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# NATIONAL CANADIAN BANK

(BANQUE CANADIENNE NATIONALE)



SEVENTY-FOURTH  
ANNUAL REPORT  
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NOVEMBER 30, 1948

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# NATIONAL CANADIAN BANK

Established 1874

Head Office: MONTREAL

Paid-up Capital and Reserve Fund, \$14,000,000.00

Assets, \$408,580,149.75

SEVENTY-FOURTH  
ANNUAL REPORT

1948

# NATIONAL CANADIAN BANK

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## BOARD OF DIRECTORS

BEAUDRY LEMAN, *Chairman of the Board*

C.-E. GRAVEL, *President of the Bank*

CHAS. LAURENDEAU, K.C., *Vice President*

HON. JACOB NICOL, *Vice President*

L. J. ADJUTOR AMYOT

GEO. T. DONOHUE

HON. C. P. BEAUBIEN

A. J. MAJOR

ARMAND CHAPUT

HON. ALPHONSE RAYMOND

AUGUSTE DESILETS, K.C.

LEO. G. RYAN

HON. J. M. DESSUREAULT

CHARLES ST-PIERRE

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## HEAD OFFICE

CHAS. ST-PIERRE    -   -   -   -   -   -   -   -   -   *General Manager*

J.-A. DULUDE  
ULRIC ROBERGE  
P. DE L. TACHÉ  
J. L. DAVIGNON    }    -   -   -   -   -   *Assistant General Managers*

J. N. GOSSELIN  
GEORGES BEAUDRY    }    -   -   -   -   -   -   *Superintendents*

E. BEAUREGARD  
RODRIGUE ST-ONGE    }    -   -   -   -   *Managers, Credit Department*

LOUIS ROUSSEAU    -   -   -   -   -   -   -   -   *Chief Inspector*

LOUIS HÉBERT    -   -   -   -   -   -   -   -   *Chief Accountant*

LÉON LORRAIN    -   -   -   -   -   -   -   -   *General Secretary*

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# NATIONAL CANADIAN BANK

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## SEVENTY-FOURTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NATIONAL CANADIAN BANK

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Record of Proceedings at the Seventy-Fourth Annual General Meeting of the Shareholders held on Saturday, 8th January, 1949, at twelve o'clock noon, at the Head Office of the Bank, Place d'Armes, Montreal, Canada.

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Among those present were: Messrs. L. J. Adjutor Amyot, André Bachand, Georges Beaudry, Georges Beaupré, B. Bélanger, C. E. Bellerose, L. Bouthillier, J. Boutin, Paul-H. Brault, J. Alp. Brouillette, J. P. Buner, Rodolphe Casgrain, O. Castonguay, Armand Chaput, Emile Chaput, Georges Constantin, J. D. Cormier, Arthur Courtois, J. L. Davignon, A. Demers, B. Dépatie, J. V. Desaulniers, Auguste Desilets, K.C., Hon. J. M. Dessureault, Mr. George T. Donohue, Dr Eudore Dubeau, Messrs. J. A. Dulude, Georges Dupuis, Rosario Genest, K.C., J. N. Gosselin, C.-E. Gravel, Hon. Henri Groulx, Messrs. Paul Guimond, Louis Hébert, Joseph Hurtubise, Raymond Hurtubise, R. Kirouac, J. E. Laforce, Yvon Lamarre, Charles Laurendeau, K.C., Antoine L'Ecuyer, A. Lefebvre, J. R. Lemire, Léon Lorrain, C. A. Lussier, Hector Mackay, N.P., A. J. Major, H. Mantha, F. M. Marcotte, Emile Massicotte, N.P., J. E. Mercille, C. O. Monat, René Morin, N.P., Albert Naud, N.P., Hon. Jacob Nicol, Messrs. Alfred H. Paradis, Châteauguay Perrault, J. E. Poirier, Hon. Alphonse Raymond, Messrs. Ulric Roberge, Louis Rousseau, P. E. Rousseau, Rodrigue St-Onge, Charles St-Pierre, Justice Edouard Fabre Surveyer, Messrs. P. de L. Taché, Henry-J. Tellier, J. A. Trudeau, Paul Vaillancourt, Ludger Venne, Georges P. Vinant.

It was moved by Mr. C. O. Monat, seconded by Mr. Georges P. Vinant, that Mr. C. E. Gravel be appointed Chairman and Mr.



Léon Lorrain Secretary of the Meeting. The 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 Shareholders' By-laws in force on July 1st, 1948, and a copy of section 18 of the Bank Act (1944), (e) A copy of the record of proceedings at the Annual General Meeting held on January 8, 1948.

The Record of proceedings at the seventy-third Annual General Meeting having been mailed to every shareholder, as evidenced by the certificate just read, it was moved by Mr. J. A. Trudeau, seconded by the Hon. Alphonse Raymond, and unanimously resolved that this record of proceedings be taken as read and confirmed.

On motion by Mr. Paul H. Brault, seconded by Mr. Emile Chaput, it was unanimously resolved that Messrs. J. A. Trudeau and Joseph Hurtubise be appointed scrutineers.

