

THE CANADIAN BANK OF COMMERCE

HEAD OFFICE - TORONTO, ONTARIO

CAPITAL PAID-UP	- - - -	\$6,000,000
REST	- - - -	\$ 600,000

DIRECTORS:

HENRY W. DARLING, ESQ.,	-	PRESIDENT.
GEO. A. COX, ESQ.,	- - - -	VICE-PRESIDENT.
GEORGE TAYLOR, ESQ.		WM. GOODERHAM, ESQ.
JAS. CRATHERN, ESQ.		JOHN I. DAVIDSON, ESQ.
W. B. HAMILTON, ESQ.		MATTHEW LEGGAT, ESQ.

B. E. WALKER, General Manager.
J. H. PLUMMER, Asst. General Manager.
A. H. IRELAND, Inspector.

BRANCHES

QUEBEC—

MONTREAL.....A. M. CROMBIEManager.

ONTARIO—

AYRJOHN WYLLIEAgent.
BARRIEH. H. MORRISManager.
BELLEVILLE.....R. THOMSON..... “
BERLIND. B. DEWAR “
BLENHEIMR. C. MACPHERSONAgent.
BRANTFORD.....JEFFERY HALEManager.
CHATHAMJ. E. THOMAS “
COLLINGWOODJAS. BRYDON..... “
DUNDASC. E. PANGMAN “
DUNNVILLEF. C. MINTY..... “
GALTW. THOMPSON..... “
GODERICH.....R. S. WILLIAMS “
GUELPH.....B. R. MCCONKEY “
HAMILTON.....WM. ROBERTS “
JARVISH. J. GRASSETT.....Agent.
LONDONH. A. NICHOLSON.....Manager.
ORANGEVILLE.....B. SHEPHERD..... “
OTTAWAROBT. GILL “
PARISR. C. JENNINGS..... “
PARKHILLJ. M. DUFF..... “
PETERBORO.....WM. MANSON..... “
ST. CATHARINES.....F. O. CROSS “
SARNIAT. W. NISBET “
SEAFORTH.....JOHN AIRD “
SIMCOE.....E. COWDRY “
STRATFORDW. MAYNARD, JR..... “
STRATHROY.....L. H. DAMPIER “
THOROLDW. J. ROBERTSON “
TORONTO.....J. C. KEMP “
“L. BOLSTER.....Sub Mgr.
EAST TORONTOA. BRADLEYManager.
NORTH TORONTOR. J. MONTGOMERY “
N.W. TORONTO.....R. C. MCHARRIE..... “

GENERAL STATEMENT

31ST MAY, 1888.

LIABILITIES

To the Public

Notes of the Bank in circulation	\$ 2,117,681 00
Deposits not bearing interest.....	2,239,960 71
Deposits bearing interest, including interest accrued to date	8,769,595 83
Balances due other Banks in Canada.....	11,625 71
Balances due Agents in Great Britain	731,957 64
Unclaimed Dividends	2,403 48
Dividend No. 42, payable 1st June	210,000 00
	\$14,083,224 37

To the Shareholders.

Capital paid-up.....	\$6,000,000 00
Rest.....	600,000 00
Balance of Profit and Loss Account carried forward	15,799 11
	6,615,799 11
	\$20,699,023 48

ASSETS

Specie	\$ 495,934 37
Dominion Notes	682,538 00
Notes of and Cheques on other Banks	585,224 49
Balances due by other Banks in Canada	102,630 29
Balances due by Agents of the Bank in the United States British, Canadian, and U. S. Government Securities, Municipal and other Stocks and Bonds	1,213,861 54
Call and Short Loans on Stocks and Bonds.....	1,085,199 31
	568,463 45
	\$ 4,733,851 45
Time Loans on Stocks and Bonds.....	469,862 90
Other Current Loans and Discounts	14,789,426 01
Bills Discounted Overdue, not specially Secured (loss fully provided for)	45,653 42
Overdue Debts, secured.:	153,984 96
Real Estate (other than Bank Premises), and Mortgages.	161,326 75
Bank Premises and Furniture.....	344,917 99
	\$20,699,023 48

B. E. WALKER, General Manager.

THE CANADIAN BANK OF COMMERCE,
Toronto, 31st May, 1888.

THE CANADIAN BANK OF COMMERCE

PROCEEDINGS

OF THE

TWENTY-FIRST ANNUAL MEETING OF SHAREHOLDERS

HELD TUESDAY, 19TH JUNE, 1888.

The Annual Meeting of the Shareholders of The Canadian Bank of Commerce was held in Toronto on Tuesday, 19th June, 1888. Among those present were: Messrs. Henry W. Darling, George A. Cox, John I. Davidson, Matthew Leggat, Hamilton; W. Gooderham, W. B. Hamilton, Geo. Taylor, Hugh Ryan, John Scott, A. V. Delaporte, D. E. Thomson, Henry Cawthra, John Y. Reid, John Stark, R. S. Cassels, John Wardrop, Robert Beaty, Hon. Senator Gowan, Sheriff McConkey, Barrie; Messrs. Edward Martin, Q.C., Edward Mitchell and George Roach, Hamilton; John Battle, Thorold; and John Nicol, Ashburn.

