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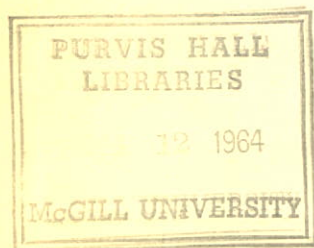


89th Annual Report

Banque Canadienne Nationale

NATIONAL CANADIAN BANK

Financial Year 1963



Eighty-ninth Annual General Meeting of the Shareholders of

NATIONAL CANADIAN BANK

ESTABLISHED IN 1874 • HEAD OFFICE: MONTRÉAL

HIGHLIGHTS

	1963	1962
Assets	\$905,783,325	\$847,613,791
Deposits	844,730,099	795,788,209
Loans	520,710,807	473,756,964
Net Profit	3,705,256	3,484,085
Earnings per Share	3.22	3.48
Capital	11,977,978	10,000,000
Rest Account	43,920,719	36,000,000

BOARD OF DIRECTORS

President

ULRIC ROBERGE*, *Montréal*

Vice-Presidents

ARISTIDE COUSINEAU*, *Montréal*

HON. F. PHILIPPE BRAIS, Q.C.*, *Montréal*

LOUIS HÉBERT*, *Montréal*

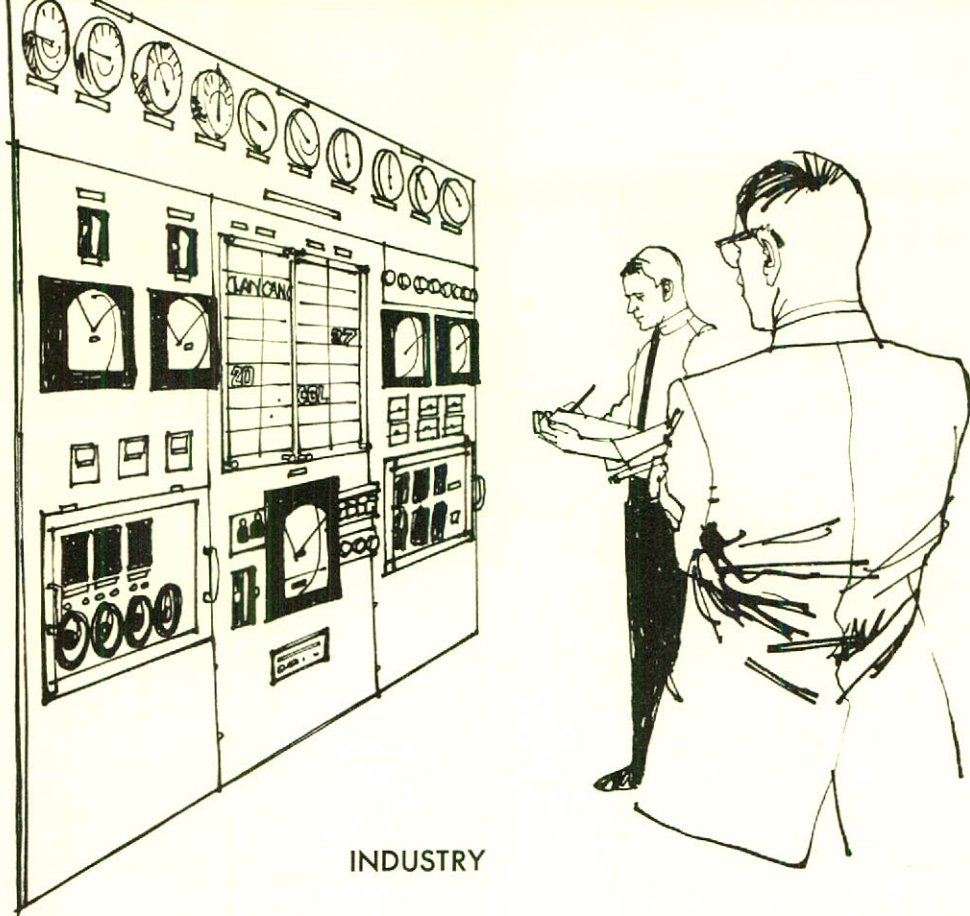
GEORGES T. DONOHUE, *Québec*

PIERRE BEAUCHEMIN	<i>Montréal</i>
WILBROD BHERER, Q.C.*	<i>Québec</i>
JOSEPH BLAIN, Q.C.	<i>Montréal</i>
MAURICE CHARTRÉ, C.A.	<i>Montréal</i>
GEORGES O. CLERMONT	<i>Montréal</i>
ÉTIENNE CREVIER	<i>Montréal</i>
GEORGE A. DALY	<i>Montréal</i>
ROGER DESERRES	<i>Montréal</i>
GASTON ÉLIE	<i>Montréal</i>
MARCEL FARIBAUT	<i>Montréal</i>
HENRI FERRON, C.A.	<i>Three Rivers</i>
HENRI OUMET*	<i>Montréal</i>
HON. JEAN RAYMOND, Q.C.	<i>Montréal</i>
RENAULT ST-LAURENT, Q.C.	<i>Québec</i>
ALFRED TOURIGNY, Q.C.	<i>Montréal</i>
GÉRARD WHITE, C.A.	<i>Québec</i>

*Member of the Executive Committee.

HEAD OFFICE

ULRIC ROBERGE	<i>President</i>
LOUIS HÉBERT	<i>General Manager</i>
J. L. DAVIGNON	} <i>Assistant General Managers</i>
J. N. GOSSELIN	
ANDRÉ LACASSE	
J. T. TURCOTTE	
MAURICE GERVAIS	
RENÉ LECLERC	
LUCIEN LAVOIE	
A. BOUTET	} <i>Superintendents</i>
J. E. POIRIER	
M. FOREST	
L. P. DESCHÊNES	
YVAN DESJARDINS	<i>General Secretary</i>
R. ASSELIN	} <i>Managers, Credit Department</i>
J. E. TREMBLAY	
G. DAGENAI	<i>Chief Inspector</i>
LUC MORIN	<i>Chief Accountant</i>
JULES LEMIRE	<i>Investment Department</i>
O. COUTURE	<i>Personnel Department</i>
L. ALLARD	<i>Foreign Department</i>
M. BLAIS	<i>Advertising Department</i>
L. LAPRADE	<i>Legal Department</i>
J. L. GUIMOND	<i>Office Manager</i>
M. DESROCHERS	<i>Bank Premises Department</i>
PAUL GUIMOND	<i>Stock Transfer Department</i>



ADDRESS OF THE PRESIDENT*

The favourable trend continued throughout 1963

MAY ALL THOSE CONCERNED WITH PRODUCTION, EVER-CONSCIOUS OF THEIR MUTUAL DEPENDENCE, LOYALLY COLLABORATE, HAVING RECOURSE TO THE STATE AS ARBITRATOR ONLY WHEN NECESSARY, AND OUR COUNTRY SHALL CONTINUE ALONG THE ROAD TO PROGRESS.

It is the President of the Bank who should have taken the chair. Unfortunately, illness prevents him from attending the meeting. He begs you to excuse his absence and asked me to tell you that he is extremely sorry to be unable to be with us to-day. I am convinced that all the shareholders present will associate with me in expressing our regret for

*Read by the Hon. J. M. Dessureault, Vice-President

the absence of Mr. Roberge and in extending to him our heartfelt wishes for a prompt recovery.

Under these circumstances, I was requested to read the address of the President.

During the last financial year, we were deeply bereaved by the death of Mr. Wilfrid Gagnon, Chairman of the Board of Directors, which occurred in Montreal on Sunday, June 9. He was elected a Director of the Bank in February 1949 and Vice-President in November 1958 and had been Chairman of the Board since January 20, 1961.

Mr. Gagnon placed unstintedly in the service of the Bank the wide experience and knowledge of business that he had acquired through the exercise of high public offices as well as the administration of numerous enterprises. A keen mind, a sound judgment and great shrewdness made of him a very wise counsellor. His great courtesy, his refinement and spirit of conciliation earned for him the high esteem of all those he dealt with. At the Bank, he will be regretted for a long time, both by fellow-members of the Board and by the personnel which he always thought of as one large family.