The Chairman called upon the General Manager to read the Seventy-fourth Annual Report of the Board of Directors.

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## SEVENTY-FOURTH ANNUAL REPORT

Gentlemen,

Your Directors have the honour to submit their report on the Bank's operations for the financial year ending November 30, 1948.

# PROFIT AND LOSS ACCOUNT

30th NOVEMBER, 1948

Profits for the year ended 30th November, 1948, after making appropriations to Reserves for Contingencies out of which accounts full provision for bad and doubtful debts has been made.....		\$ 1,314,180.25
Less:		
Provision for Dominion and provincial taxes.....	\$ 365,993.17	
Contribution to Staff Pension Fund.....	150,000.00	
Written off Bank Premises.....	208,301.99	724,295.16
Net Profits after the foregoing deductions.....		\$ 589,885.09
Dividends.....		560,000.00
Amount carried forward.....		\$ 29,885.09
Balance at credit of Profit and Loss Account, 29th November, 1947.....		457,630.14
Balance at credit of Profit and Loss Account, 30th November, 1948.....		<u>\$ 487,515.23</u>

A. COURTOIS,  
Chief Accountant

C. ST-PIERRE,  
General Manager

C.-E. GRAVEL,  
President

# BALANCE SHEET

30th NOVEMBER, 1948

## ASSETS

Subsidiary coin held in Canada.....	\$ 1,171,039.83	
Notes of Bank of Canada.....	15,247,982.75	
Deposits with Bank of Canada.....	31,991,590.90	
Notes of and cheques on other banks.....	13,393,486.21	
Government and bank notes other than Canadian.....	451,613.00	
Deposits with and balances due by other chartered banks in Canada.....	832,315.46	
Due by banks and banking correspondents elsewhere than in Canada.....	1,995,040.93	\$ 65,083,069.08
Dominion Government direct and guaranteed securities maturing within two years, not exceeding market value..	41,905,691.35	
Other Dominion Government direct and guaranteed securities, not exceeding market value.....	64,046,077.16	
Provincial Government direct and guaranteed securities maturing within two years, not exceeding market value..	8,064,558.79	
Other Provincial Government direct and guaranteed securities, not exceeding market value.....	40,945,205.11	
Canadian municipal securities, not exceeding market value.	15,245,535.05	
Public securities other than Canadian, not exceeding market value.....	604,501.00	
Other bonds, debentures and stocks, not exceeding market value.....	17,171,790.63	
	\$187,983,359.09	
Call and short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover.....	3,196,108.75	191,179,467.84
		\$256,262,536.92
Current loans and discounts in Canada, estimated loss provided for.....	136,901,610.16	
Loans to cities, towns, municipalities and school corporations.....	7,056,175.83	
Non-current loans, estimated loss provided for.....	18,537.86	143,976,323.85
Liabilities of customers under acceptances and letters of credit as per contra.....	1,568,217.54	
Real Estate other than Bank premises.....	41,094.29	
Mortgages on real estate sold by the Bank.....	333,531.31	
Deposit with the Minister of Finance for the security of note circulation.....	34,215.00	
Bank premises at not more than cost, less amounts written off.....	5,791,535.15	
Other assets.....	572,695.69	8,341,288.98
		<u>\$408,580,149.75</u>

## LIABILITIES

Capital paid up.....	\$ 7,000,000.00	
Reserve fund.....	7,000,000.00	
Balance of Profit and Loss Account.....	487,515.23	
Dividends declared and unpaid (including dividend payable 1st December, 1948).....	153,230.00	\$ 14,640,745.23
Notes of the Bank in circulation.....		611,047.00
Deposits by and balances due to Dominion Government....	8,120,337.12	
Deposits by and balances due to Provincial Governments...	3,382,968.73	
Deposits by the public not bearing interest.....	90,783,476.25	
Deposits by the public bearing interest, including interest accrued to date of statement.....	285,044,313.06	
Deposits by and balances due to other chartered banks in Canada.....	3,412,576.84	
Deposits by and balances due to banks and banking corre- spondents elsewhere than in Canada.....	950,622.02	391,694,294.02
Acceptances and letters of credit outstanding.....		1,568,217.54
Other liabilities to the public.....		65,845.96
		<u>\$408,580,149.75</u>

### AUDITORS' REPORT TO THE SHAREHOLDERS

We beg to report to the Shareholders of Banque Canadienne Nationale that we have checked the cash and verified the securities of the Bank at the Chief Office as at 30th November, 1948, as well as at another time during the year, and found they agreed with the entries in the books in regard thereto.

We have examined the books and accounts at Head Office and have compared the above Balance Sheet with these books and with the certified returns from the branches. In our opinion, the Balance Sheet is properly drawn up so as to disclose the true condition of the Bank as at 30th November, 1948, according to the best of our information and the explanations given us, and is as shown by the books of the Bank.

We have obtained all the information and explanations required by us, and in our opinion the transactions of the Bank which have come under our notice have been within the powers of the Bank.