On motion the President, Mr. Henry W. Darling, took the chair.

The Chairman requested Mr. Plummer, Assistant General Manager, to act as Secretary of the meeting.

It was moved by Mr. William Gooderham, seconded by Mr. John I. Davidson, that Messrs. Philip Browne, R. H. Temple, and F. J. Stewart act as scrutineers.

The President read the Annual Report of the Directors as follows:

REPORT

The Directors beg to present to the Shareholders the twenty-first Annual Report, covering the eleven months ending 31st May, 1888, together with the usual Statement of Assets and Liabilities of the Bank.

The balance at credit of Profit and Loss Account brought forward from last year is	\$ 7,160 81
The net profits for the 11 months ending 31st May, after providing for all bad and doubtful debts, amount to	<u>507,512 69</u>
	\$514,673 50

Which has been appropriated as follows :

Dividends Nos. 41 and 42 (eleven months) at 7 per cent. per annum.....	\$385,000 00
Quebec Provincial tax and costs	13,874 39
Transferred to Rest Account.....	100,000 00
Balance carried forward.....	<u>15,799 11</u>
	\$514,673 50

The Directors record with the deepest regret the death during the past year of the Hon. Wm. McMaster, the founder of this Bank. As its President for nearly twenty years, he gave to the affairs of the institution the most assiduous care and attention. In July, 1886, finding that his health was failing, he retired from the position of President, but he continued up to the day of his death to give his co-Directors and the Executive of the Bank the benefit of his ripe judgment and varied experience.

By this occurrence, and the retirement of the Hon. S. C. Wood from the Board, two vacancies in the directorate were created. The exceptional circumstances under which, in 1886, the number of the Directors was increased from eight to ten no longer existing, the Board deemed it advisable to refrain from filling these vacancies, and an amendment of By-law No. 1, reducing the number of Directors from ten to eight, as formerly, will be submitted for action by the Shareholders.

Regarding the earnings of the Bank, it will be observed we have to deal with a period of *eleven months* instead of a full year. This broken period was caused by the change made at the last meeting of the Shareholders in the date of the annual meeting.

Out of the net earnings of the eleven months, amounting to \$507,512.69, the customary dividends at the rate of seven per cent. per annum have been paid, and the sum of \$100,000 transferred to Rest Account.

The conditions incident to banking during the past year have been, as the Shareholders know, anything but favourable. Our steady aim has been to minimize risks in every direction rather than to seek large profits, and to satisfy ourselves as to the safe values of our assets before making an addition to the Rest. The most ample provision has been made in Contingent Account for every debt, current or in default, in which there appears to be any doubtful element. The branches of the Bank, including the Toronto office, have all been inspected during the year.

With a view to the protection of the Bank's large business in Toronto three city branches have been opened during the year, namely, in North Toronto at 763 Yonge street, in North-west Toronto, at 111 College street, and in East Toronto at 798 Queen street. The business of the Bank at Norwich having been found unprofitable, the branch at that place has been closed.

More suitable premises for the Bank's business have been secured in London, Ont., by the purchase of the building erected some years ago by the Federal Bank. A sale of our own building there at a fair price was effected at the same time. The small additional outlay made places us in possession of excellent premises, and the revenue derived from the portion unoccupied by the Bank will enable us to reduce the cost of maintaining our establishment at that point.

It gives the Directors pleasure to bear testimony to the efficiency and fidelity with which the officers of the Bank have

performed their respective duties. The Directors, however, regret to have to announce a very great loss to the staff in the death of Mr. James H. Goadby, who for sixteen years filled the responsible position of one of the Bank's agents in New York. His long experience and rare judgment contributed materially to the marked success which has attended the business of the Bank in New York for many years past.

The erection of the new building for the Head Office in this city is progressing satisfactorily ; it gives promise of being a creditable structure and a prudent investment.

HENRY W. DARLING,
President.

PRESIDENT'S ADDRESS.

Mr. Darling then said :—In moving the adoption of the Report I have a few words to say to the Shareholders.

It was meet that the formal Report of the Board this year should have reference at the outset to the loss we have sustained in the death of my esteemed predecessor.

Stern of feature, of gigantic frame, iron will, and unbending integrity, he laboured during a long life with tireless energy, achieving a measure of success in all his undertakings to which few attain.

In his day he played many parts and played them well, and in none of the numerous positions of responsibility and trust which he filled, was there more earnest thought and anxious devotion displayed than in connection with this institution, with the early history of which his name must ever be inseparably woven.

The year just closed has been one rather of troublous activity than a quiet time of progressive prosperity, a season compelling contraction and repression, rather than one marking the inauguration of new enterprises and the extension of existing ones. That we have been able during the year to dispose of so many of the various assets which came into our possession through the failure of our debtors, in past years,

is a matter of sincere congratulation, and we are happy to assure the Shareholders that a decided improvement has taken place in the condition and character of our assets generally, as the result of a vigilant scrutiny and watchful criticism, as well at the inception as during the currency of all the loans of the Bank.

