

The Canadian Bank of Commerce

Report of the Proceedings of The Annual Meeting of Shareholders Tuesday, 8th January, 1913

The fifty-first Annual Meeting of the Shareholders of The Canadian Bank of Commerce was held in the banking house at Toronto on Tuesday, 8th January, 1913, at 12 o'clock.

The President, Sir Edmund Walker, having taken the chair, Mr. A. St. L. Triggs was appointed to act as Secretary, and Messrs. W. S. Hodgson and E. M. Saunders were appointed scrutineers.

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

REPORT.

The Directors have pleasure in submitting to the Shareholders the fifty-first Annual Report for the twelve months ending 30th November, 1912, together with the usual statement of Assets and Liabilities:

The balance at credit of Profit and Loss Account brought forward from last year was \$ 802,319.09
The net profits for the year ending 30th November, after providing for all bad and doubtful debts, amounted to 2,637,555.43

\$3,439,874.52

This has been appropriated as follows:

Dividends Nos. 120, 121, 122 and 123, 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 December	150,000.00
War tax on bank note circulation to 30th November	150,000.00
Transferred to Pension Fund	85,000.00
Subscriptions: Canadian Patriotic Fund	\$50,000.00
British Red Cross Fund	7,500.00
British Sailors' Relief Fund (Canada).....	5,000.00
Sundry subscriptions	10,300.00
	72,800.00

Balance carried forward 1,332,074.52

\$3,439,874.52

A most careful revaluation of all the assets of the Bank has been made, and every item which might be considered as bad or doubtful has been amply provided for.

During the year the following branches have been opened: In Alberta—Cadogan and Eckville; in Saskatchewan—Tramping Lake and Willow Brook; in Ontario—Hamilton Road, London; By-Ward Market, Ottawa, and Balm Beach, Toronto; in Nova Scotia—La Have. Sub-agencies have been opened at Cobble Hill, B. C., Richard, Sask., and Port Greville, N. S. The sub-agencies at Birch Hills, Sask., and Schumacher, Ont., are now being operated as branches. The following branches have been closed: In Alberta—Athabasca, and in Saskatchewan—Lanigan and Lewvan. The sub-agency at Bic, P. Q., has also been closed.

As indicated in the Profit and Loss account submitted herewith, our Directors have, during the year, subscribed \$50,000 to the Canadian Patriotic Fund, \$7,500 to the British Red Cross Fund, \$5,000 to the British Sailors' Relief Fund (Canada) and smaller sums, amounting in all to \$10,300, to various other organizations of a patriotic character.

Your Directors record with deep regret the death, during the year, of one of their number, the late Hon. Sir Lyman Melvin Jones. He joined this Board in January, 1902, and during the fifteen years of his connection with it had proved himself an able and valued counsellor. His place was filled by the election of Mr. Charles N. Candee.

The Auditors appointed at the last annual meeting, under section 56 of the Bank Act, have made the audit required of them and their report is appended to the statement submitted to you today. In addition, the offices of the Bank in Canada, the United States, Great Britain, Newfoundland and Mexico, and the departments of the Head Office, have undergone the usual inspection by the officers of our own Inspection Department.

The Directors once again have pleasure in testifying to the ability and zeal with which the officers of the Bank have discharged the duties allotted to them.

JOHN AIRD,
General Manager.
Toronto, 28th December, 1912.

B. E. WALKER,
President.

General Statement, 30th November, 1912.

LIABILITIES.

Notes of the Bank in Circulation	\$ 23,995,244.68
Deposits not bearing interest	\$ 86,458,403.02
Deposits bearing interest, including int. accrued to date	139,967,251.33
	276,425,654.41
Balance due to other Banks in Canada	589,158.01
Balances due to Banks and Banking Correspondents elsewhere than in Canada	7,295,110.40
Bills Payable	120,857.29
Acceptances under Letters of Credit	5,597,665.13
	\$314,015,489.92
Dividends Unpaid	2,668.20
Dividend No. 123 and bonus, payable 1st December	525,000.00
Capital paid up	\$15,000,000.00
Reserve Account	13,500,000.00
Balance of Profits as per Profit and Loss Account	1,332,074.52
	29,832,074.52
	\$344,375,232.64

ASSETS.