MAURICE CHARTRE, C.A. of Chartré, Samson, Beauvais, Gauthier, & Cie	} Auditors.
A. BALLANTYNE, C.A. of Peat, Marwick, Mitchell & Co.	

Montreal, December 20th, 1948.

C.-E. GRAVEL,  
President

C. ST-PIERRE  
General Manager

A. COURTOIS  
Chief Accountant



Profits amounting to \$1,314,180 show an increase of \$139,749 over the preceding year. They were allocated as follows: provision for Dominion and Provincial taxes, \$365,993, against \$318,300 in 1947; contribution to the staff pension fund, \$150,000; amortization of bank's premises, \$208,301, as compared with \$177,159; dividends, \$560,000, as against \$507,500 for the previous year. The credit balance of Profit and Loss Account increased from \$457,630 to \$487,515.

Deposits, having gained more than 26 million dollars during the year, reached the all-time high of \$391,694,294. While Government deposits were reduced by about a million and a half dollars, non-interest-bearing and interest-bearing deposits by the public show advances of \$10,543,626 and of \$17,487,315, respectively.

Savings deposits have grown by more than 100% in the past five years, rising from \$141,784,227 to \$285,044,313. This important and sustained progress shows not only that the number of our depositors has increased considerably, but also that the time-honored practice of thrift is still prevalent in our country. This is all the more gratifying as it benefits one's family and the community as well. Saving, while enabling individuals to provide against emergencies, has a social and economic bearing which is worthy of note. The consumer may help himself against the high cost of living; self-restraint is a very effective means of checking the rise in prices. Collective savings play an essential part in the economic life of the country since they provide the commercial banks with a large part of the funds required for loans to agriculture, trade and commerce.

Saving, however, is most profitable when it is steady. It may be pointed out, by the way, that some twenty-five years ago the National Canadian Bank established, under the name of Christmas Club, a systematic savings plan consisting of weekly deposits the various amounts of which are at the depositor's option. This method of savings, besides the practical results it gives, offers an educational feature which is being more and more appreciated every day.

Total assets of the Bank, which have increased by \$25,801,263 during the year, aggregate \$408,580,149, the highest figure ever recorded. Cash assets total \$65,083,069, as against \$60,776,735 a year ago; they are equal to 16.59% of liabilities to the public. Quick assets, higher by \$21,612,376, are at \$256,262,537 or 65.31% of liabilities to the public. The Bank's investments, showing an advance of \$18,281,853, amount to \$187,983,359.

Current loans and discounts have risen in the course of the year from \$131,220,517 to \$136,901,610, an increase of \$5,681,093. As at 30th. September last, advances to trade and industry were at \$81,838,000, as compared with \$72,695,000 the previous year, and they were equal to 52.32% and 54.11%, respectively, of the total

loans and discounts, whereas, for all the banks, at the same dates, loans of that class were equivalent to 46.12% and 47.54% of all loans and discounts.

Last year, we were calling the attention of manufacturers, wholesalers and retailers to the danger inherent in an inadequate liquidity of their situation in case their inventories should depreciate substantially. We believe this warning is justified again this year, for uncertainty still prevails in no lesser degree. It is necessary to pay particular attention to the nature and the volume of one's inventory as well as to the collection of one's credits. Great caution should be exercised, therefore, when assuming liabilities which might become onerous should important changes in conditions occur. It is the part of prudence, it seems, to strengthen to the utmost one's liquid reserves in order to provide for all contingencies.

During the past year, the Bank opened an office in Toronto, another branch in Montreal (6939 St. Hubert Street) and a third branch in Shawinigan Falls. It converted into branches its agencies in Ferme Neuve, St. Prosper, Cap-de-la-Madeleine West and Hudson, and it established agencies in the following places: Cap Chat, St. Philippe de Clermont, Quebec West, Brigham and Châteauguay Station. It now maintains at the disposal of its customers and the public 538 offices of which 229 are branches and 309 agencies.

The further progress achieved in 1948 by the National Canadian Bank was due, in a large measure, to the members of its staff who are conscious of their duties and their responsibilities to both the Bank and its customers.

Before opening his address, the President said he was sure of voicing the general feeling of the Meeting in expressing his regret for the absence of the Chairman of the Board, Mr. Beaudry Leman, and of the Hon. C. P. Beaubien, who were both prevented from attending through illness, and the absence of Mr. Leo G. Ryan.

## ADDRESS OF THE PRESIDENT

Gentlemen,

You have no doubt noted with satisfaction the results of the operations of your Bank during the last financial year. The report of our General Manager, Mr. Charles St-Pierre, shows clearly that the National Canadian Bank has realized further progress in the past year and has contributed, in a larger measure, to the progress of agriculture, industry and commerce. Needless to say that this increased volume of business is due, in part, to the great activity which has prevailed in Canada during the same period of time.