A disturbance in financial circles, which moved some communities to their depth, and caused a feeling of uneasiness and insecurity generally, together with depression in the mercantile realm consequent upon the deficient harvest in Ontario, exposed, if they did not actually create, a few weak elements in the trade of the country. Steps more or less effectual have no doubt been taken to remove these; and a persistence in precautionary measures, until the result of the coming harvest is assured, is certainly the animating disposition at the moment among business people generally.

THE DUTIES OF DIRECTORS.

The occurrences of the year, however, are fraught with valuable lessons by which we ought to profit; one or two of which we may well record for future use. Chief among these is the prominence which has been given to the dangers, the duties, and the responsibilities of bank Directors.

I speak for my colleagues as well as for myself, when I say we have realized very fully the supreme importance of having the active management of your affairs in the hands of men of proved ability and integrity. Any shortcoming in this respect would not, and could not, be compensated for by any service which as Directors they might render. With all respect to the critics who have assigned to them very different functions, it seems to me to be the practical duty of their office, to place at the disposal of the managers such special knowledge of the various pursuits in which they are severally engaged, such experience, influence, judgment and advice as the Directors possess, so that with clear and intelligent apprehension of the condition and current of the various

mercantile and industrial enterprises of the country, the managers shall be able accurately to apply their professional skill to the safe and profitable investment of the funds at their disposal.

It affords me a great deal of pleasure to bear willing testimony to the due fulfilment of all these duties upon the part of my brother Directors during the past year ; and I may further add that I think they have been extremely fortunate and successful in the performance of what I have indicated as their most important duty.

If, as the outcome of all this, we have not been able to make such a brilliant addition to our Rest Account, as you might have wished, we have at least taken a vigorous stride in that direction. Evidence has not been wanting that a policy of prudent progression has been pursued which will bear more abundant fruit in due time.

THE OBLIGATIONS OF SHAREHOLDERS.

I may be pardoned if I add that while much has been said and written lately as to the duties, the shortcomings and delinquencies of bank Directors, some of which was quite proper, but a great deal unreasonable and undeserved, very little, if anything, has been said as to the duties of Shareholders, and yet it seems to me that a most important lesson has been evolved from the occurrences of the past year, to which it may be useful to call attention.

The venture in which a bank is engaged is a joint stock one, in which all the Shareholders are co-partners. The character, standing and capacity of those who are to control or who do control the destiny of the enterprise are not difficult to ascertain ; and it is assumed that a reasonable amount of diligence has been exercised by the intending investor upon these points before he joins the co-partnership. On the strength of their association the Government has granted them, by charter, valuable privileges ; and the public entrusts them, for a consideration, with the use of their savings, by a

prudent exercise and employment of which their capital may be made productive, while ministering at the same time to the commercial requirements of the country.

Now what shall be said of the loyalty and good faith of the co-partner in this concern, a *bona fide* investor, who on the strength of some unfavourable and very likely unfounded rumour, or at the first approach of seeming disturbance, hastens to withdraw his capital, even at a sacrifice, and thus in the most public way gives notice to the depositors and creditors, without whose implicit confidence all hope of profit and success must vanish, that their funds are in danger?

How has he fulfilled his duty (implied only though it may be) to his co-partners, to the Directors and managers, who have assumed at his instance the responsible duties of their offices, and who have an undoubted claim upon his loyalty?

These are questions that might very properly have been put by the Directors of the Federal Bank last autumn, and which some timid Shareholders might have found it difficult satisfactorily to answer.

As long as the law permits, and most unfortunately permits, the sale of bank stocks which the reported vendor is not in actual possession of, or permits the purchase of them for future delivery, gambling in them will not cease.

But it is hoped the time is not far distant when bank Shareholders will, in the public interest, agitate for the prohibition of this form of gambling, not indulged in, so far as bank stocks are concerned, in any other country but Canada, and meantime, I trust it may not be without some effect that a plea is made to bank Shareholders to be loyal to one another and to those they choose from time to time to administer their affairs.

Looking carefully over the list of our own Shareholders as of the 1st of June, which has just been printed, it may be a matter of interest for you to know that, during the year, not a few of the leading capitalists throughout the Dominion

have acquired our stock for investment, and that the number of shares apparently held for speculative purposes is smaller now than it has been for many years past.

THE VICE-PRESIDENT'S REMARKS.