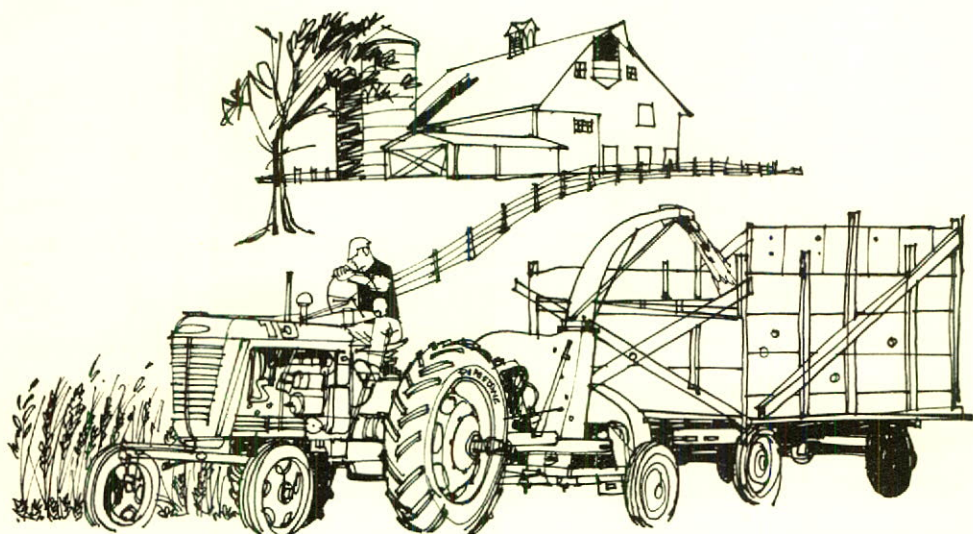
REGENERATION OF THE ECONOMY

Thus far, indices reveal that, in most sectors of the Canadian economy, the favourable trend that began in the previous year continued throughout 1963.

Our country was favoured by circumstances. An increased world demand made possible the sale of an abundant wheat crop and the decrease of surplus stocks. The devaluation of the dollar, which stimulated export trade, coincided with a regain of activity in most countries of the free world, especially the United States and Britain, our two main markets, while an increase in the price of metals and other raw materials augmented its value.

A greater demand for wheat was undoubtedly the most important event of the year. Our huge shipments will enable producers and other interested parties to obtain substantial resources which, in the form of purchasing-power or savings, will stimulate the entire economy. Moreover, they will provide a large volume of foreign bills which will reduce accordingly the deficit of our international accounts. Our shipments and those of other large exporters, no matter how heavy they are, will not solve the problem of over-production or, rather, of under-consumption of wheat in the world. At least, they will lighten the excessive reserves that burdened the market.

The favourable trend of industrial activity continued during the year, but it is still too slow, as may be perceived by the persistent presence of unemployment which reveals that a profound disorder is gnawing at the economy. Nevertheless, the progress revealed by statistics is a step in the right direction, and it should enable us to pursue further the regeneration of the economy. This will prove a long and exacting task which will entail a larger utilization of our resources and means of production: labour, raw materials, industrial equipment and risk capital. To achieve this, it will first be necessary to balance the budget and especially to reduce gradually our international trade deficit, a



AGRICULTURE

chronic hemorrhage. Foreign relations constitute the vulnerable spot in our armour. But, in this domain, the course of things is only a symptom. It will return to normalcy when we take the means required for the improvement of internal conditions.

RELATIONS WITH THE UNITED STATES

If, at times, quarrels arise even among the best of neighbours, they are usually settled amicably. Unfortunately, during the course of last year, disagreements between Canada and the United States gave rise, beyond the border, to such remarks that the good relations between both countries risked being impaired.

Any tension in the economic relations between the two countries would be harmful to each for, obviously, their mutual interests require them to agree. No matter how one looks upon the future, one must admit that nothing can destroy the solidarity which binds them. Their interdependence is such that any commercial or financial measure adopted by Washington or Ottawa always has a repercussion on the economy of the neighbouring country.

It is only natural that the "sacred egoism" once alluded to by an Italian statesman should extend to the realm of business. One would have to be very naive to reproach a country for seeking its own interest above all. But even then, one must have a broad view of what is meant by national interest. Canada is the principal customer and one of the biggest debtors of the United States, and it pays its bills and its debts, which is not such a frequent occurrence nowadays. It affords the United States the opportunity of making good and safe investments, which is not such a common occurrence to-day. It is one country in which the United States find, in their relations, a substantial surplus of interest and dividends and a large favourable balance of trade which help to decrease the deficit of their international accounts, to say nothing of the contribution of tourism which is far from negligible. Now the United

States may avail themselves of these privileges only insofar as our country is prosperous, so any harm they cause to the Canadian economy, through their attitudes or decisions, may prove detrimental to them.

The Canadian-American Committee of the National Association in Washington, which has undertaken the study of trade relations between both countries, discusses in its report various projects which it deems capable of fostering the development of these relations. It considers, among other things, the creation of a customs union, or free-trade zone, that would lead eventually to economic integration.

At a time when most nations deem it wise to band together for the purpose of defending and promoting their interests, it seems necessary for Canada and the United States to reach some form of agreement. But there is, of course, too great a disproportion between the two countries for the creation of any sort of common market. Everyone knows the famous French fable of "The earthen pot and the iron pot" which illustrates so well the case of anyone who is pitted against more than his match, the moral of which is applicable everywhere: "Let us associate with our equals only". However, without going so far, it should be possible to reach, in certain industries, technical and economic agreements which would strengthen the position of both countries in the face of international competition. Such an agreement might have been reached in the automotive industry, for instance, where according to the federal government's plan, Canadian subsidiaries of American companies would have manufactured certain parts for the whole North-American industry. The specialization and division of labour involved would have meant advantages for both countries. Canada would have found therein an opportunity of decreasing its trade balance and the United States, a means of reducing production costs. Moreover, similar agreements already exist, especially for the manufacturing of electric refrigerators, household appliances and various other items.

It is by way of collaboration and not integration that one must seek formulas that are conform to our common interests.

THE FREEING OF TRADE

Whilst endeavouring to develop trade with the United States, Canada must seek to diversify its outlets. Last year, our exports showed a trend in this direction. But any progress that has been made is attributable, it seems, to favourable circumstances and private initiative aided, to be sure, by the federal and provincial departments of trade and commerce, but not to any systematic policy that would insure its stability. The reason for this is that international trade has not yet become the object of the coordination nations of the free world envisaged after the establishment of the European Common Market.

The late President Kennedy had planned an Atlantic Community of Nations that would have been integrated with the European group. But this plan was subject to the admission of Great Britain to the European Market. As a result, there now remains the *Trade Expansion Act*



which, in its present form, comprises tariff reductions of up to 50 per cent and even, with respect to some products, the abolition of all tariffs. But this Act has raised serious objections before the United States Tariff Committee which is now studying its provisions.

No one knows the definitive terms which will serve as a basis for the proposals of the United States delegates at the next meeting of GATT which is to open in May in Geneva. Fearing that protectionist congressmen might seek to reduce the scope of the Trade Expansion Act, Common Market Nations have already given warning that they will refuse to negotiate if, in their opinion, the concessions made by the United States prove to be inadequate.

One may see by this that the Geneva deliberations will be the object of some hard bargaining. The aim of the meeting is the freeing of trade by means of a uniform lowering of tariff barriers.

Needless to say that what has been called the "tariff disarmament" is a very complex matter. In order to set a common exterior tariff, members of the European Common Market must first agree on various topics. As these countries have already reduced their tariffs within the Common Market, those of the United States and of most of the other countries are often much higher, so that a same percentage decrease by each would still leave some rather large differences. Members are still seeking a formula that would make it possible to harmonize tariffs without altering the terms of competition.

Negotiations at Geneva will be brought to a successful conclusion only at the price of broad reciprocal concessions. The freeing of trade will necessitate a thorough readjustment of all customs tariffs. One can easily predict that, on the domestic as well as the foreign markets, Canada will have to cope with an intensified competition. Whatever advantages Canadian delegates may obtain, we shall benefit by them only insofar as we have prepared for them. And the adjustment of our economy to the trying conditions that are in the offing will require the collaboration of the public authorities and private enterprise.

