

THE CANADIAN BANK OF COMMERCE

REPORT OF THE PROCEEDINGS

OF

THE ANNUAL MEETING OF SHAREHOLDERS

Tuesday, 14th January, 1913.

The forty-sixth Annual Meeting of the Shareholders of The Canadian Bank of Commerce was held in the banking house on Tuesday, 14th January, 1913, at 12 o'clock.

A large number of shareholders and others were present.

The President, Sir Edmund Walker, having taken the chair, Mr. A. St. L. Triggs was appointed to act as Secretary, and Messrs. W. Murray Alexander and A. J. Glazebrook 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-sixth Annual Report, covering the year 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 \$ 203,394 89
The net profits for the year ending 30th November, after providing for all bad and doubtful debts, amounted to 2,811,806 42
Transferred from Rest Account of Eastern Townships Bank 240,000 00
Premium on New Stock 242,180 00
..... \$5,657,381 31

This has been appropriated as follows:

Dividends Nos. 100, 101, 102, and 103, at ten per cent per annum \$1,418,622 43
Bonus of one per cent, payable 1st December, 1912 150,000 00
Written off Bank Premises 500,000 00
Transferred to Pension Fund (annual contribution) 75,000 00
Transferred to Rest Account \$2,500,000 00
Transferred to Rest Account, premium on new stock 242,180 00
..... 2,742,180 00
Balance carried forward 771,578 88
..... \$5,657,381 31

All the assets of the Bank have been as usual carefully revalued and ample provision has been made for all bad and doubtful debts.

In accordance with an agreement entered into in December, 1911, this Bank took over on 1st March last, the business of the Eastern Townships Bank, with headquarters at Sherbrooke, Que., and ninety-nine branches and sub-agencies, chiefly situated in the Eastern Townships District of the Province of Quebec. In addition to fifty-two new branches and thirty-two sub-agencies in the Province of Quebec, the Bank thus acquired new offices at Coleman and Taber, Alberta; Grand Forks, Keremeos, Midway, Naramata, Phoenix, Summerland, and Vancouver (two offices), British Columbia; and Winnipeg, Manitoba. The business of the Eastern Townships Bank branches at Lethbridge, Princeton, Quebec, and Victoria, was at once transferred to our own offices, and later in the year the business of their principal offices in Montreal and Winnipeg was also consolidated with our branches in those cities, the change at Winnipeg taking place as soon after the opening of our new building as it could be conveniently effected. The nine months' experience which we have had with the new business has given us every reason to feel satisfied with our purchase.

There were issued to the shareholders of the Eastern Townships Bank in exchange for their stock in that institution 60,000 shares of new stock of this bank, having a par value of \$3,000,000. This has increased the paid-up capital stock of the Bank to \$15,000,000. The by-law passed at the last annual general meeting increasing the authorized capital stock to \$25,000,000 received the approval of the Treasury Board on 26th February, 1912.

In addition to the offices acquired from the Eastern Townships Bank, the Bank has opened during the year the following branches: in British Columbia—Rock Creek, North Vancouver, Powell Street (Vancouver), and Oak Bay Avenue (Victoria); in Alberta—Athabasca Landing, Hanna, Tilley, Vulcan, and Youngstown; in Saskatchewan—Blaine Lake, Laird, and Lewvan; in Ontario—Brockville, Cornwall, Ingersoll, Niagara Falls, Port Colborne, Port Stanley, West End (Sault Ste. Marie), Smith's Falls, St. Thomas, Sudbury, Tillsonburg, Danforth and Broadview (Toronto), and Earlscourt (Toronto); in Quebec—Fraserville, Maisonneuve (Montreal), Prince Arthur and Park (Montreal), Nicolet, and Three Rivers; in New Brunswick—Fredericton, and in Newfoundland—St. John's. The sub-agencies at Keremeos, B.C., East Angus, Howick, St. Chrysostome, Ste. Elizabeth, and Weedon, Quebec, have been equipped as branches. The branches at Bounty, Sask., and Stewart, B.C., and the sub-agencies at Midway, B.C., and St. Constant, Que., have been closed. Since the close of the year branches have been opened at Courtenay and Pandora, and Cook (Victoria), B.C., Port McNicoll, Ont., Campbellton and Moncton, N.B.; the Dunham, Que., sub-agency has been equipped as a branch, and the Upton, Que., sub-agency closed.