Mr. Geo. A. Cox, in seconding the motion, spoke as follows:—

It is my agreeable duty to second the motion for the adoption of the Report. Reference has been made, both in the Directors' Report and in the President's address, to our late honoured and lamented President, who devoted so much of his time and energy to the interests of the Bank, and who, for so many years, deservedly enjoyed the highest respect and most implicit confidence of the Shareholders. This is the twenty-first Annual Meeting of the Bank, and it is, I believe, the first from which he has been absent; his absence, I am sure, is regretted by one and all. It is, however, very satisfactory to the Shareholders to know that before retiring from active service he nominated (with his characteristic foresight) as his successor in office a gentleman in every particular qualified to discharge the important duties of the office, alike with credit to himself and with advantage to the institution, over which he presides with so much courtesy and ability, with so much zeal and attention, as to command the most cordial approval and respect of every member of the Board and every officer of the Bank. I take this opportunity of saying that personally I esteem it a real pleasure to take part in the deliberations of the Board over which he presides, and where such agreeable unanimity prevails. My ambition has been and now is to afford my friend, the President, the most generous encouragement and support in my power, and to this he has claims of the strongest kind, in view of what he has accomplished since he was elected your President.

One of the first duties devolving upon the new President and his colleagues, prior to the last Annual Meeting, was to place the executive management in the hands of gentlemen who, from long and varied experience in nearly every depart-

ment of the Bank, had fully demonstrated their ability to assume the important and responsible duties of that position. With these new officers the Bank entered almost immediately upon what has been, perhaps, the most trying period in financial circles that Canada has experienced for many years. To have passed through such a year with the result shown by the Report now submitted is to my mind, and I apprehend it will be to the Shareholders at large, highly satisfactory. A less conservative Board, or a less cautious Executive, could, from the figures before them, have adduced arguments in favour of transferring a larger sum to the Rest. I am glad that no such action was taken. The prime question was not, how much can we transfer to the Rest, but, how much have we a reasonable certainty of being able to retain there? (Hear, hear.) That, I think, you will all agree was the most important consideration.

The agricultural, mercantile, and manufacturing interests of the country, all demand cheaper money to enable them successfully to pursue their respective callings. The eagerness with which our three per cent. Government securities are taken up, the ease with which our loan companies are able to place their four per cent. debentures, the freedom with which some of our own corporations are loaning at five per cent., are indications that this demand for cheaper money has to be met; and Shareholders of banks and other monetary institutions, knowing this, will be less anxious for large returns and look more to sound investments. To those who take that view, and I trust they are many, the Report submitted to-day will, I am sure, be entirely satisfactory.

The President having called on the General Manager to address the meeting,

GENERAL MANAGER'S ADDRESS

Mr. Walker spoke as follows :

The addition we have made to our Rest fund is not as large as we hope it may be in future years, but it has been made under difficulties not usually present in our business,

and we feel that it should be satisfactory to the Shareholders. The profits for the eleven months amount to $9\frac{1}{4}$ per cent. per annum on the Bank's capital, and this is a sufficiently large return to justify the statement that, in spite of the financial squall through which the province has passed, we have had a successful year. The point, however, which I desire to press upon the attention of the Shareholders is that the assets of the Bank have been again subjected to a severe analysis—quite as severe as that of a year ago—and the addition to the Rest has only been made after a safe, even liberal provision has been set aside for every doubtful asset on the Bank's books. *During the year a very large proportion of the properties which had fallen into the Bank's hands in connection with debts in default, has been disposed of, and the Bank's books are now as nearly clear of such items as we can expect them to be.*

You have been treated during the past seven or eight months to such a variety of opinion from the press and its correspondents, regarding the Banking Act, the business of banking, and the condition of trade generally, that I fear you will not have patience enough to listen to a few words more. The close of the fiscal year of a bank is to some Shareholders a mere point of time, the importance of which is measured by the dividend and the condition of the Rest Account. But to the banker, and I am sure to many Shareholders as well, it is a moment for reflection as to the conditions under which the dividend has been earned, and as to the future as far as it may be foreshadowed.

A GLANCE AT THE PAST YEAR.

A year ago business was in a condition not far from normal. It is true that several small clouds on the horizon threatened us; the leading banks found money tightening in the early summer; importations were too large, and credit easy enough to make cautious people wonder how soon trouble would result; yet, with a great crop in the North-West and a

good one in Ontario all might turn out well. But our hope of a good harvest in Ontario was ill-founded. The severe drought in the latter half of the summer turned the promise of abundance into one of the poorest crops the province has had for many years. Naturally the banks began to look to their reserves, which were far too low. A little management, however, brought them into fair condition, and if solvent traders were inconvenienced during a few months to a greater extent than was to be expected in view of the failure of the crop, I think such inconvenience is mainly attributable to the competition for deposits during recent years by the Government Savings Banks at a higher rate than that paid by the banks, the effect of which I shall refer to later on.

It would have been strange if the solvent farmers, manufacturers, merchants and bankers of Ontario could not have withstood the loss of one crop, and the contraction in the volume of operations and test of their paying powers which followed. There was in fact at no time any sufficient reason for the loss of confidence which took possession of a portion of the press and the people during the winter. This lack of faith was mainly due to the inability of the general public to discriminate in extending its confidence. To many people a bank is a bank and that is all. They forget that a bank may be equipped by Government with a charter, and have all the proper appurtenances about it, and yet in reality be only masquerading as a bank. This is equally true of mercantile firms, and it is not more true in Canada than elsewhere in the world. Wherever credit is extended there will be failure and fraud, and neither banks nor merchants are entitled to credit until they have secured it by evidence of capacity and rectitude of purpose in conducting their affairs. But unless the condition of trade is actually unfriendly there are always afloat business ventures, some legitimate but ill-starred, others illegitimate, positively dishonest in fact, yet all depending on favourable winds and unable to weather any storm.