Gold and Silver Coin Current	\$22,697,336.96
Dominion Notes	21,954,910.25
Deposit in the Central Gold Reserves	10,000,000.00
	\$ 54,652,247.21
Notes of other Banks	\$ 2,004,762.00
Cheques on other Banks	11,930,875.21
Balances due by Banks and Banking Correspondents elsewhere than in Canada	8,496,103.99
	22,431,741.20
Dominion and Provincial Govt. Securities, not exceeding market value	27,596,420.22
British, Foreign and Colonial Public Securities and Canadian Municipal Securities	22,095,133.29
Railway and other Bonds, Debentures and Stocks, not exceeding market value	6,192,461.60
Call and Short Loans (not exceeding 30 days) in Canada on Bonds, Debentures and Stocks	13,460,862.62
Call and Short Loans (not exceeding 30 days) elsewhere than in Canada	20,076,903.18
Deposit with Minister of Finance for the purpose of Circulation Fund	861,173.35
	\$167,336,942.67
Other Current Loans and Discounts in Canada (less rebate of interest)	149,822,028.44
Other Current Loans and Discounts elsewhere than in Canada (less rebate of interest)	14,846,130.56
Liabilities of Customers under Letters of Credit, as per contra	5,597,665.13
Overdue Debts (estimated loss provided for)	237,796.329
Real Estate other than Bank Premises (including the ungold balance of former premises of Eastern Townships Bank \$1,236,999.52 less mortgage assumed	100,000.00
	1,136,999.52
Mortgages on Real Estate sold by the Bank	196,005.81
Bank Premises at cost, less amounts written off	\$5,390,074.44
Less Mortgage assumed on property purchased	300,000.00
	5,090,074.44
Other Assets not included in the foregoing	111,588.68
	\$344,375,232.64

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 subsections 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, 1912, 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, Reed, Hegan, Callingham & Co.,
JAMES MARWICK, C. A.,
of Marwick, Mitchell, Peat & Co.,

Auditors

Before moving the adoption of the report, the President called on the General Manager to address the shareholders.

General Manager's Address.

We are crossing the meridian into the second half-century of the bank's existence, and, pausing to look back, we may well feel satisfaction in what has been accomplished in a comparatively short period of time. While we hold second place only among the Canadian banks in the matter of "total assets," we may point to our premier position as regards "current loans and discounts in Canada," as an indication of the importance of the share taken by this bank in the task of providing for the financial requirements of the mercantile community, and of carrying on the daily business of the country. In this connection it is interesting to note that by the year 1912 the current loans and discounts in Canada of this bank were three times as great as those of all the Canadian banks in the year in which it was founded. We had hoped on this anniversary to announce the increase of the rest to an amount equal to the paid-up capital of the bank, and this doubtless would have been accomplished had it not been for the war.

A Conservative Policy.

We have deemed it wise to follow a specially cautious and conservative policy and to provide during the war even more thoroughly than usual for any element of doubt in the loans and securities of the bank. The increasingly keen competition in business has resulted in the banks being called upon to perform far greater services for smaller remuneration, so that the increase in the volume of their business is out of proportion to the increase in their profits. Naturally an increased volume of business means a corresponding increase in the provision to be made for doubtful items, while the profits do not provide in a corresponding measure for the relative appropriations. Whenever there is offered a new issue of Government securities yielding a higher rate of interest, the market for existing securities is depressed to a corresponding extent, and this entails a writing down of all securities on hand. Doubtless when the war is over this downward movement will cease and securities will tend to appreciate in value, so that much of this may be recovered.

Half-Century Mark.