In accordance with our usual practice the various branches and agencies of the Bank in Canada, the United States, Great Britain, and Mexico, and the Departments of the Head Office have been thoroughly inspected during the year.

The Directors again desire to record their appreciation of the efficiency and zeal with which the officers of the Bank have performed their respective duties.

B. E. WALKER,
President.

Toronto, 14th January, 1913.

GENERAL STATEMENT. 30th November, 1912. LIABILITIES.

Notes of the Bank in circulation	\$ 16,422,864 68
Deposits not bearing interest	\$ 58,586,813 55
Deposits bearing interest, including interest accrued to date	139,030,648 45
.....	197,617,462 00
Balances due to other Banks in Canada	885,514 94
Balances due to other Banks in foreign countries	2,842,439 50
.....	217,768,281 42
Dividends unpaid	6,429 74
Dividend No. 103 and bonus, payable 1st December	525,000 00
Capital paid up	\$ 15,000,000 00
Rest	12,500,000 00
Balance of Profit and Loss Account carried forward	771,578 88
.....	28,271,578 88
.....	\$246,571,289 74

ASSETS.

Coin and Bullion	\$ 11,273,485 39
Dominion Notes	16,181,480 25
.....	27,454,965 64
Balances due by Agents in the United Kingdom	2,082,528 49
Balances due by other Banks in foreign countries	4,718,352 03
Balances due by other Banks in Canada	23,645 40
Notes and Cheques on other Banks	10,092,350 90
.....	16,921,896 82
Call and Short Loans in Canada	8,779,459 47
Call and Short Loans in the United States	9,003,590 37
Government Bonds, Municipal and other Securities	14,562,116 82
Deposit with the Dominion Government for security of Note circulation	707,000 00
.....	\$ 77,229,029 12
Other Current Loans and Discounts	163,753,559 28
Overdue Debts (loss fully provided for)	487,738 94
Real Estate (other than Bank Premises)	208,372 77
Mortgages	404,096 95
Bank Premises (including the balance unsold of certain premises acquired from the Eastern Townships Bank)	4,423,993 07
Other Assets	64,499 61
.....	\$246,571,289 74

ALEXANDER LAIRD,
General Manager.

In moving the adoption of the Report, the President called on the General Manager to address the shareholders.

General Manager's Address.

The General Manager then said:—

early part of the year we have to note a steady development. Great industrial activity, accompanied by large orders for manufactured goods of all kinds, gave an impetus to business which at once arrested our attention and produced a feeling of concern lest we should have difficulty in meeting the requirements of our customers. There was apparently a sound and healthy basis for this activity, and the money market was for a time comparatively easy, but we had to look forward to the harvesting of a large crop and were naturally desirous of doing our full share in moving it. The necessity for a close supervision of credits was never so obvious, and this period, usually one of dull and inactive business, proved to be a time for the exercise of great caution.

We had expected the gradual return of better conditions in the great financial centres which, by permitting the marketing of a large amount of first-class securities, would enlarge the supply of available capital, but untoward events in Continental Europe and the uncertainty surrounding an exciting Presidential campaign in the United States made this impossible. The latter half of the year was therefore a time of great stringency and consequent high rates for money and it became increasingly difficult to satisfy legitimate demands, notwithstanding the inherent soundness of business generally.

With the amalgamation of the Eastern Townships Bank our capital was increased to \$15,000,000. The average capital employed during the year was \$14,210,437, and the net earnings on this amount were \$2,811,806.42, an increase of \$506,337 over last year, being at the rate of 19.78%. This result was attained after making the usual provision for all bad and doubtful debts, and a thorough revaluation of the entire assets of the Bank.

We are pleased to report that an examination of the accounts of the Eastern Townships Bank leaves us no reason to doubt the value of our purchase, and we record our appreciation of the zeal and hearty co-operation of our associates in the difficult task incident to the adjustment of so important an acquisition.

We disbursed in dividends \$1,568,622.43, being at the rate of 10% per annum, and an extra bonus dividend of 1% for the year. The policy of paying bonus dividends until such time as we are confident of being able to maintain a higher rate would seem to be a wise precaution, in view of the extraordinary development of our business and the desirability of making ample provision for any contingency likely to arise.