BANK FAILURES.

In August the Bank of London failed, in November the Central Bank, and in January the Federal Bank went into voluntary liquidation. The first was a small bank, almost local to London, and its failure appears to have been due to an unfortunate intimacy with another joint stock company. The creditors were paid almost at once, and it is hardly open for any one to blame the conditions of trade, or our banking system, for what is a common experience in all countries where charters are given to banks which have but small paid-up capital. If Shareholders do not meet with the success they hoped for, and wind up before the general public is put to loss or inconvenience, it is only the Shareholders who have ground for complaint.

The suspension of the Central Bank was a very different matter. Like the Bank of London it was a new venture, and it should have had credit corresponding to its recent beginning and its small capital. But it had acquired a credit with the general public quite out of proportion to what it deserved, even if it had been an honest enterprise. We understand that its stock was placed in several towns and cities, under a promise that if a certain amount was taken a branch would be opened at each of these points. Will any banking act protect Shareholders from the results of such folly as this. Its deposits were gathered by offering one and often two per cent. more for money than other banks were paying. Does the depositor who swallows such a bait deserve much pity? I believe I am only repeating the advice of one of the ablest bankers in Canada when I say that no man should be so ignorant as not to know that his money is not safe in the custody of a bank which persistently overbids its fellows in the same place in the rate of interest allowed on deposits. Doubtless such an exhibition of incompetence and dishonesty is calculated to disturb confidence, but it is absurd to conclude, as some people do, that there must be something wrong in the system of banking under which such a thing is possible.

If the facts in connection with such a failure show that in some points of detail our Banking Act may be improved, so as to lessen the probability of such a thing recurring, bankers will be more anxious than any other members of the community to see such changes made. But the failure of the Central Bank no more proves that our Banking Act is faulty, than the more disgraceful failure of the Fidelity National Bank of Cincinnati proves that the National Banking Act of the United States is defective, or the recent revelations in connection with the Cardiff Savings Bank throw general discredit on the soundness of British financial systems. People must discriminate in extending credit, and they cannot be saved from the necessity of doing so by Act of Parliament. However, despite the disgusting circumstances attending the failure of the Central Bank the circulation was redeemed at once and the depositors will, we are told, receive from 70 to 80c. in the dollar.

The wide distrust caused by the failure of this bank and of several importing houses, increased by the severe stringency in money, created a heavy drain on the deposits of the Federal Bank, and after a gallant struggle for some months the Directors decided upon liquidation. I think no one will charge the recent administration with the downfall of the Bank. Doubtless nothing but the remembrance of the Bank's troubles some years ago would have caused this sudden loss of confidence.

LIQUIDATION OF THE FEDERAL BANK.

The liquidation, with open doors and without suspension, of a large bank can rarely be accomplished without the co-operation of other banks, and I believe it has never been carried out in Canada before, certainly not in recent years. But in the United States out of the 3,805 banks organized under the National Banking Act since 1863 as many as 744 have gone out of business through various kinds of failure to succeed, and out of these, 470 have gone into voluntary

liquidation. It requires sounder judgment and greater courage to decide on liquidation than to drift on until the empty cash box makes failure and disgrace inevitable; and the cooperation of other banks in aiding the voluntary liquidation of a bank which has been honestly managed, but has been unfortunate, is a benefit to the community as a whole, and particularly so to the Shareholders of the retiring bank.

The decision of the Directors of the Federal Bank to liquidate, the careful examination of the bank's assets in order to demonstrate that it was proper to render aid, and the conclusion to grant it, were all accomplished in two or three days, and the bank announced its intention to liquidate, having over \$2,500,000 in cash at its command. Most of you know how successful the liquidation has been. Already the sum due the assisting banks has been reduced to three quarters of a million.

COURSE OF THE MONEY MARKET—GOVERNMENT SAVINGS BANKS.

Early in the summer, as I have already said, the reserves of the larger banks began to fall to a point which at least made careful managers uncomfortable. The leading banks were at the time paying three per cent. for deposits, while the Government Savings Banks were paying four per cent. The stringency in money, added to this competition on the part of the Government, forced the banks to put the rate for deposits up to four per cent., and to make the minimum rate for discounts seven per cent. No one realizes more clearly than a prudent banker how severely an additional burden of even one per cent. interest bears upon the merchant.

In rapidly growing countries it has always been found that the annual savings of the people are more than required to meet the annual increase in the discount requirements of traders. When this is not so in a young and growing country it must be because its people lack enterprise. Yet, during the last twenty years, a period of unusual enterprise in

Canada, as much as \$40,000,000 of money has been diverted from the channels of trade and has passed into the two classes of Government savings banks.