INITIATIVE

Once again, the regeneration and strengthening of our financial structure would first require that we reduce as much as possible and as fast as possible the deficit of our international accounts. Interests and dividend payments to foreigners amounted to 781 millions in 1962, which must be compared to 312 millions after World War II, in 1946. Things were somewhat better last year, thanks to particularly favourable circumstances, but this does not mean that all is well. The best way of stopping this hemorrhage would undoubtedly consist in the adoption of a fiscal policy that would stimulate the formation of capital and its investment, which are slowed up by the excessive tax load that burdens the economy of the nation.

The expenditures incurred by federal, provincial and municipal governments absorb an ever-increasing percentage of the Gross National Product. In other words, levies by public authorities which, in 1962 represented more than 12 billions, are increasing at a faster rate than the value of production. This diversion of new wealth from the private sector, as the latter produces it, curtails by so much the formation of new capital. In spite of this financial blood-letting, Canadians manage to set some money aside, as is evidenced by the billions of dollars invested in government bonds and other fixed-interest securities. It is repeated time and again that, unwilling to take risks, Canadians keep to gilt-edged securities. This is undoubtedly true of the mass of small investors who buy government or first mortgage bonds. Nevertheless, the heavy tax burden discourages initiative to such an extent that some risk capital does not always find Canadian business undertakings in which to invest.

Managers of collective funds are investing increasingly in the stocks of American companies in the United States. While they may intend to diversify their investments and to make some future gains, the main reason for their doing so is that this country does not provide equity

offerings commensurate with their resources. As a matter of fact, in recent years assets of pension funds, of mutual funds and of other profit-sharing funds have been increasing much faster than the issue of good Canadian equities. When the capital of a country with such scant financial resources as ours must seek investment outlets beyond the border, it is quite obvious that what is lacking is a climate favourable to initiative, the life-blood of the economic organism. Now, to re-animate initiative, one must lighten the burden of taxes that contribute to the high costs of industry.

Among the numerous briefs that were submitted to the Royal Commission on Taxation, there are some which, taking economic reality into account, give useful indications on what a rational system should be, that is to say a system which, while seeking the needed budgetary revenue, had for object to promote a policy of economic progress. Let us hope that they inspire the fiscal reform to which the Royal Commission must needs lead. A reform or, better still, a recasting is all the more necessary and urgent as it is most likely that the Congress of the United States will adopt in the near future a bill granting a general reduction of taxes. This reduction will place the industry of the neighbouring country in a better position than ever to compete with Canadian industry on whole markets, including our own market.

COLLABORATION

Following the example of several European countries, our governments, at all levels, are drafting economic plans. It is evident that decentralization is imperative in a country as large as ours and with resources and objectives that differ so widely from one region to another.

At the summit, the Economic Council of Canada will provide general information for the regional organizations with which it will cooperate to set up and coordinate the various parts of the general plan. It will play an important role as liaison agent between the various

ministries involved. It will seek, for instance, to harmonize the monetary policy and the fiscal policy of the country. By thus maintaining continuity in the relations between the Governor of the Bank of Canada and the Finance Minister, it might prevent the recurrence of disagreements such as that which happened between these two authorities and which was not without serious consequences. But it is up to each of the provinces to plan projects and to carry them out.

Most provincial governments have set to work. In Quebec, especially, the Economic Development Council will gather the facts and give directives. In various regions, an inventory of all available resources has already been made as well as practical programs for their development. An investment corporation has been established for the purpose of channelling small savings towards industrial investments. Plans are being made for the creation of a steel complex the capital of which would derive both from public funds and private capital, and which would foster the creation of secondary industries.

The complexity of the modern economy may sometimes justify the intervention of public authority. It may be very helpful provided it does not overstep its role which consists in cooperating with private enterprise, not in substituting for private enterprise. In Ottawa as well as in Quebec, the intention is to make a general plan of the territory and to normalize economic growth by means of the cooperation of all parties concerned, and not by means of a technocratic plan which would disregard human factors. The Economic Council of Canada will comprise 25 representatives from business and labour. The Chairman, Mr. John Deutsch, has moreover stated that he is against imperative planning that would impose economic goals on society and provide sanctions for rebels. He recommends, on the contrary, the coordination of public and private aims concerning the best policies to be pursued for the greater progress of the country.

Even when it is necessary to have recourse to public authorities, one must not rely on them exclusively, nor ask for more than they can give,

nor count on them to perform tasks the private sector can accomplish more efficiently. Paternalism never built our country!

Canada owes its present rank among the great industrial and trading nations of the world to the foresight, initiative and energy of its business leaders who knew how to use its resources. It is men like these who will build the future. The economic growth of Canada since World War II is a promise of future progress. May all those concerned with production, ever-conscious of their mutual dependence, loyally collaborate, having recourse to the State as arbitrator only when necessary, and our country shall continue along the road to progress.

Ladies and gentlemen, please allow me to add a few words.

As you have been informed at the opening of the meeting, this year Mr. A. J. Major and myself come within the provisions of the Bank Act setting an age limit for bank directors. You will realize how deeply we regret to leave an institution with which we were associated for many long years, and to part company with such distinguished fellow-directors with whom it was always so pleasant to collaborate in the development of our Bank.

Mr. Major and I highly appreciate the kind words and the good wishes from the directors, which were conveyed to us a few moments ago by the Vice-President and General Manager, and for which we cordially thank them.

PROFIT AND LOSS ACCOUNT

Net profits for the year ended 30th November, 1963, after contribution to the Staff Pension Fund, depreciation of bank premises, provision for income taxes and after making transfers to inner reserves out of which full provision has been made for bad and doubtful debts and depreciation of investments		\$ 3,705,256
Dividends		<u>2,648,608</u>
Amount carried forward		\$ 1,056,648
Balance of Profit and Loss Account, 30th November, 1962 .	209,795	
	<u>\$ 1,266,443</u>	
Transferred to Rest Account		<u>800,000</u>
Balance of Profit and Loss Account, 30th November, 1963 .	\$ 466,443	

Provision for income taxes \$4,285,000

REST ACCOUNT

Balance as at 30th November, 1962	\$36,000,000
Premium on capital stock subscriptions	7,120,719
Transferred from Profit and Loss Account	<u>800,000</u>
Balance as at 30th November, 1963	<u>\$43,920,719</u>

BALANCE SHEET AS AT

ASSETS

Gold and coin	\$ 1,705,892	
Notes of and deposits with Bank of Canada	63,060,949	
Government and bank notes other than Canadian	1,038,637	
Deposits with other banks	6,239,900	
Cheques and other items in transit, net	<u>55,405,749</u>	\$127,451,127
Government of Canada direct and guaranteed securities, at amortized value	\$179,369,472	
Canadian provincial government direct and guaranteed securities, at amortized value	25,047,706	
Other securities, not exceeding market value	<u>37,854,778</u>	
	\$242,271,956	
Call and short loans to brokers and investment dealers, secured	<u>21,095,857</u>	263,367,813
		<u>\$390,818,940</u>
Other current loans, less provision for estimated loss	\$476,457,625	
Mortgages and hypothecs insured under the National Housing Act, 1954 . .	23,124,880	
Non-current loans, less provision for estimated loss	<u>32,445</u>	499,614,950
Bank premises at cost, less amounts written off	\$ 12,093,384	
Shares of and loans to corporations controlled by the Bank	1,050,000	
Customers' liability under acceptances, guarantees and letters of credit, as per contra	2,087,749	
Other assets	<u>118,302</u>	15,349,435
		<u><u>\$905,783,325</u></u>

30TH NOVEMBER, 1963

LIABILITIES

Deposits by Government of Canada	\$ 37,264,768	
Deposits by Canadian provincial governments	5,320,365	
Deposits by other banks	7,979,318	
Personal savings deposits payable after notice, in Canada, in Canadian currency	464,074,069	
Other deposits	330,091,579	\$844,730,099
Acceptances, guarantees and letters of credit	\$ 2,087,749	
Other liabilities	2,600,337	4,688,086
<i>Authorized capital:</i>		
2,500,000 shares at \$10 each	<u>\$25,000,000</u>	
Capital paid up*		
1,192,410 shares issued and fully paid	\$11,924,100	
Payments received on account of 7,590 shares not yet issued	53,878	\$ 11,977,978
Rest account*	43,920,719	
Balance of Profit and Loss Account	466,443	56,365,140
		<u>\$905,783,325</u>

*When the current issue of stock will be completed, in February 1964, the capital paid up will be \$12,000,000 and the rest account will amount to \$44,000,000.