We had expressed the hope that our building program could be curtailed, but the acquisition of the large territory covered by our eastern branches, and the continued growth in the West, necessitated the opening of a considerable number of branches requiring the building and remodelling of offices on an extensive scale. We have also a serious problem to face in the changes absolutely essential for the proper accommodation of Head Office and Toronto branch, our present premises having been for several years quite inadequate. Bank Premises account has been increased to \$4,423,993.07, which includes premises acquired from the Eastern Townships Bank, and we have written off \$500,000, keeping the account at approximately 50 per cent. of the value of our properties.

The increase of the staff, now numbering 1,388, required the appropriation of \$75,000 for the Pension Fund. We have added \$2,742,180 to Rest account and carry forward a balance of \$771,578.88 in Profit and Loss. The Bank's Circulation account showed important fluctuations during the year, the minimum being in January being \$16,422,864.68, and the maximum in November \$16,921,896.82. We had occasion to take advantage of the emergency provisions of the Bank Act amendment of 1908 early in October, and we closed our statement with a circulation of \$16,422,864.68 in excess of the amount of our paid-up capital.

If the Bank Act introduced at this session of Parliament should be passed in its present form and a "Central Gold Reserve" established, there will be no apprehension of a scarcity of currency at a time when the emergency provisions are not operative; for with the deposit of gold or Dominion notes in the custody of trustees the banks will have the privilege of issuing their own notes to the full amount thus deposited. This will undoubtedly be a very important step towards ensuring that the business of the country should not be embarrassed through lack of currency. It is evident however, that there will be no profit to the banks availing themselves of the suggested privilege, and as we have reached the time when the need of currency is beyond the present limits of the banks' power to supply, it is desirable that in addition to the adventitious aids so wisely provided in the new Bank Act the Banks should anticipate an increasing demand for bank-note currency by the issue of additional capital.

During the year our deposits increased \$51,651,727. There was a considerable accession of special amounts which will be withdrawn in due course, and we received \$19,111,119 as a result of the Eastern Townships Bank amalgamation. The ordinary deposits show a very handsome increase. Current loans and discounts increased \$52,753,947 and call and short loans \$2,757,730, compared with last report. Investments in Government bonds, municipal and other securities were increased by \$2,821,024 and cash resources by \$1,625,271.

You will notice from the report of the Board of Directors the large increase in the number of our branches. We fully realize our responsibility in undertaking to control so many units in a great bank, and the importance of arranging for a complete organization of competent and loyal associates, with geographical divisions which thoroughly cover the field of our operations. We endeavor as far as possible to clothe our superintendents and managers with authority for a prompt discharge of the duties of management,

and believe we have succeeded in perfecting a system which meets every reasonable requirement. The distribution of branches at the close of the year was as follows:—

Alberta	49
British Columbia	42
Manitoba	23
New Brunswick	2
Nova Scotia	13
Ontario	79
Prince Edward Island	5
Quebec	91
Saskatchewan	53
Yukon	2

Total in Canada	359
Newfoundland	1
London, England	1
United States	4
Mexico	1

Total number of Branches 366

The number of the Bank's shareholders has increased from 1,142 in 1907 to 5,656, the increase being principally due to the taking over of the Eastern Townships Bank. The stock of the bank is now quite widely distributed, not only in Canada, but abroad, as will be seen from the following figures compiled as at the close of our year:

	No. of Shareholders	Amount held.
Ontario	1,388	\$4,087,500
Quebec	1,127	3,213,650
Manitoba	702	1,544,450
Western Provs.	118	1,542,950
Great Britain	1,569	3,204,400
United States	669	2,549,950
Other Countries	83	157,100
.....	5,656	\$15,000,000

We have referred to the provisions of the new Bank Act for increased note circulation, and would like to advert to the proposal that is now being considered, of creating a system of independent audit to supplement what has always been regarded as complete and satisfactory in every well-organized bank. There can be no question as to the importance of a strict supervision of all matters pertaining to our banks, and we should welcome any plan which makes for more efficient management and a more recognition of the great responsibilities we are called upon to assume. We are disposed to believe that with the co-operation of the Canadian Bankers' Association, working through the various bank clearing houses, effective service could be rendered in the correction of abuses and the perfection of methods for the encouragement of sound banking. We have possibly not taken advantage of our opportunities in this respect.