To mark the semi-centennial anniversary of the founding of the bank it is our intention to publish its history. At the course of a comparatively short career it has taken over several much older institutions, which were among the pioneers of Canadian banking in their respective districts. For this reason more than one province its roots go back to the beginning of banking in this country and the task calls for more research than would at first appear to be involved. In addition we have in course of preparation a new series of bank-notes, which are, we believe, in originality and beauty of design, a marked advance over those at present in circulation. We have had the designs copyrighted in Canada, the United Kingdom and the United States, and they will be our own exclusive property. The work of engraving the plates is a slow and tedious process, and some of the notes will not be completed for several years, but we hope to put the smaller denominations into circulation during the current year.

Advance in Profits.

The profits for the year amounted to \$2,637,555, an increase of \$198,000 over the figures of the previous year but, as we have already pointed out, an increase not at all commensurate with the additional business transacted as the additional responsibility involved. Large advances have been made from time to time to both the Dominion and the Imperial Governments, and these naturally bear low rates of interest. This may be considered as part of our contribution to the cost of the war.

We have continued the payment of the usual dividend of ten per cent. per annum with a bonus of one per cent. at the end of each half year. The annual contribution to the pension fund shows an increase of \$5,000, owing to the larger number of members of the staff who come within its provisions. We have again been called upon for subscriptions for various patriotic purposes, for which your approval is asked. The war tax on note circulation has this year reached its maximum, and after providing for these items, we carry forward the large sum of \$1,332,000 at the credit of profit and loss account.

Increased Note Circulation.

There is again a large increase, amounting to \$4,733,500, in the item of notes of the bank in circulation, nearly double the increase reported last year. As pointed out at the last annual meeting, the principal reasons for the high level of the note circulation are twofold; first, the high level of all prices, and second, the great business activity caused by the large orders for merchandise and munitions placed in Canada by the Allied Governments. A few years ago it would have been considered most extraordinary that the total note circulation of all the banks should be throughout the year in excess of the total of their paid-up capital. The course of events has thus fully vindicated the foresight of those who devised the provisions of the Bank Act under which the central gold reserves were established, as otherwise there would be today no regular statutory provision for the additional bank-note currency needed to carry on the business of the country.

The deposits now amount to the very large sum of \$276,000,000, an increase during the year of \$46,529,000. When it is recalled that not until 1901, thirty-four years after the bank's establishment, did the total deposits equal the amount of this increase, and then only after the taking over of the Bank of British Columbia, the extent of the increase and the difference in scale in Canadian affairs will be better grasped. We estimate the total turnover of the bank for the year at 20 thousand million dollars. Needless to say, with the decrease in our trained staff caused by military enlistment,

the problem of caring for this vast amount of business does not grow less difficult. The increases in other items of the liabilities do not call for special remark, as they are merely the result of the growth of our business.

Strong Cash Reserves.

Turning to the assets side of the balance sheet, we find an increase in our holdings of cash of \$8,361,000, of which \$1,722,000 is in gold and silver coin, \$2,639,000 in Dominion notes, and \$4,000,000 in our deposit in the central gold reserves. The last item has already been dealt with. Our cash holdings represent 18.19 per cent. of our deposits and circulation, and 17.4 per cent. of our liabilities to the public, from which you will see that we have not deviated from our policy of carrying strong cash reserves in these times of difficulty and uncertainty. The large increases in our holdings of Dominion and Provincial Government securities and of British, foreign and colonial public securities consist principally of treasury bills of the Dominion and the Imperial Governments. We have continued, as opportunity offered, to realize on our holdings of other securities, and these show a reduction of \$1,618,000. Immediately available assets have increased by \$37,995,000, and now stand at 53.2 per cent. of liabilities to the public. Call loans are slightly lower than last year, but current loans in Canada have increased by \$16,083,000, the net increase in the total of our current loans being \$12,097,000. Bank premises show an increase of \$250,618; this is largely accounted for by the purchase of the premises in Calgary which we have occupied for many years and have now acquired at what seems to be a reasonable figure. Total assets have increased by \$55,947,000, or 19.39 per cent.

