1913..	\$309,447,181	
1914..	179,945,998	
1915..	35,934,452	
6 months..		\$45,041,404

In order to estimate our true position, we must add to the excess of imports the interest due upon Canadian securities held abroad, now estimated at about 140 to 150 millions, and we may count upon any excess of exports as available to pay this interest. During the last half of the present Dominion fiscal year the effect of the export of our great crops, of our manufactured munitions, prepared foodstuffs, cattle, horses, etc., will be felt and the excess of exports by 31st March, 1916, should be about equal to our interest charges payable abroad.

In 1913 we knew that we had used our credit to the available limit, but we hoped gradually to move into safer conditions. If anyone had suggested that we could so adjust matters within three years as to have a credit balance in our foreign trade, instead of a debit, and that this credit balance would be large enough to offset our interest payable abroad, our answer would have been that it was folly to indulge such hopes.

The improvement of 144 millions between March 1914, and March 1915, was brought about by decreasing our imports by 138 millions and increasing our exports by only 6 millions. This was due to a tremendous contraction in the business of all trades requiring such imports on the one hand, and on the other to a serious decline in exports of the products of agriculture and of the mine, which was a little more than offset by the increase in animal foodstuffs and manufactured munitions. The decrease in imports shows in an almost unbroken line of articles, the exceptions being mainly in such materials as jute cloth, wool, hides, leather, dyes, rubber, needed in the manufacture of munitions, and about \$3,000,000 in value of articles for the use of the army and navy.

Exports Increase.

The improvement of 109 millions in the first six months of the present fiscal year, that is, down to September last, is caused by a decrease in imports of 52 millions and an increase in exports of 57 millions. The exports show handsome increases, especially in manufactured munitions of war, but they still suffer from the effects of the poor crops of 1914, and there is an actual decline of 12 millions in agricultural products. The decrease in imports is again general, but an increased quantity of binder twine was imported on account of the unusually large crops of the season, and there were large increases in raw material needed for the manufacture of munitions and in manufactured articles intended for the use of the army and navy, the latter amounting in value to 10 million dollars during the half-year.

I have gone thus fully into these matters in order to indicate what we may expect now that we have the largest crop on record for export, and have, perhaps, reached a normal output of all kinds of munitions, such as foodstuffs, clothing, saddlery, shells, rifles, etc., while our imports consist mainly of the necessary raw materials.

Credit Strengthened.

This demonstration of what we can accomplish under pressure has, of course, greatly strengthened the credit of Canada, so that, while for obvious reasons we cannot at the moment sell securities in Great Britain or in Europe, we are building up a market for them in the United States, which, when we consider the enormous increase in wealth taking place in that country at the moment, we may well hope is not of a temporary character. During the past year, leaving out the last half of December, the sales of Canadian securities at home and abroad amounted to about 335 millions. This includes nearly 220 millions of Government securities and many sales of other securities which are practically refunding operations. The sales were divided as follows:

In Great Britain, mostly for refunding purposes	\$ 43,000,000
In United States	144,800,000
In Canada	147,100,000

The Canadian figures are increased by the Dominion loan of 100 millions, very little of which has yet been paid to the Government. The sale of municipal bonds, at one time during the year the matter of chief concern to those interested in Canadian securities, amounted to about 64 millions, divided almost equally between the United States and Canada. The power of the United States to lend, when we remember that the gold pool of 100 millions established to protect her own credit with foreign countries was dissolved only in January last, is one of the surprises of the