Note—The assets and liabilities of Banque Canadienne Nationale (France), a branch operating as a subsidiary, are included in the above Balance Sheet.

J. M. DESSUREAULT,
Vice-President

LOUIS HÉBERT,
General Manager

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the above statement of assets and liabilities as at 30th November, 1963, and compared it with the books and accounts of the National Canadian Bank, at the head office, and with the certified returns from the branches.

We have verified the cash and the securities of the Bank at the head office at the close of the financial year as well as at another date during the year.

We have obtained all the information and explanations we have required and, in our opinion, the transactions of the Bank which have come under our notice have been within the powers of the Bank. The above statement, in our opinion, presents fairly the financial position of the Bank as at 30th November, 1963, and is as shown by the books of the Bank.

JEAN LACROIX, C.A. of Samson, Bélair, Côté, Lacroix and Associates	} <i>Auditors</i>
JEAN VALIQUETTE, C.A. of Anderson & Valiquette	

MONTREAL, DECEMBER 16, 1963

COMPAGNIE IMMOBILIÈRE BCN LTÉE

STATEMENT AS AT 30th NOVEMBER, 1963

ASSETS

Cash in Bank	\$ 50,500.00
Real estate	1,000,000.00
	<u>\$1,050,500.00</u>

LIABILITIES

Capital authorized:

20,000 shares at \$100 each \$2,000,000

Capital paid up:

10,505 Shares at \$100 each \$1,050,500.00
\$1,050,500.00

NOTE: The capital stock issued by the above Company, with the exception of the directors' qualifying shares, is wholly owned by the National Canadian Bank and is carried on the books of the Bank at \$1,050,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the above statement of assets and liabilities as at 30th November, 1963, and compared it with the books and accounts of the Compagnie Immobilière BCN Ltée.

We have obtained all the information and explanations we have required and, in our opinion, the above statement is as shown by the books of the Company and presents fairly the financial position of the Company as at 30th November, 1963.

JEAN LACROIX, C.A. of Samson, Bélair, Côté, Lacroix and Associates	} Auditors
JEAN VALIQUETTE, C.A. of Anderson & Valiquette	

MONTRÉAL, DECEMBER 16, 1963

REMARKS BY THE GENERAL MANAGER

One may justifiably take a reasonably optimistic view of the new year

THE ANNUAL REPORT OF THE BANK SHOWS THAT 1963 WAS ANOTHER YEAR OF PROGRESS

The provisions of the Bank Act concerning the retirement age of directors will deprive us of the collaboration of the Honorable J.-M. Dessureault and of Mr. A. J. Major. Senator Dessureault was elected a director of the Bank in May 1944, and has been Vice-President of the Bank since December 16, 1960. He discharged the duties of both these functions with the characteristic dedication and refinement for which he was known.

Mr. A. J. Major, who has been a member of the Board since December 1940, placed his wide business experience at the service of the Bank for nearly a quarter of a century.

The colleagues of Messrs. Dessureault and Major, who regret to see them go, wish to thank them for all they have done and to offer them their best wishes.

Could one have expected to achieve the transfer of the Head Office and the Main Branch of the Bank without inconveniencing anyone? In spite of the speed with which equipment, documents and securities were moved and the various departments transferred to temporary quarters, this general displacement was not without creating some momentary bother. We ask our clients to excuse us and we thank them for the patience and goodwill they have displayed under the circumstances.

As we were telling you a year ago, the Bank has decided to erect, on the west side of Place d'Armes, a modern building which will meet the growing requirements of our fast expanding institution, and we are pleased to be able to inform you that our plans are well on the way.

THE PROGRESS OF THE BANK

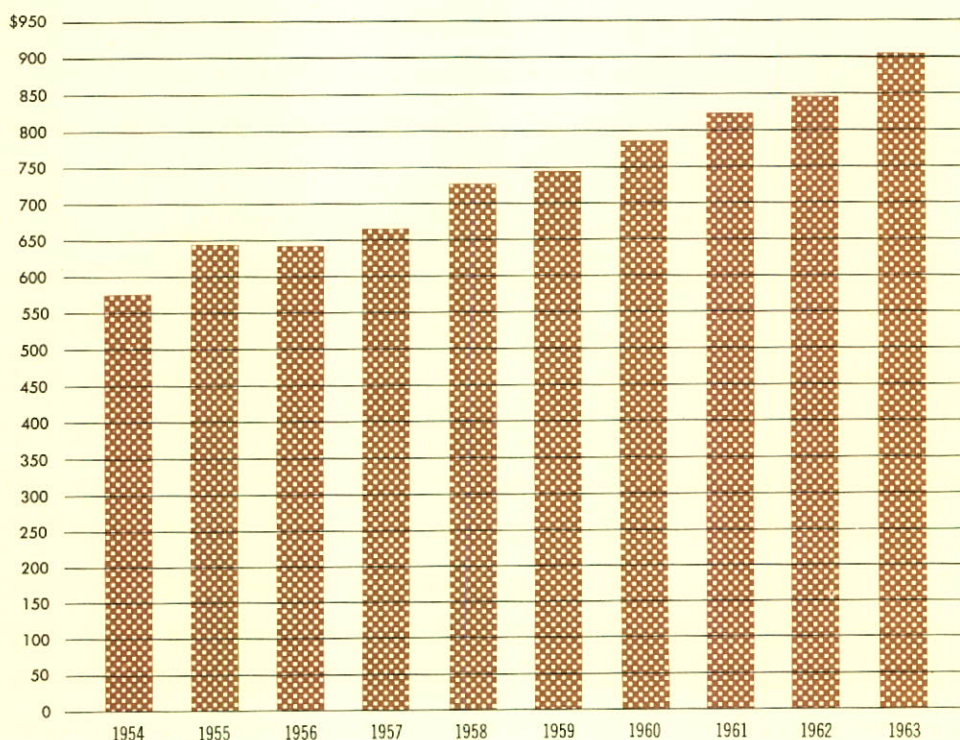
On reading the annual report, you will have noted with satisfaction that 1963 was another year of progress. During the past financial year, aggregate net profits showed an increase of \$220,000 and amounted to \$3,705,256. Following the issue of 200,000 shares, the earnings were equal to \$3.22 per share, against \$3.48 the previous year. Dividend payments totalled \$2,648,608, or \$2.30 per share, compared with \$2.20 in 1962. Income taxes amounted to \$4,285,000. After transfer of \$800,000 to Rest Account, the balance of undivided profits is shown at \$466,443, against \$209,795 at November 30, 1962.

Total deposits, having risen by \$48,941,890 during the past year, amounted to the record figure of \$844,730,099. Personal savings deposits increased from \$453,436,823 to \$464,074,069.

Total assets of the Bank increased by \$58,169,534 to a peak of \$905,783,325. Cash assets are shown at \$127,451,127 or 15% of

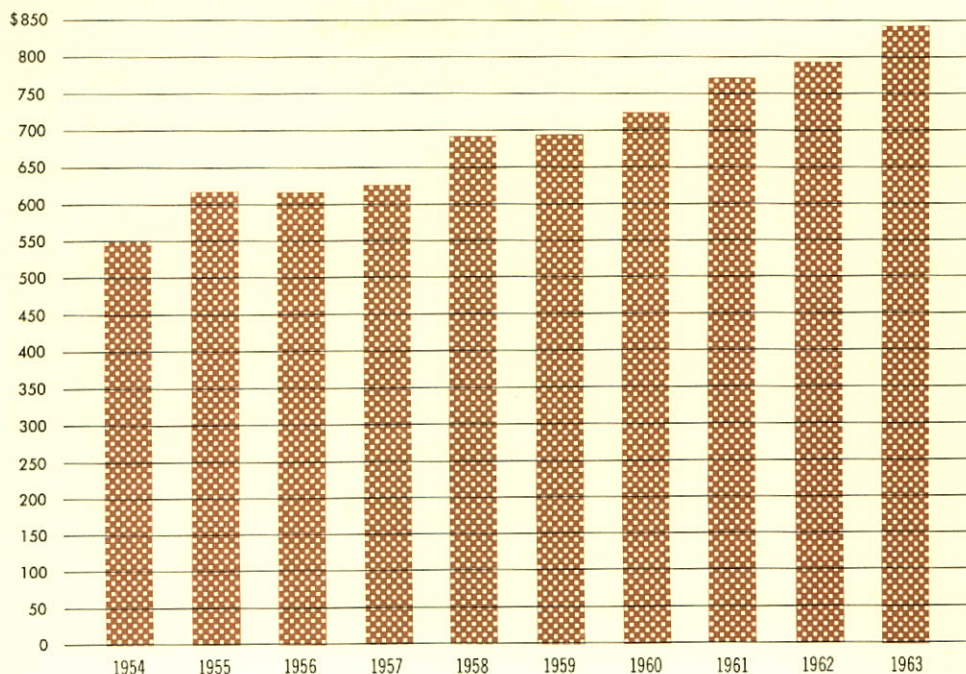
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ASSETS