## Production and Agricultural Industries

Throughout the country, harvest returns have been very good. The most recent official estimate indicates a yield of 393 million bushels in the 1948 wheat crop, which is about 56 millions more than in 1947. After deduction of the 150 million bushels for her domestic requirements and delivery to Britain of the 140 million bushels provided for in the wheat agreement for 1949, it is estimated that about one hundred million bushels will be available for other countries which received, in 1947-1948, approximately only 38 million bushels. World production of wheat, as a consequence of the plentiful harvest of the United States, will reach a figure considerably higher than the average of the pre-war years.

The other cereals, oats, barley and corn, likewise show an important gain over the previous year. In the Province of Quebec, a higher yield of field crops is general, except for hay and clover.

The dairy industry has suffered, especially in Quebec and Ontario, an important decline owing to the poor condition of pastures, caused by the drought, as well as to the increased export of dairy cattle to the United States, where prices were higher. However, whereas the official figures reveal a substantial decrease in butter and cheese production, they note a marked upward trend in the manufacture of products derived from concentrated milk. This may perhaps indicate that Canadian producers, after satisfying the fluid milk needs of the domestic market, might find it to their advantage to supply industrial concerns whose raw material is concentrated milk. It might probably be profitable to import supplementary stocks of butter and cheese from less industrialized countries, as for example New Zealand, where the cost price is lower, because the dairy herds are at pasture the whole year.

## Economic Activity

The mining industry made good progress last year. Except in the case of lead, production of which has fallen off somewhat, the extraction of all minerals, especially asbestos, copper, nickel, silver, zinc, coal and oil, is showing an increased output. The production of gold, although in lighter volume than during the pre-war years, registered nevertheless a slight rise. It is forecast that the value of mineral production will have exceeded, in 1948, the unprecedented figure of 620 million dollars which it reached in 1947.

The new oil fields of Alberta, as well as the tremendous beds of iron ore of Ungava, Labrador and the North Shore of the Saint Lawrence, will doubtless in a few years widen considerably the scope of the Canadian mining industry. Our country, however, will not enjoy the full benefit of its mineral wealth unless it is our policy to refine and process it in our own mills, instead of exporting it in a raw state.

Forestry operations have remained very active, due to the persisting demand for newsprint, lumber and timber. The building industry has experienced a marked recovery. Construction contracts awarded during the first ten months of 1948 reached a total of 815 million dollars, being about 192 million dollars more than for the corresponding period of 1947. Although the housing problem has not yet been solved, it is to be noted that residential buildings, during this same period, registered a rise of 62 per cent over the comparable period of the previous year.

The manufacturing industries have maintained or increased their output. The number of plants established in Canada by foreign firms has grown sharply in the last few years. A recent return reveals that there are in Canada some 2,000 branches of American concerns, half of which are industrial establishments, representing a total investment of more than two billion dollars. Canada possesses at the present time some 475 branches of British firms, including those established in 1948, numbering twenty-five or more, in which capital in excess of 600 million dollars is invested. Various other countries, such as France, Belgium, Holland, Denmark, Sweden and Norway also opened in Canada, since the war, some 75 factories, and it is expected that they will establish from 100 to 150 others during this year. It is the advantages which Canada offers from the export angle that have spurred foreign industrialists to organize these branches.

## Foreign Trade

In proportion with the increase in production, the domestic market becomes more and more insufficient. It is therefore important that we widen our foreign outlets and find new markets, despite the difficulties arising, particularly, from the scarcity of dollars which forces numerous soft-currency countries to resort to barter among themselves, instead of effecting normal exchanges with hard-money countries. The gradual replacement and modernization of industrial equipment, in several countries devastated by the war, will be an additional stimulus towards a keener competition with Canadian products.

The foreign trade of Canada, during the first ten months of 1948, is valued at some 4,661 million dollars, which represents a rise of 226 million dollars as compared with the first ten months of 1947. Our exports, with an increase of 209 millions, have amounted to 2,494 millions, and our imports which have grown by 17 millions, have reached the figure of 2,167 millions. Thus, from one year to the other, the favourable balance of trade has been raised from 135 to 327 million dollars.

At first sight, the situation and prospects of Canada's foreign trade appear to be satisfactory. But if the official figures are analysed, it will be found that such progress is somewhat illusory.



Besides ignoring the rise in prices, the statistics do not indicate that, since the end of hostilities, our exports have been, to the extent of 15 to 25 per cent, on the basis of long term credits, the full repayment of which remains doubtful. What have the following years in store for us in this field?

Faced with the economic and financial difficulties which most countries are experiencing today, it would no doubt be presumptuous to make any prophesy concerning the distribution of our international trade. It is, nevertheless, quite evident that a new orientation of our foreign trade is necessary forthwith, if we would forestall serious disturbances in the economy of our country.