It is not my intention to discuss the wisdom of having such institutions as Government savings banks. Although the Post Office Savings Banks of Great Britain have never been allowed to interfere seriously with the business of banking, the average balance of each depositor being only about £13, yet Mr. Goschen has recently spoken very strongly regarding the impropriety of the Government undertaking to act as a banker, pointing out that while there may be some excuse for departing from a sound policy in order that the poorer classes may be given facilities for saving, there is no excuse for the Government providing such facilities for the benefit of those who can be sufficiently provided for by the ordinary banks.

But what I do wish to point out is that the absorption of money in this way by the Government must have a direct tendency to increase the cost of interest to the mercantile community, or, what is practically the same thing, to prevent that cost from being reduced at a time when the tendency elsewhere in the world is towards reduction.

If the banks had control of this money the bulk of it would of course go to increase the volume of discounts, but the reserves of bankers would clearly be larger in the aggregate amount held, and would also undoubtedly be larger in proportion to the whole sum loaned. If, therefore, through the failure of a crop, a certain amount of contraction in the volume of discounts had to be brought about, the percentage of such contraction to the whole volume of discounts would be smaller, and the stringency would bear less heavily on the mercantile community. So plain is this to outsiders that at the moment of the failure of the Central Bank, the editor of the London *Economist* wrote as follows :—

“ It is to be noted that the ability of the Canadian banks to enlarge their advances whenever an extra demand is thrown

upon them is curtailed to some extent by the action of the Canadian Government, which allows excessively high rates upon the Savings Banks deposits, and so draws away money from the banks."

I am aware that all this has been said over and over again, but it cannot be repeated too often. However it is a great satisfaction to know that the Government appreciates the situation to some extent and has obtained power to reduce the rate of interest. We can only hope that this power will be exercised by a reduction of the rate to three per cent. before the coming autumn.

I would now like to say a few words regarding the main branches of business in which the Bank's money is loaned.

THE LUMBER TRADE.

The largest interest the Bank has is in the shape of loans to lumber merchants. The winter before last was unfavourable for lumbering operations, and the drought in the ensuing summer prevented a considerable amount of logs reaching the mills, and also was the cause of many bush fires. The fires forced some of our customers to increase their cut for the winter immediately past. This last winter, however, has been a most favourable one for operations in the woods, there has been no difficulty in respect to driving the logs, and an ample supply will reach the mills. The demand for lumber has been and still is very good, sales covering most of the season's cut have already been made by many mills, and as the price has been steadily maintained, a very large and profitable business may be regarded as assured to the millers this summer. As most of the cut is sold in the United States either for cash, or on time to houses of very high standing, the marketing of this, our most important product, is always readily accomplished. If anything were needed to demonstrate the great value of our forests, the prices recently paid for limits at the sale by the Ontario Government, and the prices at which many other limits have changed hands during the year, should remove all doubt. There may come a time

when the values of limits will be over-estimated, but if bankers make their advances only for the purpose of manufacturing lumber, and see that these advances are cleared up once in each year, the business should continue to be as highly satisfactory as it has been for some years past.

AGRICULTURAL IMPLEMENTS.

Another business of very large interest to us is that of the manufacture of agricultural implements. I notice the remark of the General Manager of the Bank of Montreal to the effect that this business is overdone. It is probably true that the smaller manufacturers, and some of the less competent, are being pushed out of the field, but the very great success attending the chief manufacturers in Ontario hardly goes to show that the business has been seriously overdone as yet, although such a condition is not improbable in the near future. The most able of our customers in this line require less and less money from us every year, and are fast becoming their own bankers. Although the past winter has been such a severe one upon farmers, I find that in the case of one of our agricultural implement customers (an exceptionally well-managed business it is true) a very large amount of farmers' notes—running into hundreds of thousands of dollars—maturing from October 1st, 1887, to January 1st, 1888, were, by the end of March, paid to the extent of over 96 per cent.

FLOUR MILLING.

The business of flour milling, in which we are largely interested, is frequently spoken of as being in a bad state, and undoubtedly it is not in a satisfactory condition. Very few of the small millers can apparently do more than hold their own, if they can do that. Our customers, however, are mainly millers in a large way, and have in almost every case been successful of late years. The margin of profit is indeed very small, but millers who make a large annual output, buying their wheat wisely and selling their flour in the Mari-

time Provinces, practically for cash, are always able to make a reasonable return upon their investment. The profits have averaged as well this last season as in recent years.

FARM PRODUCTS.

Other products in which the Bank has each season a comparatively large interest are cheese, eggs and flax. The output of about 700 cheese factories in Ontario this year amounted in value to nearly seven million dollars. Both output and price were considerably in advance of the previous year. The export of eggs to the United States has increased steadily for several years. During the last season nearly 16,000,000 dozen were exported from Ontario to the United States at a declared value, for customs purposes, of nearly \$2,000,000. In the case of both cheese and eggs, while the farmer obtained good prices, the dealers were not so fortunate, having through competition or other causes, paid rather too much for the respective articles. The flax crop during the past year was about one-fifth larger than for some years past, but suffered along with the grain crops from the drought. It has always been a readily saleable commodity in the United States, where its competition with Russian and other hemp is beginning to be felt, but the inferior quality of our crop this year, added to other causes, has made it difficult to sell even at a considerably lower price than that obtained in previous seasons.