The Bank Act will probably sanction, under proper liens and assignments, the loaning of money to farmers and the security of grain and cattle and other live stock in their possession. This will undoubtedly be a great advantage in many instances, and will at least legalize a practice already quite common, and probably tend to prevent the loss of money. As a matter of fact, large advances are made to farmers on the security of notes, but actually upon what they possess in the way of products of agriculture, and their reputation for honesty and ability, always an essential consideration when lending money. We have no hesitation in stating that our farmer customers are, almost without exception, satisfactory borrowers. Our aggregate advances to farmers run into large figures, estimated at \$15,000,000 for the Western Provinces.

Despite the money stringency during the months of 1912, and the fear that we may feel the pinch for some time to come, there are offsetting influences at work. The wonderful revival of trade in every branch, the bountiful harvests throughout the land, and the consequent enormous increase in the price of foodstuffs, afford excellent grounds for the assumption that the unusual prosperity we are enjoying is on a sound basis. There is, therefore, some warrant for the belief that with reasonable care and judgment in measuring our commitments there will be no serious conditions for the coming year. We must of course reckon with the adverse circumstances prevailing abroad, for in conducting a world-wide business we are sensitive to these influences. We are hopeful, however, that the United States, and the Western cities of the United States, will make the most of the improvements in the issue of short term securities, the average life of which is usually not more than five years. Such securities often carry six per cent. interest and do not appeal to the same class of investors as do long-term municipal debentures. We can easily see the bad effect on the credit of our municipalities of adding the heavy cost of local improvements, spread over long terms, to the ordinary general debt. Such a situation as that followed in the United States would probably not find favor with the sub-division promoter because it would be a powerful check on all speculative real estate schemes. At least a year ago it became generally known that there were many Canadian securities in existence which had not been absorbed by the investor and that real estate speculation was proceeding at too rapid a pace. Undoubtedly the knowledge of these facts has exercised some restraint upon the transactions in inside city properties have probably been larger than ever, but the sub-division promoter has not prospered. Direct investments of British capital in agricultural lands to be resold have been made in both the east and the west on a large scale.

In common with the rest of the world we are living in a time of high prices, and the incidence of these prices on those who have fixed incomes or earnings is so heavy as to constitute the greatest economic difficulty we have to face. I shall not attempt to deal with a subject which is being studied by Government commissions in many leading countries and which will, let us hope, be referred to an international commission. There are some forces which affect the general trend of prices, others which may cause any particular commodity to go above or below the line of the general trend, and again others which are local and produce such apparent anomalies as higher prices for foodstuffs in cities nearer sources of cheap production as compared with more remote centres of consumption. Without, therefore, discussing the effect of the enormous increase of credit partly made possible thereby, and the effect of many other forces causing a general upward trend of prices, we may profitably consider some local causes which put the people of Canada at an unnecessary disadvantage.

One of the most powerful and inexcusable local causes for the high prices of food is the condition of our country roads. It must be clear that if a farmer has to travel ten or twenty miles to a city to sell his produce,

