

# THE CANADIAN BANK OF COMMERCE

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HEAD OFFICE - TORONTO, ONTARIO

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CAPITAL PAID-UP - - - - - \$6,000,000  
REST - - - - - \$1,100,000

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*DIRECTORS:*

GEORGE A. COX, ESQ., - - - PRESIDENT.  
JOHN I. DAVIDSON, ESQ., - - - VICE-PRESIDENT.  
JAMES CRATHERN, ESQ. ROBERT KILGOUR, ESQ.  
WM. B. HAMILTON, ESQ. MATTHEW LEGGAT, ESQ.  
JOHN HOSKIN, ESQ., Q.C., LL.D. GEORGE TAYLOR, ESQ.

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**B. E. WALKER**, General Manager.  
J. H. PLUMMER, Asst. General Manager.  
A. H. IRELAND, Inspector. G. de C. O'GRADY, Asst. Inspector.

## BRANCHES AND AGENCIES.

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### ONTARIO—

AILSA CRAIG.....	G. M. WEDD.....	Manager
AYR .....	JOHN WYLLIE.....	Agent.
BARRIE .....	H. H. MORRIS.....	Manager.
BELLEVILLE.....	C. M. STORK.....	"
BERLIN .....	W. C. J. KING .....	"
BLENHHEIM.....	J. E. THOMAS.....	"
BRANTFORD .....	JEFFERY HALE .....	"
CAYUGA .....	W. C. T. MORSON .....	"
CHATHAM .....	J. E. THOMAS.....	"
COLLINGWOOD .....	JAS. BRYDON.....	"
DUNDAS.....	F. W. HOLMESTED .....	"
DUNNVILLE .....	R. G. W. CONOLLY .....	"
GALT .....	J. M. DUFF .....	"
GODERICH.....	R. S. WILLIAMS.....	"
GUELPH.....	B. R. MCCONKEY.....	"
HAMILTON .....	WM. ROBERTS.....	"
JARVIS .....	W. C. T. MORSON.....	"
LONDON .....	D. B. DEWAR .....	"
ORANGEVILLE .....	H. T. WILLS.....	"
OTTAWA .....	ROBERT GILL.....	"
PARIS .....	R. C. MACPHERSON .....	"
PARKHILL .....	G. M. WEDD.....	"
PETERBORO .....	WM. MANSON .....	"
ST. CATHARINES.....	F. O. CROSS .....	"
SARNIA .....	T. W. NISBET.....	"
SAULT STE. MARIE .....	D. MCGREGOR .....	"
SEAFORTH.....	M. MORRIS.....	"
SIMCOE .....	E. COWDRY .....	"
STRATFORD .....	W. MAYNARD, JR.....	"
STRATHROY .....	L. H. DAMPIER .....	"
THOROLD.....	F. O. CROSS .....	"
TORONTO (Chief Office) ..	JOHN C. KEMP.....	"
	JOHN AIRD .....	Asst. Mgr
268 COLLEGE, COR. SPADINA	G. A. HOLLAND.....	Manager.
128 KING ST. EAST .....	R. C. MCHARRIE.....	"
415 PARLIAMENT ST. ....	V. E. HART.....	"
712 QUEEN ST. EAST .....	A. BRADLEY.....	"
544 QUEEN ST. WEST .....	H. C. SECORD.....	"
450 YONGE, COR. COLLEGE.	T. S. HARRISON.....	"
791 YONGE ST.....	R. J. MONTGOMERY....	"
TORONTO JUNCTION .....	R. C. JENNINGS.....	"
WALKERTON .....	G. W. MCKEE.....	"

BRANCHES AND AGENCIES—Continued.