In Mexico we continue the policy indicated in our reports of the last few years, of transacting only such limited business as the prevailing conditions will permit. While these have shown some improvement during the year, the present Government has many serious problems to solve and we fear that some time must elapse before that can reap the benefit which our standing in the community and strong local connections justify us in expecting.

Halifax Disaster.

Since the report of our Halifax manager appearing in the Review of Business Conditions was written, the whole country has been appalled by the calamity which laid a large section of the city of Halifax in ruins and cost the lives of so many innocent victims. The damage to property and to shipping proves apparently to be even heavier than was at first anticipated, though from the latest reports we are pleased to learn that the financial position of our customers has not been seriously affected. Our sympathies go out to the sufferers, especially to those who have not only lost relatives and friends in the disaster, but are themselves rendered homeless at this inclement season of the year.

1,121 Women Clerks on Staff.

The members of the staff number 3,633, including 280 messengers and 357 janitors; the total, after the withdrawal of the men called up under the Military Service Act, will still be somewhat larger than a year ago. The increase is, however, entirely in untrained women clerks, the number of women being now 1,121, an increase of about 400. On the other hand, the number of male officers has decreased by 128, in spite of the addition of a large number of inexperienced lads under the age of twenty. Having regard to the continued growth of our business and to the decrease in general efficiency caused by the changes in personnel, the burden laid on our men and women grows heavier with each succeeding month. It was therefore particularly gratifying to us that the results of the year's business were such as to justify a more than usually generous percentage bonus to all the members of the staff.

Of our officers, 1,422 have now taken up arms, or 75 per cent. of our present male staff, exclusive of messengers. We know that we have supplied our full quota, but we are making efforts to release every man physically fit who is called up under the Military Service Act, and who can possibly be replaced, and are asking exemptions for only a few officers whose length and the character of whose training are such that they cannot be replaced.

The Roll of Honor.

With grief mingled with pride, we record a total loss of 153 men killed in action, 69 of whom have made the great sacrifice during the past year. No fewer than 255 have been wounded, many seriously, 7 are missing, and 16 are undergoing the hardships of the enemy's prison camps.

During the year the Canadian banks have been called upon to make large advances to the Dominion Government to provide for expenditures in connection with the war, and have also made advances to the Imperial Government for the purchase of our wheat crop, in addition to these already current for the purchase of munitions in Canada. In all this financing the bank has taken its full share, assisting the Government in the prosecution of the war to the best of its ability. As an item of interest in this connection we may mention that our customers have during the year executed munition orders for a total of over 84 millions of dollars.

Success of War Loans.

The outstanding success of the Victory Loan was a striking tribute to the energy and patriotism of the organization which undertook to place the loan in the hands of the public, and the Finance Minister is again to be congratulated on the result of his endeavors to obtain within Canada as large a proportion as possible of the funds required to carry on the war. As in the case of the last Imperial War Loan the subscribers were not called upon to subscribe directly, as this would have meant a locking up of their funds in a permanent investment and would also have tended to inflation, as a result of the additional credit thereby created. Instead of this they undertook to make advances to small subscribers with fixed incomes so as

to enable them to take a larger amount of the loan than would otherwise have been possible. The encouragement thus given to the habit of saving throughout the community is of the greatest national importance. The total amount of subscriptions to the loan appears to have reached \$417,000,000 from about 807,000 subscribers, a financial accomplishment of the first magnitude. The subscriptions received through the branches of this bank amounted to about \$80,000,000 from over 116,000 subscribers.

Gold Reserves Problem.