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DEPOSITS



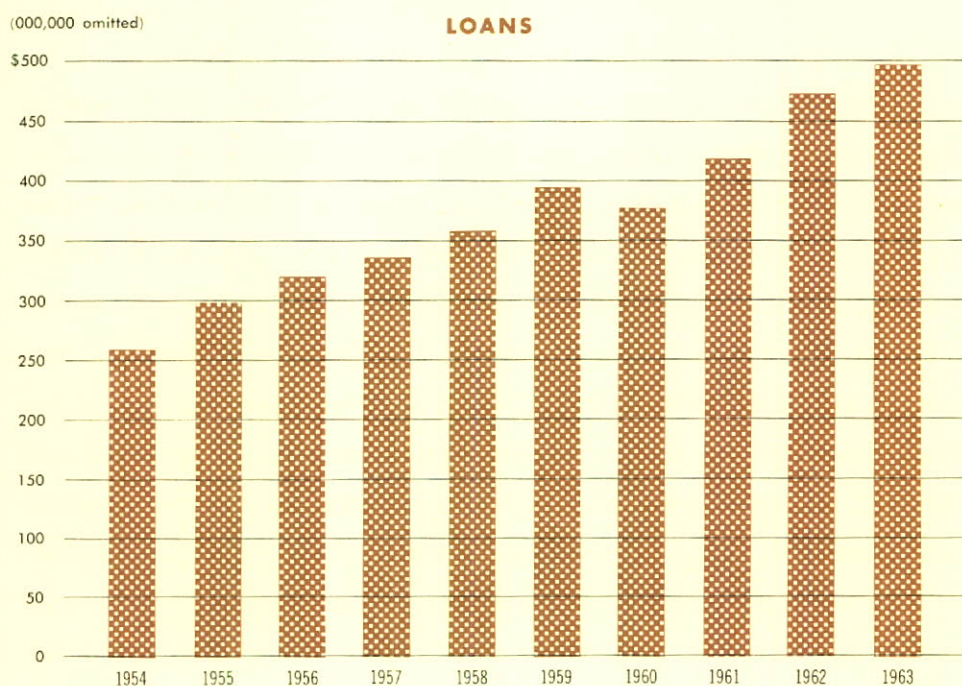
liabilities to the public and quick assets amount to \$390,818,940 or 46% of liabilities to the public. The Bank's portfolio of securities is shown at \$242,271,956, an amount that has hardly varied.

The securities in portfolio include \$15,000,000 of Province of Quebec bonds maturing the first of March next. As you know, on May 1st, 1924, our Bank, then known as Banque d'Hochelaga, absorbed La Banque Nationale and the Government of the Province of Quebec intervened in the transaction by transferring to La Banque d'Hochelaga a 40 year bond issue in the amount of \$15,000,000, in order to offset a depreciation in La Banque Nationale's assets. On the other hand, our Bank undertook to reimburse this sum through the payment of 40 annuities to the Provincial Treasurer. Having anticipated its instalments, by December 1943 Banque Canadienne Nationale had paid the balance of the annuities. Thus, this sum that had been lying idle for the past forty years, will be added to the Bank's available funds when the Government of the Province of Quebec redeems its bonds on March 1st.

Current loans and discounts rose by \$47,933,226 to a record figure of \$476,457,625. Mortgages and hypothecs under the National Housing Act showed a decrease of \$927,070 at \$23,124,880.

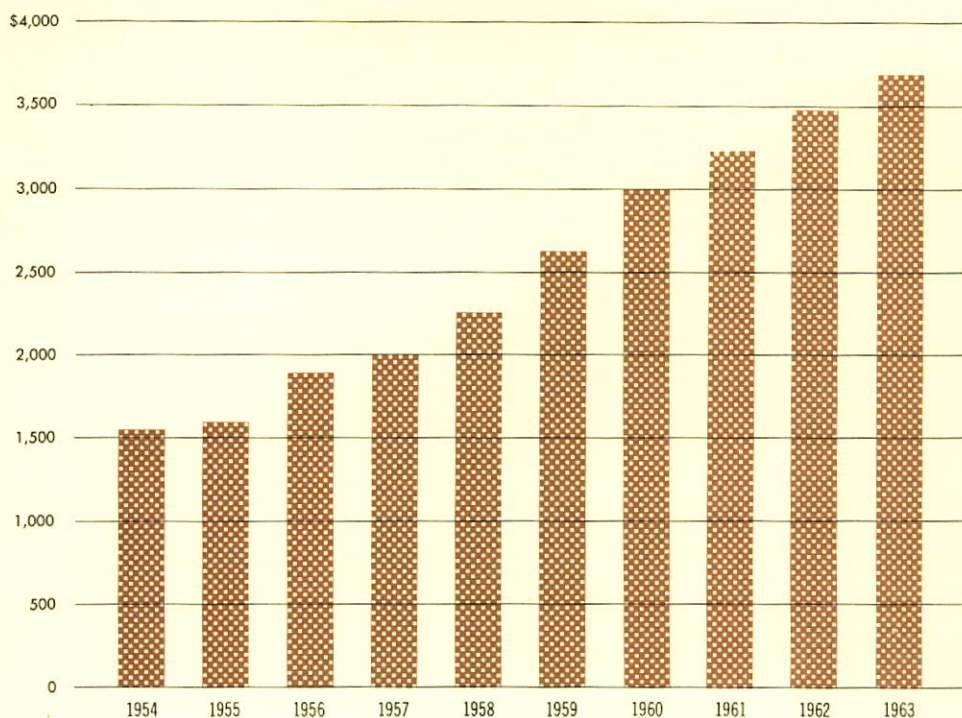
It may be interesting to stress the various forms of help the Bank extends to individuals and to both small and average businesses. Under the Quebec Farm Improvement Act, the Bank has granted over 11,300 loans amounting to \$21,880,000. Our Bank alone accounts for 48% of all loans in this category. At the end of the last financial year, these loans outstanding amounted to \$18,354,000 against less than \$11 million the previous year. Since the Small Business Loans Act went into effect, our Bank has granted 45% of all these loans in our Province. Total loans in this category granted by the Bank in Quebec, Ontario and Manitoba have passed from \$6,097,000 to \$8,476,000. Personal loans repayable by monthly instalments amounted to \$19,871,000 against \$9,126,000 at November 30, 1962.

We deem it necessary to draw attention once more to the financial condition of a large number of municipalities and especially school



(000 omitted)