WALKERVILLE.....	{ H. B. WALKER.....	Manager.
	{ F. C. G. MINTY.....	Sub-Mgr.
WATERLOO.....	H. J. GRASETT.....	Manager.
WINDSOR.....	H. B. WALKER.....	“
WOODSTOCK.....	D. H. CHARLES.....	“
<i>QUEBEC—</i>		
MONTREAL (Chief Office).	{ A. M. CROMBIE.....	Manager.
	{ J. L. HARCOURT.....	Asst. Mgr.
19 CHABOILLEZ SQUARE..	W. W. RUTHVEN.....	Manager.
276 ST. LAWRENCE ST....	J. G. PYKE.....	“
<i>MANITOBA—</i>		
WINNIPEG.....	F. H. MATHEWSON....	Manager.
<i>UNITED STATES—</i>		
NEW YORK.....	{ ALEX. LAIRD.....	} Agents.
	{ WM. GRAY.....	

BANKERS AND CORRESPONDENTS.

<i>GREAT BRITAIN—</i>	
The Bank of Scotland.	
<i>INDIA, CHINA AND JAPAN—</i>	
The Chartered Bank of India, Australia and China.	
<i>AUSTRALIA AND NEW ZEALAND—</i>	
The Union Bank of Australia, Limited.	
<i>PARIS, FRANCE—</i>	
Crédit Lyonnais.	
Messrs. Lazard Frères & Cie.	
<i>BRUSSELS, BELGIUM—</i>	
Messrs. J. Matthieu & Fils.	
<i>NEW YORK—</i>	
The American Exchange National Bank of New York.	
<i>SAN FRANCISCO—</i>	
The Bank of British Columbia.	
<i>CHICAGO—</i>	
The American Exchange National Bank of Chicago.	
<i>DULUTH, MINNESOTA—</i>	
The First National Bank.	
<i>BRITISH COLUMBIA—</i>	
The Bank of British Columbia.	
<i>HAMILTON, BERMUDA—</i>	
The Bank of Bermuda.	
<i>KINGSTON, JAMAICA—</i>	
The Bank of Nova Scotia.	

# GENERAL STATEMENT

31ST MAY, 1893.

## LIABILITIES

Notes of the Bank in circulation .....	\$ 2,708,167 00
Deposits not bearing interest.....	\$ 2,801,827 97
Deposits bearing interest, including interest accrued to date .....	15,164,372 21
	17,966,200 18
Balances due to other Banks in Canada.....	6,197 38
Balances due to Foreign Correspondents.....	6,353 40
Balances due to Agents in Great Britain.....	891,249 20
Unclaimed Dividends.....	659 07
Dividend No. 52, payable 1st June.....	210,000 00
Capital paid-up.....	\$ 6,000,000 00
Rest .....	1,100,000 00
Balance of Profit and Loss Account carried forward .....	23,561 12
	7,123,561 12
	\$28,912,387 35

## ASSETS

Specie .....	\$431,707 16
Dominion Notes .....	656,362 25
	\$ 1,088,069 41
Deposit with Dominion Government for security of Note circulation.....	143,391 90
Notes of and Cheques on other Banks.....	759,592 67
Balances due by other Banks in Canada.....	93,988 79
Balances due by Agents of the Bank in the United States..	2,436,889 79
British and Canadian Government Securities, Municipal and other Stocks and Bonds.....	2,097,196 84
Call Loans on Stocks and Bonds.....	942,060 35
	\$ 7,561,189 75
Time Loans on Stocks and Bonds .....	892,912 48
Other Current Loans and Discounts.....	19,382,738 18
Overdue Debts (loss fully provided for) .....	143,227 61
Real Estate (other than Bank Premises) .....	17,340 27
Mortgages.....	140,054 13
Bank Premises and Furniture .....	704,496 51
Other Assets .....	70,428 42
	\$28,912,387 35
	\$28,912,387 35

# THE CANADIAN BANK OF COMMERCE

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## REPORT OF THE PROCEEDINGS

OF

## THE ANNUAL MEETING OF SHAREHOLDERS

TUESDAY, 20TH JUNE, 1893.