After the United States came into the war the shipments of gold from Great Britain to that country ceased, and as pointed out in the report of our New York agent, a slight adverse movement set in; in order, therefore, to conserve its holdings and to prevent gold from reaching the enemy, the United States Government placed an embargo on exports of the metal. Upon representations being made at Washington, however, through the Canadian Bankers' Association, as to the unfairness of enforcing the embargo against us, the release to Canada of a certain amount of gold was arranged for. While this will doubtless aid in the stabilizing of the exchange between the two countries we feel that it is important that the underlying gold reserves of Canada should be increased to correspond with the great increase in the liabilities of the Canadian banks resulting from war activities. To this end we consider that our endeavors should be directed, and we believe also that the Government of Canada should place an embargo on the export of gold produced in Canada and see that it is made available for this purpose.

Railways a Vital Factor

Probably few people realize how essential to modern business is prompt and reliable railway service, or how the lack of such service invariably means high prices to the consumer. No modern business could continue in operation were the transportation facilities of the country suddenly to be suspended. A full consideration of the relation between delays in transportation and increased cost to the consumer is out of place here, but it may confidently be asserted that promptness and regularity of service are of more importance to business men and to the general public than low freight rates. Unfortunately of late years Government efforts have been directed almost entirely to the reduction of the latter while ignoring altogether the greater importance of the former. The general increase in freight rates recently granted is a step in the right direction. The pass to which the railways of the United States have been brought in this connection is well described by our New York agent in the Review of Business Conditions although since his report was written, the United States Government has placed all the railroad lines in the country under the control of a director-general to be operated as a single system. Fortunately for the public interest one of the great Canadian railway systems has not been dependent entirely upon its income from transportation or the problem here would have become more acute. The cost of operation, that is, of labor, materials and supplies, has risen enormously in recent years, without a corresponding increase in the revenue from transportation. It is not always borne in mind that the development of Canada, and its subsequent increase in wealth and population would not have been possible without the construction of the railroads, and that the large number of people who have invested in railroad securities have therefore, performed a public service of the highest importance. Whatever may have been the motives which prompted the investment, this service still calls for some measure of recognition.

Need of Greater Thrift

And now a few words as to the future. Up to the present the high cost of living, of which we hear so much, has borne heavily on comparatively few. The great majority of Canadians who are not serving in the armed forces of the Empire are employed at high wages in war industries. They have more to spend than they ever had before, and many are spending it. They scorn carefulness and the small economies that must perforce be practiced by the inhabitants of less favored countries. But there will come a time when high taxation and uncertainty as to the future will make men hesitate to embark on new enterprises, when there will be double the number of applicants for half the number of jobs, and when food will be still more scarce than it is at present. Only then shall we realize the full effects of the high cost of living. How shall we prepare for that day? The great need of the world will then be abundance of food, at reasonable prices, and if we in Canada, by stimulating production, transportation and distribution, are able to supply the nations in abundance, we shall not only have laid broad and deep the foundations of prosperity for ourselves, but shall have earned the gratitude of the nations. We shall have found a way to utilize the services of the unemployed and to lower as far as possible the high cost of living.

After the War.

The machinery for accomplishing this cannot be created on the spur of the moment, and we must equip ourselves beforehand to cope with the changed conditions which will prevail after the war. We must co-ordinate the productive forces of the nation that there will be, as it were, the nucleus of an organization already prepared to utilize the labor of the unemployed in the production of food, and in its distribution and transportation to the great markets abroad. The period of strain immediately following the war will pass away in time, and normal conditions will again prevail. In order that this trade should be permanently successful under these normal conditions, it must be organized from the beginning with a view to efficiency and placed on a sound economic basis. When we consider what difficulties have been overcome in order to transport fresh meat from Australia, New Zealand and the Ar-

UGH! ACID STOMACH, SOURNESS, HEARTBURN, GAS OR INDIGESTION

The moment "Pape's Diapepsin" reaches the stomach all distress goes.

Do some foods you eat hit back—taste good, but work badly; ferment into stubborn lumps and cause a sick, sour, gassy stomach? Now, Mr. or Mrs. Dyspeptic, jot this down: Pape's Diapepsin digests everything, leaving nothing to sour and upset you. There never was anything so safely quick, so certainly effective. No difference how badly your stomach is disordered you will get happy relief in five minutes, but what pleases you most is that it strengthens and regulates your stomach so you can eat your favorite foods without fear.