The cattle business for the past few years has been in a very bad way, but we have confined our business in that connection chiefly to advances to graziers, doing very little in connection with shipments to Great Britain. I understand, however, that some large shipments made this spring have paid a handsome profit, and it may be that we are to see a better state of things in this trade hereafter.

We have thirty-five offices in Ontario, and the transactions passing through the Bank are a reasonably fair index as to the condition of the Province. I have gone somewhat

into detail regarding several branches of trade in order to show that every year we are arriving at a greater diversity of mercantile interests, by which banking is rendered much safer than in the past. While much remains to be accomplished in this way, we have already reached a point where the misfortunes of one or two large mercantile interests can hardly destroy the prosperity of a well-conducted bank for the particular year in question.

It is very far from my purpose, however, to belittle in any way the serious loss the farmers of the Province have sustained by the failure of the grain crops, a loss amounting probably to \$7,000,000 or \$8,000,000. This great loss has affected the profits of merchants and manufacturers of all kinds ; but its influence has been felt more by dry goods and kindred lines than by others, and of course with all classes of importers we have large interests.

IMPORTING BUSINESS.

The failures among the wholesale dry goods merchants have been serious enough to make everybody reflect upon the condition of that particular business.

We are all preaching and listening to preaching about over-importations, long credit, and too easy credit, and about the duties of importers and of bankers, but it is much easier to do this than to find any remedy for the difficulty, except the ordinary one of the survival of those who are the fittest through capacity, integrity, and capital to make a success of the business in which so many have failed.

Over-importation or over-production at home—much the same thing—is as you know the chief mercantile evil all over the world at present. Steam and electricity have given an immense help to the power of producing, of carrying and distributing, and of buying and selling goods. The cable, however, has also given us great power to check the evil as soon as it is apparent, and I have no doubt it was freely used for that purpose during the winter. But periods of congestion from over-production or over-importation we must expect to

have, and all we may hope to do is to use our best judgment and call a halt at the first sign of danger. In Canada the evil is doubtless aggravated by our limited market.

A great deal is always said at such a time as this about the evils of long credits. The critics are apt to forget that many merchants and bankers are steadily labouring against it in good as well as in bad years. But how is the Canadian importer to shorten his credit to retailers as long as English and Scotch sellers offer goods on terms of credit which no sound importer here would think of offering, but with which he must compete somehow if he is to sell his goods? The banker, however, can gather some comfort from the fact that long credits are now restricted to certain classes of trade. Twenty years ago our lumber and flour, and many other products of the soil, were sold on long time to weak buyers, and the losses from granting such credits were somewhat akin to those experienced by importers to-day. The active competition and consequent cutting down of profits has in these trades at least produced the result of sales either for cash, or to men of such standing as to represent practically cash.

Perhaps the greatest evil is that of granting credit too readily, having regard to capacity and ability to pay. I refer to what are commonly called supply accounts. I find that the credit extended to the class of retailers who do not receive any particular indulgence from wholesale houses, averages about six or seven months. This is doubtless a long credit, but the class of storekeepers who are supported by wholesale houses do not as an average pay for their goods in less than twelve or fifteen months. Despite the dating ahead, the intense competition and the other evils inevitable in the somewhat overdone condition of business all over the world, the importing business would from a banker's point of view be reasonably healthy if this particularly bad element were removed.

Our very large foreign business causes us to be interested, at times, in products from all portions of the globe, and these

interests have required unusual care during the past year. The folly of trying to corner raw products, and the disturbing effects of such attempts upon the operations of legitimate traders, have been shown in the most marked manner by the collapse of huge speculations in wheat, cotton, coffee, tin, etc. We are pleased to say that we have passed through these troubles without loss.

It is perhaps not worth while to try and forecast the future. The prospects for the fall wheat are, as you know, indifferent, and other crops suffered somewhat from the late spring and want of rain, but the crop prospects on the whole are now fairly good. Importations have doubtless been much curtailed, although probably not enough, and a severer warning than we have yet had may be necessary before over-production in certain kinds of manufactures is sufficiently lessened. It is clear that unceasing vigilance will have to be observed by all classes of business men for some time to come in the importation and manufacture of goods, the extending of credit, and the collection of debts. But if we will take our lessons seriously enough all will go well, and we will be none the worse in the end for the storm we have passed through.

Mr. Wardrop—Would the General Manager be kind enough to inform us if the contingent fund shown last year as \$455,000 has been used?

Mr. Walker—Not all of it. There is something in the neighbourhood of \$300,000 remaining at the credit of the fund, but I do not think it wise to look upon it as an asset of the Bank. I said something to the Shareholders last year on this point. We know that the fund is ample, and probably more than ample, to provide for all bad and doubtful debts, but it is much wiser for the Shareholders to suppose that the money is lost than to put it forward as a surplus.