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The twenty-sixth Annual Meeting of the Shareholders of The Canadian Bank of Commerce was held in the banking-house on Tuesday, 20th June, 1893, at 12 o'clock. Among those present were:—Messrs. Geo. A. Cox, John I. Davidson, W. B. Hamilton, John Hoskin, Q.C., LL.D., Robert Kilgour, Matthew Leggat, Hamilton; James Crathern, Montreal; Robert Stuart, Chicago; Frederick Wyld, Henry Beatty, Edward Martin, Q.C., Hamilton; Hon. A. M. Ross, Samuel Nordheimer, John Nicol, Thomas Walmsley, John Scott, Geo. Robinson, J. B. Folingsby, Philip Browne, R. H. Temple, and others.

On motion, the President, Mr. Geo. A. Cox, was requested to take the chair, and Mr. J. H. Plummer, the Assistant General Manager, was appointed to act as Secretary.

It was moved by Mr. W. B. Hamilton, seconded by Mr. R. Kilgour, that Messrs. Philip Browne and R. H. Temple act as scrutineers.

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

## REPORT.

The Directors beg to present to the Shareholders the twenty-sixth Annual Report, covering the year ending 31st May, 1893, together with the usual Statement of Assets and Liabilities:—

The balance at credit of Profit and Loss Account, brought forward from last year, is . . . . .	\$ 19,549 19
The net profits for the year ending 31st May, after providing for all bad and doubtful debts, amounted to . . . . .	536,511 93
	<u>\$556,061 12</u>

Which has been appropriated as follows:—

Dividends Nos. 51 and 52, at seven per cent. per annum . . . . .	\$420,000 00
Transferred to Rest Account . . . . .	100,000 00
Written off Bank Premises and Furniture . . . . .	12,500 00
Balance carried forward . . . . .	23,561 12
	<u>\$556,061 12</u>

The usual careful revaluation of the entire assets of the Bank has been made, and all bad and doubtful debts have been amply provided for.

The various branches, agencies, and departments of the Bank have been inspected during the year.

Two additional branches have been opened—at Winnipeg and Toronto Junction. Apart from New York and Montreal our branches, as the Shareholders know, have hitherto all been in the Province of Ontario. We have deferred opening in Winnipeg owing to the fluctuating character of the prosperity of the North-West until the last year or two, but the growing interests of our customers rendered it necessary that we should not delay longer. We have secured the services of one of the most experienced bankers in the North-West, who had formerly been a member of our staff, and with the business already obtained from outside sources, added to that

which comes to us through our Ontario connections, we have no doubt of our ability to build up a safe and reasonably profitable business.

Having suffered inconvenience at Ottawa for some years owing to our inability to rent premises suitable for our business, we have during the year purchased the building lately owned by La Banque Nationale.

The Board are of opinion that the time has come when the establishment of a Superannuation Fund for the employees of the Bank is desirable. To effect this a modification of By-Law No. 8 is necessary, also a resolution respecting the contribution to be made to the fund by the Bank. While submitting these, the Board think it well to ask the Shareholders to revise and consolidate the whole of the By-Laws, in order that some slight changes required to bring them into accord with the present Bank Act may be made.

The Directors have again pleasure in recording their appreciation of the efficiency and zeal with which their respective duties have been performed by the officers of the Bank.

GEO. A. COX,  
President.

The Report having been read, the President said:—

The statement now submitted for your approval exhibits another year's steady growth, represented by total assets of \$28,912,387.35, as compared with \$27,263,545.51, an increase for the year of \$1,648,841.84.

The Profit and Loss Account shows a result very similar to that of the previous year, the payments of two half-yearly dividends amounting to \$420,000, the addition of \$100,000 to the Rest, making it now \$1,100,000, and \$12,500 written off Bank Premises—a return of very nearly nine per cent. to our Shareholders, which I am sure must be regarded by them as quite satisfactory.