told in ten years. Clearly this is proportionately the largest immigration problem ever handled by any country. In order to house, settle, and arrange transportation for these people, we must borrow very largely, and as long as such streams of newcomers continue we are likely to be borrowers on a large scale, at least for many decades to come. In the excess of imports over exports and in the volume of our securities sold abroad in order to settle that difference, one can clearly see the strain put upon Canada by this enormous accession of new people. The total of our foreign trade for the fiscal year ending March, 1912, was \$874,538,000. Our imports were \$559,220,000, and our exports \$315,317,000, the balance against us being \$243,903,000, and the figures for the half year ending September, 1912, show imports on an even larger scale. The imports of iron and steel in various forms from raw material to highly complicated manufactured articles, valued at \$95,000,000. Almost all these articles are already being made in Canada, but not in sufficient quantities, or not of high enough quality, to satisfy our requirements. It is to the last degree desirable that such articles should be made at home, and to the extent of, say, \$50,000,000 or \$60,000,000, they clearly should be. With the exception of motor cars and parts to the extent of \$7,387,000, and a few other items, the whole of this amount may be safely attributed to the erection of new structures or the opening up of new farm lands. It is this large difference between our exports and imports which causes us to send so many securities to the London market, and if it were true that we are offering too many securities, it would mean that we are importing too many goods or exporting too little, or both. Doubtless, some Canadian securities are offered which should not have been created, and increased to some extent by the extravagance of an unusually prosperous people, but the main cause each year is the same. We need more than ever new mileage of railways, vast quantities of new rolling stock, wharves and port facilities, municipal expenditures in hundreds of new towns, and an enlarged scale of improvements in all the older municipalities, the building of ordinary roads, bridges, and in many new areas of settlement, the creation of plants for new industries, and the general increase of existing plants throughout all Canada the erection of private dwellings in greater numbers, and of more permanent construction than in the past, and many other forms of betterment which need not be detailed. But while these needs are mainly measured by our immigration, we are apt to forget that it is the investor in our securities who has the power to determine finally the pace of our expansion. For every dollar we wish to fix in permanent improvements somebody should have saved a dollar, and at this extravagant moment the borrowers throughout the world exceed those whose savings take the form of loanable capital. It is for us therefore, to consider as much our needs as the opinion of the investor regarding our securities, and the condition of the world's money market. If we do this we must conclude to restrict our building operations as much as possible for the moment, and we must expect to pay a higher rate of interest for our requirements. Men with business experience before entering upon building operations, large or small, assure themselves that the needed money is available. It is only our municipalities and reckless promoters who incur large obligations before they are sure of the necessary investor in the securities they propose to offer. Many of our towns and cities who have recourse to the banks, find themselves embarrassed as a result, and improvements which may be wise and much needed, must be postponed for the moment. The existing securities will doubtless be absorbed in the near future, but at lower prices than the present market. In order to meet the investors' expectations of a higher return, our municipalities, however, should seriously consider whether, during periods of such rapid expansion, the tax rate should not be largely increased. The days of Western expansion in the United States 25 and 30 mills on a fairly high valuation of property were not uncommon rates. Again, should we not pay for local improvements in a far shorter time than we do? The Western cities of the United States make their local improvements by the issue of short term securities, the average life of which is usually not more than five years. Such securities often carry six per cent. interest and do not appeal to the same class of investors as do long-term municipal debentures. We can easily see the bad effect on the credit of our municipalities of adding the heavy cost of local improvements, spread over long terms, to the ordinary general debt. Such a situation as that followed in the United States would probably not find favor with the sub-division promoter because it would be a powerful check on all speculative real estate schemes. At least a year ago it became generally known that there were many Canadian securities in existence which had not been absorbed by the investor and that real estate speculation was proceeding at too rapid a pace. Undoubtedly the knowledge of these facts has exercised some restraint upon the transactions in inside city properties have probably been larger than ever, but the sub-division promoter has not prospered. Direct investments of British capital in agricultural lands to be resold have been made in both the east and the west on a large scale.

every hour of delay to himself and his horses and wagon, every bushel or pound less he is able to carry, every day lost in the length of the life of his horses and wagon, cause just so much increase in the cost of the article he has to sell. To the extent that this need be met, and the result might, if avoided, partly add to the farmers' profits and partly lessen the cost to the consumer, the state of our roads is little short of a crime. If the bad roads around a city cause the price of food to be much higher than it need be, one of the results is to enable producers hundreds, perhaps thousands, of miles away to enter into competition with the farmer in his own county, because the cost in transit over one mile of bad wagon road will cover the cost over many miles of good railroad. This competition may help the consumer by keeping prices from rising still higher, but it will not bring the price below the point fixed by the extra cost from roads directly to roads. It will not do any good for those of us who live in well-paved cities to blame the farmers for bad roads. They cannot be expected to build good roads entirely at their own expense, and good roads will not come so long as we wait for anything as unfair as this. It is not that we do not know how to construct good roads. We know fairly well what we should do, but we hesitate to do it. In the excellent report on Highway Improvements in Ontario for 1911 there is a sufficient abstract of the systems adopted by the various countries of the world and by thirty-three States in the United States; of these, that in use in the State of New York seems to be the most complete. Under this system roads are classified as follows:

(1) State roads built at the entire cost of the State.