Government trading, which has survived the war economy, has not given, it must be admitted, the results which could justify its maintenance. Because of various agreements between Ottawa and London, a number of Canadian producers have not made such profits as they might have otherwise realized. Since the end of the war, the Canadian Government has, in a large measure, directed our exports towards the United Kingdom; it has even, occasionally, placed an embargo on certain products which would have found outlets in the United States. Thus Canada delivered to Britain, at reduced prices and often on credit, cereals, foodstuffs, lumber, minerals and other commodities, while buying in the United States, at market price and for cash, equipment, fuels and various other essentials. The consequence of such a policy was, from the outset, easy to foresee. Threatened by the prospect of the depletion of its reserves in American dollars, the Canadian Government found itself compelled, in November 1947, to impose important restrictions on our imports from the United States. About the same time, the Bank of Canada announced the necessity of cancelling export credits.

## Our Trade with the Commonwealth

The danger arising from the excessive concentration of our markets is being very clearly stressed today. During the war, Britain was forced to liquidate the greatest part of her foreign investments, the revenue from which had almost been sufficient, in 1938, to fill the gap between her imports and her exports. She now has at her disposal comparatively limited resources for her purchases in the hard-currency countries. Hence, she is taking all possible steps to reduce her orders for Canadian products.

There is, it would appear, a very slight chance of recovering, in the near future, the important place we occupied on the British market in pre-war days. Normal trading operations require an international monetary system providing some exchange stability. Prospects, in this regard, are hardly encouraging. Sir Stafford Cripps, British Chancellor of the Exchequer, recently stated that, in all probability, Britain will be in no position to reestablish the traditional convertibility of the pound sterling, even after 1952,

when the Marshall Plan terminates. Moreover, London is planning to allocate very considerable sums to encourage the production of foodstuffs and raw materials in Africa, Australia and New Zealand.

The Canadian Exporters Association recently emphasized the fact that our exports to all the Commonwealth countries reveal a decline all the more alarming in that it is especially due to restrictive measures affecting our products.

There is in Britain some talk of regrouping the Commonwealth countries in a new customs union. Canada will study this scheme with much goodwill, interested as she is in dealing with all countries on a basis of mutual concessions. It would not, however, be advantageous to conclude agreements entailing the exchange of our raw materials for manufactured goods. The abundance of our agricultural, forest and mineral wealth will make of Canada, for a long time yet, a great exporter of raw materials, but the present stage of her economic evolution demands that a greater proportion of the products of her soil and her sub-soil be processed by her own industry for, at the present time, manufactured goods represent only about 20 per cent of the value of our exports.

## The Expansion of Our Markets

The disequilibrium of our trade with the United States has been somewhat lessened during the past year. This improvement results rather from the rise of our exports than from the decline in our imports. As a consequence of restrictions imposed by Ottawa, our purchases in the United States during the first ten months of 1948 showed a reduction of some 176 million dollars, in comparison with the same period of 1947, whereas our sales increased by about 355 millions.

Canada is the chief market of the United States. Despite the disproportion in the population of these two countries, our trade has always reflected a debit balance which causes such exchange difficulties that we are forced to reduce our imports. The reciprocal interest of the two great countries of the North American continent demands that every effort be made to promote the movement of goods both ways, as the character of their economies is favourable to such a policy. If both of them possess resources of the same kind, they also have some which are of a complementary nature. The Canadian Minister of Finance and the Minister of Trade and Commerce have entered into negotiations with the United States in view of drawing up a new trade treaty. Let us hope that their initiative will have successful results.

The prosperity of Canada depends, in a large measure, on the activity of its foreign trade. The execution of the European Recovery Plan will, for the time being, stimulate our exports; but, as this is only a temporary expedient, we must endeavour to develop as soon as possible our trade with the world at large, keeping in mind mutual interest, which alone offers guarantees of stability.

## Inflation and Taxes

The considerable sums collected by the Government for nearly ten years in taxes and loans have been allocated, in large part, to war expenditures and the cost of demobilization, as well as to the carrying out of its social legislation. Hence the increase in the monetary circulation has vastly exceeded the development of production of consumer goods. The expansion of purchasing power and the scarcity of available commodities have resulted in the depreciation of money, or inflation, which is evidenced by the feverish rise in prices.

As it always happens in such cases, the rise in prices brings about demands for higher wages, and the upward trend in wages results in increased prices, which in turn lead to further wage demands. How can such a situation be avoided?

It is evident that the Government must do its part. It can contribute to the stabilization of the situation by reducing the public debt and limiting expenditures wherever possible. It is only fair to congratulate the Government for having amortized the debt in a substantial way during the past two years, but it is to be regretted that it has not yet found a way to reduce its expenditures. Will the budget surplus of the present financial year, which already exceeds half a billion dollars, be applied to the reduction of the debt or to lightening the burden of the taxpayer? The Minister of Finance has not yet informed the public of his intentions. It has often been maintained that taxation is a means of curbing inflation, because it diminishes the buying power of the consumer. There is, however, a distinction to be made in this matter. Taxes slow down the inflationary drive in so far as they serve to reduce the public debt. But if the Government spends the proceeds thereof, it does not lower the buying power of the public; it merely displaces it, and thereby adds to the burden of those taxpayers who get no benefit from Government generosity. People with incomes varying between \$2,000 and \$3,000, particularly, are seeing themselves weighed down with taxes which do not leave them with sufficient resources. Taxpayers of this class, whose number exceeds 530,000, paid in 1946 (latest available figures) a sum of more than 140 million dollars in income tax. Hence many heads of families succeed only with difficulty, if they succeed at all, in making ends meet. The official cost of living index, high as it may be, is still far from corresponding with reality. The hypothetical budget which it uses as a basis does not take into consideration many unavoidable expenses.