We hear around us expressions of disappointment at the profits arising from business, and the general state of business

affairs; we are apt, however, to forget that while the unfortunate are generally ready enough to complain, the fortunate are not always anxious to reveal their affairs to the public. Again, I am afraid it is true that our expectation of what fortune should do for us is always pitched too high. In the Bank we see the balance sheets of very many different kinds of business, and of many different men in the same kind of business; a very trifling minority may have fallen behind in capital during the past year, but we have remarked more than once at the Board table that at no time in recent years has the improvement in capital, as shown by the surplus in the customers' balance sheets, been so general. It is true that in many cases the gains are not large, but this is healthy and natural and certainly affords no ground for general complaint. Apart from those who have only done moderately well, we are in a position to know that in many of the most important business industries profits have been made which are not only large, but are as large as the most sanguine could desire, and we think it doubtful if ever before in Canada so many different classes of the manufacturing industries were at the same time so prosperous. This has been largely brought about by consolidation and the economies in capital, cost of manufacture and distribution which arise therefrom.

When we regard Toronto alone, we are aware that some have suffered from the over-building and speculation in unimproved real estate in very much the same way as persons, who without experience and without sufficient capital rush into mercantile or manufacturing life, meet with disaster and loss.

For the period of ten years ending with 1891, the population of Toronto, including the addition of three small suburbs, increased from 77,034 to 188,914, or 145 per cent. This remarkable growth means that the business and dwelling house accommodation had to be increased nearly one and a half times in that brief period to receive over 100,000 additional people. It cannot be a matter of surprise that the increase in the value of land and in the demand for houses,



consequent upon this rapid growth in population, should have unduly stimulated speculation, and should have drawn into land transactions many persons inexperienced in that business. We are now passing through a period of liquidation which naturally follows an era of such unprecedented activity ; imaginary profits are being abandoned, and many properties are passing into the hands of persons able and anxious to buy them at fair prices. The depression is gradually passing away. We find in the causes of the recent rapid growth the best guarantees of the city's future. It is the metropolis of one of the finest and largest agricultural districts on the continent, and is the second city in Canada and must share in the general progress of Ontario and of the Dominion. There does not seem to have been at any time an exaggeration of values of well located central properties, but a steady and warranted increase. This is true, if tested according to the values in other cities of similar size, or according to sales and ground rentals recently made on King and Yonge Streets. The latter attest that the values of choice properties in this city are higher to-day than ever before.

Perhaps one of the most unfortunate results of this over-building is the entirely erroneous impression that has been conveyed to the outside world. Many persons are under the impression that it has been so far-reaching as to seriously affect some of our loan companies. I am not in a position to speak for all our companies, but I imagine the experience of others is very much the same, and having a seat at the board of three institutions—a life company, a trust company and a loan company—whose aggregate loans in the City of Toronto amount to over \$7,000,000, I am able to say from my own personal knowledge that the aggregate losses of these three companies, extending over the last ten years, have not reached \$10,000 during the whole of that time, and I am equally sure that they would not to-day pay \$50,000 to be indemnified against loss. It is true that the loans of these companies are confined to improved business and

residential properties in desirable localities ; the lower rate of interest at which money can now be borrowed on choice Toronto properties make these securities worth considerably more at the present time than their face value. I ought perhaps to add that I do not make these remarks because of any interest the Bank has in real estate transactions, but because I think injustice has been done to Toronto in this connection, which may reflect on some of our financial institutions. As far as the Bank is concerned, we have been steadily opposed to such business, and we have succeeded in keeping our books clear of transactions resting on real estate.

Your Directors think the time has now come when a superannuation fund should be established in the interest of the staff, and a resolution will be submitted for your approval authorizing the sum of \$10,000 a year to be set aside for that purpose. About 15 years ago a guarantee fund was established, to which each member of the staff contributed a certain percentage of his salary for a certain period of time, and out of this fund all losses for defalcations or errors were paid. The exceedingly small demand upon this fund not only reflects very great credit upon the integrity and efficiency of our staff, but has led to the accumulation of the handsome capital of over \$100,000. It is now the desire of the staff that the surplus in this fund should be used in connection with the proposed superannuation fund. The interest earnings from this source, the annual contributions by the Bank, and a small percentage of the salary of each member of the staff, will rapidly accumulate a fund that will make a handsome provision for our staff as they become, from old age or otherwise, incapacitated for work. The number of the staff at present is 368, and being in the main young men, we may fairly assume that it will be at least 15 years before any appreciable demand will be made upon the fund, and by this time it will have assumed handsome proportions.