NET PROFITS

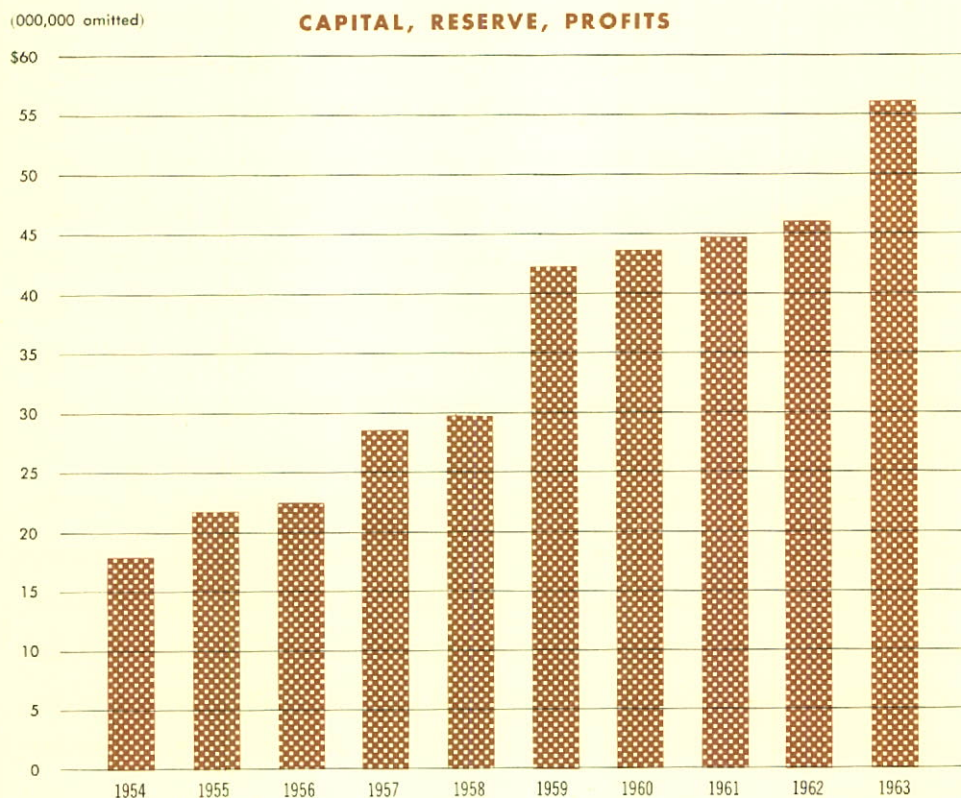


boards. We stated last year that, in the Province of Quebec, these public bodies which must contract heavy commitments are exposed to an accumulation of debts unless they are able to balance their budgets without delay. The situation has only worsened during the past year. During the last financial year, our Bank granted loans to these bodies equivalent to 25% of those of all the banks and amounting to \$80,000,000, against some \$70,000,000 during the previous year. However willing we are to cooperate with them, as these figures show, we feel that this mode of financing is not sound and that it has its limitations. When the borrowing power of a municipality or of a school board and their ability to raise new taxes no longer provide the necessary resources, the Government must intervene for it is responsible for public education.

As the steady progress of the Bank created a need for additional capital, the Bank, as you well know, issued on January 25, 1963, 200,000 shares which it offered to shareholders at a price of \$46 per

share, according to law, on the basis of one new share for five old ones. When the Bank's offer expired on May 1, 98.22% of the new shares had been subscribed to. The remaining 3,553 shares, including 653 shares derived from fractional holdings the issue of which is prohibited by law, were sold at a price of \$73.35 each. The net proceeds of these sales, minus \$46 per share, were distributed among shareholders who held fractional shares and those who had not availed themselves of their subscription right. Next month, when shareholders who have subscribed by installments will have effected their last payment, the paid-up capital of the Bank will amount to \$12,000,000 and the Reserve Fund to \$44,000,000. The Bank will therefore be in a better position than ever to help agriculture, commerce and industry, as well as individuals.

Last year, the Bank opened five branches in the Montreal area: Ville de Brossard, Fabreville, Duvernay, Ville LaSalle and Ville Ile



Perrot. Its agencies at Carleton-sur-Mer and Sault-au-Recollet, Henri-Bourassa Boulevard, were converted into branches.

The Directors wish to thank the members of the personnel for the devotion and diligence with which they accepted the tremendous burden which was imposed upon them by the moving and the reorganization of our various departments. They are pleased to note that everyone without fail, from the lower to the higher echelons, has contributed to the excellent results achieved during the last financial year. Branch managers and their personnel, keenly aware that this is the best way to serve the Bank, have endeavoured to render satisfactory service to their clients.

A GLANCE AT THE STATE OF THE ECONOMY

After a period of uncertainty and hesitancy, the Canadian economy began to revive by the middle of the year. It was greatly stimulated by the capital expenditures of the private and public sectors, especially in the Province of Quebec. Production was accelerated in practically all branches, especially building, steel, automobile, textiles, and chemical products. Stimulated by the devaluation of the dollar, secondary industries, the growth of which is so important, showed marked progress. The devaluation of the dollar entailed an increase in the price of foreign goods and thereby led to the replacement of many imported products by Canadian-made articles.

Export trade made headway. Sales increased in most of our markets and nearly all our principal products found larger outlets, especially manufactured goods which now represent 20% of our total exports. We have therefore increased our foreign exchange reserves and improved the balance of our international payments for the time being.

Retail sales, which were almost stationary during the first semester, showed greater activity afterwards as a result of an increase in public



expenditures and in the purchasing power of workers and farmers, as well as an expansion of consumer credit. At the end of September, the total of consumer debt exceeded four billion dollars, excluding loans by insurance companies secured by life-insurance policies. To offset this mortgaging of future gains, one notes a considerable increase of savings deposited with banks or other institutions or invested in gilt-edged securities, such as Federal Government Savings Bonds which now exceed 5 billion dollars, and Savings Bonds which were issued for the first time by the Government of the Province of Quebec.

The present situation shows several favourable indications, but one cannot say it is satisfactory as long as a dark cloud hovers over it. Even

though economic expansion has continued these past two years, we are far from having attained full employment. Unemployment has been decreasing fairly regularly since 1960-61, but it is still twice as large as ten years ago. Even though it has increased in the past two years, employment is still inadequate. Unless steps are taken to cope with under-employment, it will only worsen for the post-war baby boom will soon swell the labour market with unprecedented numbers.

The outlook for the present year leads one to hope that the growth of production will gradually improve this deplorable state of affairs. Extensive public works are now in progress or in the planning stage. New industries will require large plant outlays, while several enterprises that over-expanded will probably have to renew obsolete equipment when they start to operate at full capacity. The great economic activity that prevails in most industrial countries, especially the United States and Great Britain, will create a large demand for raw materials and foodstuffs. In Canada, the rapid growth of population, the increase of investment programs, and the abundant reserves of purchasing power will undoubtedly accelerate the revival of activity of these last years. On the whole and despite the serious problems yet to be solved, one may justifiably take a reasonably optimistic view of the new year.

**RECORD OF PROCEEDINGS OF THE EIGHTY-NINTH ANNUAL
GENERAL MEETING OF THE SHAREHOLDERS HELD ON TUESDAY,
14th JANUARY, 1964, AT TWELVE O'CLOCK, AT THE QUEEN
ELIZABETH HOTEL, 900 DORCHESTER WEST, MONTREAL.**