## The Bank of Canada

The Royal Commission, appointed by the Federal Government in 1933 to study our banking system, advocated, among other measures, the establishment of a Central Bank. As a sequel to this

recommendation, the Bank of Canada was incorporated, by Act 24-25 George V, sanctioned on July 3rd., 1934.

Its purpose is to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion.

Founded in a period of depression, the Bank of Canada has had, thereafter, to face the grave difficulties of the war and post-war periods. The strength of resistance which our country showed in those critical circumstances has no doubt been due, to a large extent, to the effective way in which the central bank fulfilled its part.

Section 21(m) of the Act incorporating the Bank of Canada, which authorizes it to receive deposits from the Federal and Provincial Governments and from the chartered banks, stipulates that these deposits shall not bear interest. Section 27 stipulates, on the other hand, that every chartered bank shall maintain with the Bank of Canada a reserve of not less than five per cent of its deposits in Canada. These deposits with the Bank of Canada, the monthly average of which was less than 176 millions in 1935, now exceed, at times, 550 millions a month. The net profits of the Bank of Canada for the financial year 1947 are in excess of 18 million dollars, which were remitted to the Receiver General in accordance with section 31, after payment of dividends to the amount of \$225,000, representing  $4\frac{1}{2}\%$  on its capital of 5 millions. On the occasion of the next revision of the Bank Act, in 1954, it would be expedient to make a further study of certain angles of the relations between the chartered banks and the Bank of Canada.

Section 61, paragraph 7, of the Bank Act stipulates that, on January 1st., 1950, the chartered banks shall remit to the Bank of Canada a sum equal to the notes issued by these Banks, even those issued before Confederation, and including those for which they became liable, and which shall not have been paid on that date. This will represent a sum of about fifteen million dollars. As a large number of these bills have been destroyed or lost, and therefore will never be presented, the eventual profit the chartered banks might have derived therefrom will benefit to the Bank of Canada.

## Period of Uncertainty

Our country will not be able to escape the consequences of the evolution in world affairs. At present, the war in the near future seems unlikely. It is held in certain circles that the intentions of the Kremlin and its agents consist rather in holding over the western democracies a perpetual threat of war in the hope of ruining them



by preparations which would bring about an economic crisis capable of paving the way to revolution.

Be that as it may, Canada today is engaged in a cold war, which will impose heavy burdens on her. If we are called upon to organize a rearmament program, while contributing to the equipment of the armies of the Western European nations, how shall we be able to avoid the reestablishment of wartime economy? No doubt, war economy creates full employment, assures outlets for everything the country can produce and causes money circulation to increase; but it would be extremely dangerous to mistake this unsound activity for real prosperity.

Canada has witnessed, since 1939, such a general well-being as to delude many minds concerning the real situation of the country. This apparent prosperity, during the war and post-war periods, has been won at the cost of a tremendous growth of the public debt and very high taxation. The funded debt of Canada, which amounted to some 4,440 million dollars on December 31st., 1939, now exceeds 16 billions. The individuals, who had contributed some forty million dollars through income tax in 1938, have paid more than 650 millions in 1947. Do not these figures reveal that it would hardly be possible to add to the burden of public debt and taxation without causing profound disturbances in the national economy?

In 1939, unemployment prevailed in our country, so that it was relatively easy to find recruits for the army or to hire men for our war industries, amongst the thousands of workless. Conditions are not the same today. Almost all able-bodied men are at work; there is even a scarcity of man-power in certain branches of production. Several raw materials cannot yet be found in sufficient quantity to meet the current needs of the country. It would not be possible, therefore, to secure a legion of workers and great quantities of materials in preparation for an eventual defensive war, unless it be to the detriment of normal economic activity.

The prospects for 1949 do not warrant any justifiable forecast. We have entered the fourth post-war year and the world is not yet enjoying the blessings of peace. We are living in a period of uncertainty. The insecurity of world conditions represses the optimism which would have resulted, in normal times, from the great economic activity which characterizes our country. We do not witness a wave of speculation like that which preceded and, in part, brought about the market crashes of 1921 and 1929. The practice of the ancient virtue of prudence has no doubt smoothed, up to now, the grave difficulties of the troubled time through which we are living, and we may be sure that it will help Canada to maintain, in the world of tomorrow, the place she has won because of the abundance of her natural resources and the intelligence and activity of her population.

The scrutineers reported that 23,210 shares were present and 293,522 represented by proxy at the Meeting, a total of 316,732 shares.

It was moved by Mr. C. E. Gravel, seconded by Mr. Charles Laurendeau, and unanimously resolved, that the Seventy-fourth Annual Report of the Board of Directors be approved by the Shareholders.