Most remedies give you relief sometimes—they are slow, but not sure. "Pape's Diapepsin" is quick, positive and puts your stomach in a healthy condition so the misery won't come back.

You feel different as soon as "Pape's Diapepsin" comes in contact with the stomach—distress just vanishes—your stomach gets sweet, no gases, no belching, no eruptions of undigested food, your head clears and you feel fine.

Go now, make the best investment you ever made, by getting a large fifty-cent case of Pape's Diapepsin from any drug store. You realize in five minutes how needless it is to suffer from indigestion, dyspepsia or any stomach disorders.

gentine through the tropical zone to the markets of Europe, we cannot but believe that the less serious difficulties confronting Canada can be successfully solved. We have millions of acres of productive land, we expect to have an abundance of labor, but we require organization and leadership.

President's Address

The President then said: We meet again with the shadow of the great war affecting everything we say or do. We are nearer the end than we were a year ago, but only because a year has passed. In other ways there is no sign of the fourth year, it is still full of surprises, indeed, the year has been one of many and swift changes. The submarine menace, so ominous at one time, is still very serious, "held but not yet mastered," as Sir Eric Geddes lately said. However, we no longer doubt our ability to cope with it, partly by a lessening in the number of ships lost and partly by vastly increased shipbuilding. The collapse in Russia and the set-back in Italy have altered the aspect on the western front from one in which victory seemed near to one in which it may perhaps be necessary to wait for the new armies of the great republic, before the war can be pressed to its final stage. Unless Russia comes back into the fighting line, we have to meet the armies of the enemy thus released, but we are not afraid of the enemy ever again breaking through the western front, and by next spring not only will there be a great accession of strength from the United States for fighting on land but the building of aircraft and the training of armies of airmen will vastly alter the character of the struggle. Our greatest danger is lest we should falter, because victory is less easy to attain than we thought.

Foreign Trade Improves

In considering our industrial affairs we find that disregarding as usual shipments of gold and bullion, our exports for the fiscal year ending 31st March last, were \$314,706,654 in excess of our imports, and for the following six months ending 30th September the excess was \$237,574,462, making for the eighteen months a surplus of \$552,281,116 in the value of our exports. The gain in exports for the fiscal year was \$399,911,033, while the increase in imports was \$334,292,650. We therefore improved the results of our foreign trade by \$65,618,380 as compared with the year preceding. The figures for the broken period indicate an increase on a much larger scale. Of the improvement during the fiscal year, over 350 millions is due to agriculture and to manufactures, the total increase from the mine, the forest, the fisheries and animals and their products being less than 50 millions. The export of manufactures amounted to 487 millions, an increase of 237 millions over those of the preceding year. There is an increase in exports and imports under almost every heading, but the only very noticeable item is that of \$149,930,000 for military stores, munitions of war, etc., imported and remaining the property of the Imperial Government. In this there is an increase of \$111,296,000 over the corresponding figures for 1916. These imports, mainly necessary to complete munitions being made in Canada do not affect this country in a financial way. Coal cost us \$11,500,000 more, sugar \$10,800,000 more, and provisions, much of which was doubtless exported again, \$17,500,000 more.

Imports of Metal

Of the various forms in which iron, copper and other metals are used as raw materials, ranging from the ore to beams, tubes, wiring, etc., we imported about \$42,000,000 more than in 1916. These partially manufactured articles come under a great variety of headings, but they are all, or almost all forms that we should eventually make in Canada. I regret to say that articles of luxury still show rather too prominently in the list of imports, and there is not much evidence of restraint on the part of Canadians in the purchase of unnecessary things. A surplus of 550 millions in our foreign trade for the 18 months ending September last leaves, even after interest on foreign indebtedness has been paid, a sum

(Continued on page 3.)