Among those present were: Messrs. Lionel Allard, G. Arpin, M. Arpin, Fernand Asselin, J. P. Baril, V. Barré, M. Bazinet, Pierre Beauchemin, J. T. Beaudin, P. Beaudry, G. R. Beaulieu, J. E. Beauregard, R. Bédard, Miss E. G. Bennett, Messrs. René Bergeron, J. S. A. Bernard, M. Bernardin, Léopold Bernier, N. Berthiaume, Paul Bertrand, J. H. Bétournay, Wilbrod Bherer, Q.C., Joseph Blain, Q.C., J. C. Blais, Marcel Blais, A. Blondin, J. U. Blouin, Mrs. J. U. Blouin, Miss Thérèse Blouin, Messrs. R. B. Boulanger, R. Bourassa, Hon. Romuald Bourque, Mr. L. Bouthillier, Hon. F. Philippe Brais, Q.C., Messrs. Jacques Brault, J. C. Brisebois, Eugène Cadieux, A. A. Cameron, J. N. Caron, R. Casgrain, O. Castonguay, J. M. Chabot, Léo Champagne, André Charron, Maurice Chartré, C.A., G. Charuest, G. O. Clermont, Gérard Cloutier, J. M. Collin, J. D. Cormier, D. Côté, Arthur Courtois, Aristide Cousineau, Jean Coutu, Jules Couture, O. Couture, Étienne Crevier, Lionel Crevier, Mrs. Anna L. Cusson, Messrs. Paul A. Cusson, George A. Daly, Lucien Daoust, J. L. Davignon, Mrs. F. B. Décarie, Messrs. J. Guy Décarie, Laurent Décarie, Notary, Olivier Décary, Miss Irène Decoste, Messrs. Jean Delage, R. DeLeeuw, Alfred Demers, Jules Derome, M. L. Déry, Roger DeSerres, Dr. Edouard Desjardins, Miss Louise Desjardins, Miss Simone Desjardins, Messrs. Yvan Desjardins, Notary, Henri Desnoyers, Marcel Desrochers, P. Eng., Joseph Desroches, P. H. Desrosiers, Hon. J. M. Dessureault, Messrs. Robert Désy, Notary, A. Dion, Léo M. Dionne, Georges T. Donohue, Roland Dufour, J. A. Dulude, Georges Dupuis, Louis N. Dupuy, C. Duval, Gaston Élie, T. Fafard, Marcel Faribault, Notary, Henri Ferron, C.A., Martin Forest, Paul Frénette, T. Gaboury, Paul. A. Gagnon, B. Garon, Rosario Genest, Q.C., Alex. Gérin-Lajoie, Q.C., Charles Germain, Maurice Gervais, Gérard Gingras, Camille Girard, J. N. Gosselin, Albert Goulet, J. P. Gravel, N. Greendale, H. G. Grenier, J. A. Grisé, Gaspard Guay, Lucien Guay, Robert Guay, J. L. Guimond, Paul Guimond, Louis Hébert, R. H. Houde, Guy L. Hudon, M. L. Jean, G. Johnson, Peter Kilburn, J. W. Knight, M. R. W. Kuhner, Mrs. A. D. Labelle, Mr. R. Labelle, Mrs. R. Labelle, Messrs. André Lacasse, J. H. Lachance, Mrs. J. H. Lachance, Messrs. R. Marcel Lafaille, René Laflamme, M. Lagacé, R. Lajoie, J. P. Lalonde, Paul Lambert, Miss B. Landry, Messrs. R. Langevin, A. Lapière, Lionel Laprade, P. Lavigne, R. Lavigne, P. Leblanc, René Leclerc, A. L'Ecuyer, L. P. Leduc, A. Léger, A. Leman, Miss A. Lepage, Messrs. J. R. Lemire, Marc Leroux, Notary, R. Ledoux, J. L. Lussier, G. Maher, A. J. Major, Hector Mantha, Mrs. A. L. Marchand, Messrs. R. Martel, R. Martin, Dr. Massue Monat, D.D.S., Messrs. F. Mondello, Luc Morin, W. L. McGannon, Albert Naud, Notary, Aurélien Noël, C.A., Mrs. A. Noël, Messrs. Sylva Normandin, L. Oceau, Mrs. L. Oceau, Messrs. Jean P. W. Ostiguy, Henri Ouimet, J. R. Ouimet, Gérard Parizeau, A. L. Patenaude, Denys Pelletier, Notary, Dr. L. Perras, Messrs. Châteauguay Perrault, Q.C., Germain Perreault, Yves Pesant, M. Pierpaoli, W. J. Piper, J. E. Poirier, G. Pouliot, Mrs. G. Pouliot, Messrs. L. Pouliot, J. W. Powell, Dr. D. Quintal, D.D.S., Mrs. D. Quintal, Hon. Jean Raymond, Q.C., Messrs. Pierre Rhéaume, A. Robichaud, S. Henri Robitaille, P. E. Rousseau, Renault St-Laurent, Q.C., G. St-Onge, R. St-Onge, Oscar St-Pierre, M. Saillant, J. S. Samson, G. Henri Séguin, Notary, J. M. Séguin, P. E. Senay, F. A. Sénécal, Irénée Sicard, Miss G. Soulard, Messrs. Ulric Tessier, J. René Thomas, Paul Toupin, Alfred Tourigny, Q.C., B. Tourigny, Guy Tremblay, J. E. Tremblay, J. R. Tremblay, R. Tremblay, Roland Trudel, J. T. Turcotte, J. C. Vachon, Omer Veillet, Ludger Venne, François Vézina, Gérard White, C.A.

It was moved by Mr. Aristide Cousineau, seconded by Hon. F. Philippe Brais, that Hon. J. M. Dessureault be appointed chairman and Mr. Yvan Desjardins secretary of the Meeting.

This motion was unanimously carried.

The Secretary read: (1) Notice calling the Shareholders' meeting, as published in the newspapers, (2) Certificates evidencing that the following documents had been forwarded to every shareholder, according to law: (a) Notice of Meeting, (b) a form of proxy, (c) Statement recording the attendance of the Directors at Board Meetings, (d) a copy of the Record of proceedings at the Annual General Meeting held on January 8, 1963 and (e) a copy of Shareholders' By-laws in force on July 1st, 1963.

The Record of proceedings at the Eighty-eighth Annual General Meeting having been mailed to every shareholder, as evidenced by the certificate just read, it was moved by Mr. A. A. Cameron, seconded by Mr. Denys Pelletier, and unanimously resolved that this Record of proceedings be taken as read and confirmed.

On motion by Mr. Rosario Genest, seconded by Mr. Denis Quintal, it was unanimously resolved that Messrs. G. H. Séguin and Sylva Normandin be appointed scrutineers.

The Chairman called upon the General Manager to read the Eighty-ninth Annual Report of the Board of Directors. (See page 19).

The scrutineers reported that 79,409 shares were present and that 629,519 represented by proxy at the Meeting, a total of 708,928 shares, or 59.4% of the capital stock.

Mr. Oscar St-Pierre moved, seconded by Mr. Robert Désy, that the Eighty-ninth Board of Directors' Annual Report be adopted.

The motion was unanimously carried.

It was moved by Mr. Jean P. W. Ostiguy, seconded by Mr. S. Henri Robitaille: That the shareholders express their entire satisfaction at the results of the past financial year and convey to the distinguished members of the Board of Directors their heart-felt congratulations and their most sincere thanks.

It was also moved: That the shareholders convey to Mr. Ulric Roberge, President of the Bank, their best wishes for a prompt recovery.

Mr. Ostiguy then mentioned that Messrs. Dessureault and Major would no longer be members of the Board of Directors of the Bank and moved: That the shareholders deeply regret that, owing to the provision of the Bank Act concerning the age limit, Senator J. M. Dessureault and Mr. A. J. Major are not re-eligible to the Board of Directors and wish to express their sincere gratitude for their devotion to the Bank and for the dedication with which they discharged, during many years, the duties of the function of director.

These propositions were unanimously adopted and Hon. J. M. Dessureault thanked the Meeting:

"I wish to thank cordially, on behalf of all the members of the Board, the movers of the resolution which has just been adopted and also all the shareholders present at this Meeting.

I will make a point to transmit personally to Mr. Roberge the wishes which you were kind enough to extend to him and I know that these wishes will be a real comfort for him.

Now I wish to tell you on behalf of Mr. A. J. Major as well as in my name how we are sensible of the kind words you have addressed concerning ourselves. I can only repeat that it is with deep regret that we are resigning. We are sorry to leave colleagues with whom we have been associated during so many years and for whom we have always had a great regard. May I add that no one is left of those who were members of the Board when we were elected some twenty years ago? In turning back to the past, I think of all the directors who have been in office not only since twenty years, but since the beginning, ninety years ago, and who have made a small bank the large institution which we are so rightly proud of."

It was moved by Mr. Gérard Gingras, seconded by Mr. Roland Dufour: That the shareholders underline the devotion and diligence which the personnel of the Bank have shown during the past year by extending to the General Manager, Mr. Louis Hébert, to his close associates and to all the employees their praises and their heart-felt congratulations.

This proposition was unanimously adopted and Mr. Louis Hébert thanked the movers and the shareholders, personally and on behalf of the members of the staff.

The Secretary read letters from Mr. Jean Lacroix, C.A., of Samson, Bélair, Côté, Lacroix and Associates, and from Mr. Frank T. Denis, C.A., of Peat, Marwick, Mitchell & Co., offering their services to the Bank as auditors for the financial year 1963-64.

Upon motion of Mr. Marc Leroux, seconded by Mr. J. D. Cormier, it was unanimously resolved that Messrs. Jean Lacroix, C.A., and

Frank T. Denis, C.A., be appointed auditors for the financial year ending November 30, 1964, and that their remuneration be set at a total amount of \$25,000 to be divided between them according to the time devoted by each to the affairs of the Bank.

It was moved by Mr. Jean Delage, seconded by Mr. Paul A. Cusson: That Mr. Ulric Roberge or any other Director the Board may appoint be authorized to act as attorney or proxy of National Canadian Bank at any and all meetings of the shareholders of Banque Canadienne Nationale (France).

It was moved by Mr. J. René Thomas, seconded by Mr. Léopold Bernier: That Mr. Ulric Roberge or any other Director the Board may appoint be authorized to act as attorney or proxy at any and all meetings of the shareholders of Compagnie Immobilière BCN Ltée.