Senator Gowan expressed his great satisfaction at the able speeches of the President and Vice-President, and the admirable address of the General Manager. He said :—It is

very rarely, and I have attended a good many bank meetings, that I have heard so full, candid, and business-like statements as those which have now been given to the Shareholders. I do not entirely agree with the General Manager on some of the broad points he has discussed, particularly in connection with the Savings Banks, but from a banker's point of view he is no doubt quite correct. I have attended, as I have said, a good many meetings of the Bank, but I have never heard statements that so commend themselves to my judgment, for practical sense and straightforward candor, as those which have been brought before us to-day. I hope that every one here will be as satisfied as I am with the straightforward and thoroughly business-like statements we have heard. When the directorate does not hesitate to take into its confidence the stockholders, I always think it is a very good sign. Nine and a quarter per cent. seems a small return to make on our capital, but if it is compared with other institutions it may be considered fair, and on the whole I must say that I think it is satisfactory. The year has not been a favourable year, and the contingencies that have arisen have been calculated to affect the business of banking and to diminish the profits. It has certainly involved greater watchfulness on the part of the management. The questions asked have been satisfactorily answered, and I think the tone of the meeting shows that the confidence which is felt in the Bank in my part of the country is felt very generally elsewhere.

With regard to the contingent account, of course its very name implies that the fund is there for any contingencies that may arise. In other institutions large sums have been saved on such appropriations, and it may be so with regard to this contingent fund of ours, but, like Cicero, our point of view about the account should be this, "Hope for the best, be prepared for the worst, and make up your mind to bear with equanimity whatever happens."

The President—I can assure the Hon. Mr. Gowan that it is very gratifying to us to hear such remarks from so criti-

cal a Shareholder as himself. We are here to answer candidly any questions which may be put, and we are perfectly ready to afford our Shareholders any information to which they are entitled.

No further questions being asked, the resolution to adopt the Report was put and carried.

Moved by Mr. W. B. Hamilton, seconded by Mr. M. Leggat, that By-law No. 1, as passed by the Shareholders on 12th July, 1887, be hereby repealed, and the following be and is hereby enacted in its stead :

“The Board of Directors of the Bank shall be eight in number, of whom three shall constitute a quorum. No Shareholder shall be eligible as a Director unless he holds, and has held for thirty days prior to his election, in his own name and right, and not as trustee or in other representative capacity, at least five thousand dollars of the paid-up capital stock of the Bank, and no Director shall hold office as such after he has ceased to be the holder of at least the said amount of paid-up stock. In case a Director makes a general assignment for the benefit of creditors, or his estate is placed in bankruptcy or liquidation under the provisions of any statute relating to bankruptcy or insolvency, such Director shall forthwith cease to be a member of the Board.”

Mr. Sheriff McConkey, of Barrie, moved, “That the thanks of the meeting are due, and are hereby tendered, to the President, Vice-President, and other Directors for their careful attention to the interests of the Bank during the past year.” The motion was briefly seconded by Mr. John Y. Reid, and was carried unanimously.

Mr. Darling—I can assure you that to receive such an acknowledgment from the Shareholders is a great encouragement in the very responsible duties that devolve on us from year to year.

It was then moved by Mr. Geo. Roach :—“That the thanks of the meeting be tendered to the General Manager, Assistant General Manager, and other officers of the Bank for

the satisfactory discharge of their respective duties during the past year." Mr. Roach, in moving this resolution, spoke as follows:—I am sure, after the very lucid statement made by the General Manager, the Shareholders must feel a great deal of confidence in the new management. I have had the pleasure of knowing Mr. Walker for many years, and wherever he is known I am sure he enjoys the confidence of monied men. I hope that in moving this resolution it will not be out of place to remark that it is very essential we should have the very best men as managers of the institution. We have seen in another quarter a fearful example this year of inefficient bank management, and while we expect from our own officers very important duties, we should also remember that they should be well paid for doing these duties. Good men cannot be too well paid. I have great pleasure in moving the resolution.

The resolution was briefly seconded by Mr. Hugh Ryan and carried.

Moved by Mr. John Scott, seconded by Mr. D. E. Thomson, "That the ballot box be now opened and remain open until three o'clock this day, for the receipt of ballots for the election of Directors; the poll to be closed, however, whenever five minutes shall have elapsed without a vote being tendered."

The meeting then adjourned.

The scrutineers subsequently reported the following gentlemen to be elected as Directors for the ensuing year: Henry W. Darling, Geo. A. Cox, Geo. Taylor, W. B. Hamilton, Jas. Crathern, John I. Davidson, Wm. Gooderham, Matthew Leggat.

At a meeting of the newly-elected Board of Directors held subsequently, Henry W. Darling, Esq., was re-elected President, and Geo. A. Cox, Esq., Vice-President.

B. E. WALKER,
General Manager.

Toronto, 19th June, 1888.