It was moved by Mr. Rosario Genest, K.C., seconded by Mr. Emile Chaput: That the Shareholders' By-laws be amended by substituting the following wording for sections I, III, IV and VIII:

# I

The Annual General Meeting of Shareholders of the Banque Canadienne Nationale shall be held at the Head Office of the Bank, in the City of Montreal, on the second Tuesday of January, to elect the Directors and to consider all questions coming within its province. (Should the second Tuesday of January in any year be a legal holiday, the Meeting shall be held on the following juridical day.)

General Meeting

# III

The Board of Directors shall be composed of fourteen members, of whom three shall form a quorum.

Board of Directors Quorum

# IV

Any shareholder of the Bank shall be eligible as a Director if, at the time of his election, he owns outright and holds in his own name at least five hundred fully paid-up shares of the capital stock of the Bank. Any Director who ceases to be qualified as above, or who has become insolvent, or who has compromised with his creditors, *ipso facto* forfeits his right to act as a Director. A Director is denied the right to act as private banker, to hold office in another chartered bank or to take part in the establishment of a bank.

Qualifications of Directors

# VIII

A sum of forty thousand dollars may be appropriated by the Board for the remuneration of the President, the Vice-Presidents and the Directors and for travelling expenses of the Directors residing outside of Montreal.

Remuneration of Directors

The motion was unanimously carried.

Mr. Paul Vaillancourt moved, seconded by Mr. C. O. Monar, that the Shareholders wish to express their appreciation to the President and the Directors of the Bank for the highly satisfactory results obtained and for the substantial progress achieved during the past year.

The motion was unanimously adopted.

The President, on behalf of the Board, thanked the movers of the resolution and the Meeting, and remarked that the steady expansion of Banque Canadienne Nationale results from a close co-operation between the Directors, the members of the staff and the Shareholders themselves.

Mr. Henry J. Tellier moved, seconded by Mr. Joseph Hurtubise, that the Shareholders express their satisfaction and their gratitude

to the members of the staff who, under the able guidance of the General Manager, Mr. Charles St-Pierre, have considerably increased the volume of business of the Bank, as witnessed by the report on the operations of the past year which has just been read to the Meeting.

The motion was unanimously adopted.

The general manager, Mr. Charles St-Pierre, thanked the movers of the resolution and the Shareholders, in his own name and on behalf of the members of the staff, and pointed out that the steady increase in the Bank's business lay a heavier task not only upon the executive, the Credit Department and the Inspection Department, but upon branch managers and accountants as well, and he declared that every employee deserved unqualified praise for his devotion to duty.

The Secretary read letters from Mr. Maurice Chartré, C.A., of Chartré, Samson, Beauvais, Gauthier & Co. and from Mr. A. Ballantyne, C.A., of Peat, Marwick, Mitchell & Co., offering their services to the Bank as auditors for the fiscal year 1948-49.

Upon motion of Dr. Eudore Dubeau, seconded by Mr. J. E. Laforce, it was unanimously resolved that Messrs. Maurice Chartré, C.A., and A. Ballantyne, C.A., be appointed auditors, for the fiscal year ending November 30, 1949, and that their remuneration be set at a total amount of \$12,500 to be divided between them accordingly to the time devoted by each to the affairs of the Bank.

It was moved by Mr. Joseph Hurtubise, seconded by Mr. Henry J. Tellier, and unanimously resolved: That Mr. Beaudry Leman, Mr. Charles Laurendeau or the Honorable Jacob Nicol, each acting singly, or any other Director the Board may appoint, be authorized to act as attorney or proxy of Banque Canadienne Nationale at any and all meetings of the shareholders of Banque Canadienne Nationale (France).

Mr. J. V. Desaulniers moved, seconded by Mr. Alfred H. Paradis, that the Meeting proceed to the election of Directors and that one ballot be cast evidencing the decision of the Meeting. This motion was unanimously carried.

A ballot was handed to the scrutineers who reported that the following Shareholders had been elected Directors of the Bank:

Mr. L. J. Adjutor Amyot  
Hon. C. P. Beaubien  
Mr. Armand Chaput  
Mr. Auguste Desilets, K.C.  
Hon. J. M. Dessureault  
Mr. Geo. T. Donohue

Mr. C. E. Gravel  
Mr. Charles Laurendeau, K.C.  
Mr. Beaudry Leman  
Mr. A. J. Major  
Hon. Jacob Nicol  
Hon. Alphonse Raymond  
Mr. Leo G. Ryan  
Mr. Charles St-Pierre

The scrutineers' report was unanimously confirmed.

It was moved by Mr. Joseph Hurtubise, seconded by Mr. J. A. Trudeau, and unanimously resolved:

That the Meeting deeply regrets to hear that Mr. Beaudry Leman and the Hon. C. P. Beaubien are in bad health, and wishes them a quick and complete recovery.

The meeting then adjourned.