These propositions were unanimously adopted.

Mr. Romuald Bourque moved, seconded by Mr. Châteauguay Perrault, that the undermentioned shareholders be elected directors of the Bank, and that one ballot be cast evidencing the decision of the Meeting:

MR. PIERRE BEAUCHEMIN	MR. GASTON ÉLIE
MR. WILBROD BHERER, Q.C.	MR. MARCEL FARIBAULT
MR. JOSEPH BLAIN, Q.C.	MR. HENRI FERRON, C.A.
HON. F. PHILIPPE BRAIS, Q.C.	MR. LOUIS HÉBERT
MR. MAURICE CHARTRÉ, C.A.	MR. HENRI OUMET
MR. GEORGES O. CLERMONT	HON. JEAN RAYMOND, Q.C.
MR. ARISTIDE COUSINEAU	MR. ULRIC ROBERGE
MR. ÉTIENNE CREVIER	MR. RENAULT ST-LAURENT, Q.C.
MR. GEORGE A. DALY	MR. ALFRED TOURIGNY, Q.C.
MR. ROGER DESERRES	MR. GÉRARD WHITE, C.A.
MR. GEORGES T. DONOHUE	

This motion was unanimously carried.

The scrutineers presented the following report:

The undersigned scrutineers at the Eighty-ninth General Meeting of the shareholders of National Canadian Bank, held at the Queen Elizabeth Hotel, in Montréal, January 14, 1964, declare that they have examined the ballot which had been handed to them and that the shareholders who have been nominated are elected directors of the Bank.

DATED AT MONTRÉAL, January 14, 1964.

(signed) G. H. SÉGUIN

SYLVA NORMANDIN

The scrutineers' report was unanimously confirmed.

The meeting then adjourned.

At a meeting of the Board of Directors, held immediately after the shareholders' meeting, Mr. Ulric Roberge was elected President of the Bank, and Mr. Aristide Cousineau, Hon. F. Philippe Brais, Mr. Louis Hébert and Mr. Georges T. Donohue were elected Vice-Presidents.

NATIONAL CANADIAN BANK

308 branches and 297 agencies in Canada

Subsidiary in Paris, 37, rue Caumartin

103 branches in Montréal — 18 branches in Québec City

Other Branches: **IN QUÉBEC**

Acton Vale	Dolbeau	Lauzon
Alma	Donncona	Laval-des-Rapides
Amos	Dorion-Vaudreuil (2)	Lévis
Arvida	Drummondville	L'Islet
Asbestos	Duvernay	Longueuil (2)
Bagotville	Fabreville	Loretteville
Baie Comeau	Farnham	Lorrainville
Baie St-Paul	Ferme-Neuve	Louiseville
Beauceville East	Forestville	Magog
Beauharnois	Gaspé	Malartic
Beauport	Giffard	Marieville
Belœil	Gracefield	Matane
Berthierville	Granby (2)	McMasterville
Bic	Grand'Mère	Métabetchouan
Black Lake	Haute-Rive	Montebello
Cabano	Hudson	Mont-Joli
Cap-aux-Meules	Hull (3)	Mont-Laurier
Cap-de-la-Madeleine	Iberville	Montmagny
Cap-de-la-Madeleine West	Ile Perrot	Nicolet
Carleton-sur-Mer	Joliette	Normandin
Chandler	Jonquière	Notre-Dame-du-Lac
Charlesbourg	Kénogami	Paspébiac
Châteauguay Center	La Guadeloupe	Plessisville
Chibougamau	La Malbaie	Pointe Gatineau
Chicoutimi (2)	L'Annonciation	Pont-Viau
Chomedey (2)	La Pocatière	Port-Alfred
Coaticook	Laprairie (2)	Portneuf
Contrecoeur	La Sarre	Princeville
Deschaillons	L'Assomption	Rawdon
	La Tuque	Rigaud

With the compliments of the Board of Directors

BANQUE CANADIENNE NATIONALE

February 1964

Rimouski (2)	St-Hyacinthe (3)	St-Tite
Rivière-du-Loup (2)	St-Jacques (Montcalm)	St-Vincent de Paul
Roberval	St-Jean	Senneterre
Rouyn	St-Jérôme (2)	Seven Islands
Roxton Falls	St-Joseph (Beauce)	Shawinigan (3)
Ste-Adèle-en-bas	St-Joseph (Richelieu)	Sherbrooke (4)
Ste-Agathe-des-Monts	St-Jovite	Sorel
St-Aimé	St-Lambert	Terrebonne
Ste-Anne-de-Beaupré	Ste-Marie (Beauce)	Thetford-Mines
Ste-Anne-des-Monts	Ste-Martine	Town of Laval West
Ste-Anne-de-La-Pérade	St-Ours	Trois-Pistoles
St-Anselme	St-Pacôme	Three Rivers (2)
St-Camille (Bellechasse)	St-Pie (Bagot)	Valcourt
St-Casimir	St-Prosper	Val d'Or
St-Charles	St-Raymond	Valleyfield (2)
Ste-Dorothée	St-Rémi	Victoriaville
St-Eustache	St-Romuald	Ville de Brossard
St-Félicien	Ste-Rose	Ville-Marie
St-Félix-de-Valois	St-Sauveur-des-Monts	Wakefield
St-Gabriel-de-Brandon	Ste-Scholastique	Warwick
St-Georges (Beauce)	Ste-Thérèse	

IN ONTARIO

Casselman	Ottawa (2)	Vankleek Hill
Eastview (2)	Sturgeon Falls	Verner
Hawkesbury	Sudbury	
L'Orignal	Toronto	

IN MANITOBA

St-Boniface	St-Pierre	Winnipeg
St-Jean-Baptiste		

PRINCIPAL CORRESPONDENTS OF THE BANK

UNITED STATES

NEW YORK:

Bankers Trust Company
Chase Manhattan Bank
Chemical Bank New York
Trust Co.
First National City Bank
Manufacturers Hanover
Trust Co.
Morgan-Guaranty Trust
Company of New York
Irving Trust Company

BOSTON:

First National Bank
National Shawmut Bank

BUFFALO:

Marine Trust Company of
Western New York

CHICAGO:

Continental Illinois National
Bank and Trust Co.
First National Bank of Chicago

LOS ANGELES:

Security-First National Bank

MIAMI:

The First National Bank
of Miami

PHILADELPHIA:

Philadelphia National Bank

PITTSBURGH:

Mellon National Bank and
Trust Company

ST. PAUL:

First National Bank

SAN FRANCISCO:

Bank of America National
Trust & Savings Association

WASHINGTON:

Riggs' National Bank

FRANCE

PARIS:

Banque Nationale pour le
Commerce et l'Industrie
Banque de Paris et des
Pays-Bas
Comptoir National d'Escompte
de Paris
Crédit Commercial de France
Crédit Lyonnais
Crédit du Nord
Société Générale
Crédit Industriel et Commercial

ENGLAND

LONDON:

Barclays Bank Limited
Clydesdale Bank Limited
Comptoir National d'Escompte
de Paris
Crédit Lyonnais
Crédit Industriel et Commercial
Midland Bank Limited

MANCHESTER:

Williams Deacon's Bank
Limited

GERMANY

DUSSELDORF:

Deutsche Bank A.G.

HAMBURG:

Commerzbank A.G.

BELGIUM

ANTWERP:

Banque de Commerce

BRUSSELS:

Banque de Bruxelles
Crédit Lyonnais
Banque de la Société Générale
de Belgique

SPAIN

BARCELONA:

Banco Espanol de Credito
Banco Hispano Americano

MADRID:

Banco de Vizcaya
Banco Espanol de Credito
Banco Hispano Americano
Banco Ibérico

NETHERLANDS

ROTTERDAM:

Rotterdamsche Bank N.V.

ITALY

NAPLES:

Banco di Napoli

PALERMO:

Banco di Sicilia

ROME:

Credito Italiano
Banca Commerciale Italiana
Banco di Roma
Banca Nazionale del Lavoro

NORWAY

OSLO:

Christiania Bank og Kreditkasse

SWEDEN

STOCKHOLM:

Göteborgs Bank

SWITZERLAND

BASLE:

Société de Banque Suisse

GENEVA:

Union de Banques Suisses

ZURICH:

Société de Banque Suisse

*Other correspondents
in all parts of the world.*