(2) County roads to which the State contributes one-half, the county 35 per cent., and the township 15 per cent. For maintenance the State collects from the townships \$50 per mile per annum, the remainder being contributed by the State.

(3) Township roads, to which the State contributes one-third of the cost of construction.

Can the people of Canada be made to realize that every man, woman and child suffers from the evil of bad roads whether they are farmers or not? Have we not as much intelligence as the citizens of these thirty-three neighboring States?

Another cause of high prices is the general inefficiency of most kinds of labor. Employment is so easily obtained and the workers so often lacking in training for the particular calling it falls to his lot to occupy, that for this reason alone three men are often needed to do the work of two. The necessity of two clearly raises the price of food and every non-producer of food in Canada therefore suffers from this inefficiency of labor. Still another evil, tending to high prices and growing waste, is the waste in the use of food. As seen in a modern hotel or dining car this shocks most of us, but in countless families the waste is nearly as bad proportionately. If three animals are bought immediately for use, they are really needed, the price of meat is raised for everybody. I must apologize for repeating facts which are so palpable, but in our desire to blame some one else for the suffering caused by high prices, we often forget that local causes which largely contribute to it and which we could at least moderate if we chose.

We have often spoken of the tendencies of modern life which increase the food consumed out of proportion to the food produced, and it is pleasing to see some slight evidence of a return to the land which may help to correct this disproportion, but while the quantity of fruit, vegetables, and cereals grown in the country has increased so as to affect prices, the state of the cattle industry of North America is so serious that some years must pass before we may hope for a return of normal conditions. It looks as if the United States would soon cease to export beef, and unless we at once change our course we may be in a similar condition. We must increase the number of beef cattle, sheep, and swine on the land very largely, and annual consumption must be supplied without depleting the herds. We shall hope the Commission regarding our cattle ranges will produce good results, and that the assurance of high prices for meat for some time to come may induce mixed farming to a degree not yet accomplished. Since 1908, while there has been a small increase in the number of horses in Canada, there has been a serious decline in the number of milch cows, beef cattle, sheep, and swine. There should have been a very large increase, and unless every possible effort to arrest the decrease is made, this class of food will grow steadily dearer in price. The falling off is most marked in Ontario, while the only important gains are in Saskatchewan and Alberta.

The Clearing House statements again give ample evidence of our rapid growth. The returns of twenty clearing houses for 1911 totalled a total of \$7,391,368,000, while for 1912 the figures were \$9,146,236,000, a gain of 23.74 per cent. Once more we have to record a gain in every Clearing House in Canada.

The building permits of the four chief cities were as follows:

	1911	1912
Montreal	\$11,530,000	\$19,542,000
Toronto	21,374,000	27,401,000
Winnipeg	17,550,000	20,475,000
Vancouver	17,652,000	19,388,000

The motion for the adoption of the report was put and carried. By-laws increasing the number of Directors of the Bank to twenty-two and increasing the amount available for the remuneration of the Board of Directors were then passed. The usual resolutions expressing the thanks of the Shareholders to the President, Vice-President, and Directors, and also to the General Manager, Assistant General Manager, and other officers of the Bank were unanimously carried. Upon motion the meeting proceeded to elect Directors for the coming year and then adjourned.

The scrutineers subsequently announced the following gentlemen to be elected as directors for the coming year:

Sir Edmund Walker, C.V.O., LL.D., D.C.L., Hon. George A. Cox, John Hoskin, K.C., LL.D., J. W. Flavelle, LL.D., A. Kingman, Hon. Sir Lyman Melvin-Jones, Hon. C. Edwards, LL.D., Lash, K.C., LL.D., E. R. Wood, Sir John M. Gibson, K.C.M.G., K.C., LL.D., William McMaster, Robert Stuart, George F. Galt, Alexander Laird, William Farwell, D.C.L., Gardner Stevens, A.C. Flumerfelt, George G. Foster, K.C., Charles Colby, M.A., George W. Allan, H. J. Fuller, F. P. Jones.

At a meeting of the newly elected Board of Directors held subsequently, Sir Edmund Walker, C.V.O., LL.D., was elected President, and Mr. A. Lash, K.C., LL.D., vice-president.