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At a meeting of the Board of Directors of the Bank held immediately after the Annual Shareholders' Meeting, Mr. Beaudry Leman was elected Chairman of the Board; Mr. C. E. Gravel was elected President of the Bank, and Mr. Charles Laurendeau and Hon. Jacob Nicol were elected Vice Presidents.



# NATIONAL CANADIAN BANK

229 Branches and 309 Agencies in Canada

66 Branches in Montreal 14 Branches in Quebec City

## OTHER BRANCHES

### IN QUEBEC

Acton Vale  
Amos  
Bagotville  
Baie Comeau  
Baie St. Paul  
Beauceville  
Beauharnois  
Belle-Rive  
Beloeil  
Berthierville  
Bic  
Bienville  
Cabano  
Cadillac  
Cap aux Meules  
Cap de la Madeleine  
Cap de la Madeleine West  
Chandler  
Charlesbourg  
Chicoutimi (2)  
Coaticook  
Contrecoeur  
Deschaillons  
Dolbeau  
Donnacoona  
Drummondville  
Farnham  
Ferme-Neuve  
Gaspé  
Gracefield  
Granby (2)  
Grand'Mère  
Hudson  
Hull (3)  
Iberville  
Joliette  
Jonquière  
Kénogami  
La Malbaie  
L'Annonciation  
Laprairie  
La Sarre  
L'Assomption  
La Tuque  
Lauzon  
Lévis  
L'Islet  
Longueuil

Loretteville  
Lorrainville  
Louiseville  
Malartic  
Marieville  
Marane  
Montebello  
Mont Joli  
Mont Laurier  
Montmagny  
Montréal-Sud  
Nicolet  
Paspébiac  
Plessisville  
Portneuf  
Princeville  
Rawdon  
Rigaud  
Rimouski  
Rivière du Loup (2)  
Roberval  
Rouyn  
Roxton Falls  
Ste-Adèle  
St. Aimé  
Ste. Anne des Monts  
Ste. Anne de Beaupré  
Ste. Anne de la Pérade  
Ste. Anne de la Pocatière  
St. Anselme  
St. Camille de Bellechasse  
St. Casimir  
St. Charles  
St. Eustache  
St. Evariste Station  
St. Félicien  
St. Félix de Valois  
St. Gabriel de Brandon  
St. Georges de Beauce  
St. Hyacinthe  
St. Jacques l'Achigan  
St. Jean  
St. Jérôme  
St. Joseph de Beauce  
St. Joseph (Richelieu)  
St. Lambert  
Ste. Marie de Beauce  
St. Martin  
Ste. Martine

St. Ours  
St. Pacôme  
St. Pie de Bagot  
St. Prosper  
St. Raymond  
St. Rémi  
St. Romuald  
St. Rose  
Ste. Scholastique  
Ste. Thérèse  
St. Tite  
Senneterre  
Shawinigan Falls (3)  
Sherbrooke (3)  
Sorel  
Terrebonne  
Thetford Mines  
Trois Pistoles  
Trois Rivières (2)  
Valcourt  
Val d'Or  
Valleyfield  
Dorion-Vaudreuil  
Victoriaville  
Ville Marie  
Wakefield  
Warwick

### IN ONTARIO

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

### IN MANITOBA

St. Boniface  
St. Pierre  
Winnipeg

IN SASKATCHEWAN  
Pontheit

## Principal Correspondents of the Bank

### UNITED STATES

#### NEW YORK:

Bankers Trust Company  
Chase National Bank  
Chemical Bank & Trust Co.  
Guaranty Trust Company of New York  
Irving Trust Company  
National City Bank  
New York Trust Company  
Public National Bank & Trust Co.

#### BOSTON:

First National Bank  
National Shawmut Bank

#### BUFFALO:

Marine Trust Company

#### CHICAGO:

Continental Illinois National Bank and Trust Co.

#### LOS ANGELES:

Security-First National Bank of Los Angeles

#### 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

### BELGIUM

#### ANTWERP:

Banque de Commerce

#### BRUSSELS:

Banque de Bruxelles  
Credit Lyonnais

## SPAIN

### BARCELONA:

Banco Espanol de Credito

## FRANCE

### PARIS:

Banque Canadienne Nationale (France)

Banque de Paris et des Pays-Bas

Comptoir National d'Escompte de Paris

Crédit Commercial de France

Crédit Lyonnais

Société Générale

Société Générale de Crédit Industriel et Commercial

## ENGLAND

### LONDON:

Barclays Bank Limited

Clydesdale Bank Limited

Comptoir National d'Escompte de Paris

Crédit Lyonnais

Société Générale de Crédit Industriel et Commercial

## NETHERLANDS

### ROTTERDAM:

Rotterdamsche Bankvereniging

## ITALY

### ROME:

Credito Italiano

Banca Commerciale Italiana

Banca di Roma

## NORWAY

### OSLO:

Christiania Bank og Kreditkasse

## SWITZERLAND

### BASLE:

Société de Banque Suisse

### ZURICH:

Société de Banque Suisse

Other correspondents in all parts of the world.