I will not enter into any further details with regard to this, as my remarks are already too long, but if any Share

holder would like further explanations as to this or as to any other matter, we shall be glad to answer any questions.

I now beg to move the adoption of this Report, which will be seconded by the Vice-President, and before submitting it to the meeting, I will ask the General Manager to favour us with his usual annual address, which is looked forward to with so much interest.

The Vice-President briefly seconded the resolution, and the General Manager then spoke as follows :—

#### GENERAL MANAGER'S ADDRESS.

You will have learned from the Report of the Directors, now before you, that we have experienced our usual prosperity during the past year. During the first half of our banking year the profits were much smaller than usual, owing to the easy condition of the money market, referred to in my remarks at the last meeting of Shareholders. The last half, however, quite made up for this. I would like again, as I did a few years ago, to draw your attention to the fact that while the large capital and the moderate proportions of our Rest make the rate of dividend paid smaller than that paid by several other banks, we have, nevertheless, made a larger return on Capital and Rest combined than the majority of the leading banks in Canada whose statements have yet been published.

#### DEPOSITS.

Our deposits have now for some years past shown a handsome increase. This year they have practically reached eighteen millions of dollars, or about one million more than a year ago, a growth less great, it is true, than in the two previous years, but quite satisfactory. We have during the past year refused a large amount of deposits because of our unwillingness to pay the rates still being paid by some banks.

#### STATE OF TRADE.

If we consider the condition of business in Canada as a whole, there is not much ground for complaint. In particular lines of business there is doubtless much need of improvement

and in the North-West matters generally are not as well as we could wish. But while the steadiness in the annual return from our farming in Ontario is due to diversity in farming, so in the business world we have at least sufficiently diversified interests to avoid the losses of one or two industries, or the bad crops of one or two localities, affecting the general result. The profits of the wholesale dealers who carry on the distributing trade of the country are not quite what they should be, we are told. This is the more to be regretted because it was hoped that the weeding out of so many unnecessary shopkeepers on the one hand, and the slight measure of co-operation as to terms and prices brought about during the past year or so on the other, would insure a fair return to those engaged in the distribution of goods. Wholesale manufacturers who sell direct, as well as wholesale jobbers, are suffering somewhat from the disappointing payments this spring by merchants and shopkeepers in the North-West and British Columbia.

The volume of business, however, is doubtless larger than ever before, and as we have said, complaints regarding profits are far from general. In most lines of manufacture fair profits have been made, and in some very handsome profits indeed. Unfortunately flour-milling, owing to the steady decline in the price of wheat, is a noteworthy exception.

The wide range of machines and other articles manufactured to aid the farmer in his operations from the preparation of the ground to the thrashing of his grain, constitute such an important share of our manufactures that we have regarded the extent to which the farmer buys and pays for such goods as fair evidence for or against his prosperity. Quoting from sales and collections running into several millions of dollars, we find that in Ontario farmers paid their paper without renewal to the extent of over 96 per cent. In the North-West, where the year is admitted to be unfavourable, and where renewals are always required more or less, the payments were under 60 per cent.

## EXPORT TRADE AND LUMBER.

It has been the habit to treat with good-natured contempt the prospect of Canada ever having an export trade to any extent in articles of its own manufacture. But however slow the growth may be, it has in certain lines of manufacture quite passed the initial stages, and we are already doing in these goods a great and increasingly important trade in many different countries of the world.

When we turn to what is still our greatest manufactured export, lumber and timber, we have this year in the main a very satisfactory state of affairs to report.

The winter has been favourable in some sections, unfavourable in others, for operations in the woods, and the cost of supplies and labour has been higher, so that on the whole the cost of the product will be greater than last year. On the other hand, the advance in price will very much more than offset this. Many of our customers have already contracted for the whole of their summer's output ; and unless financial troubles in the United States interfere very seriously with consumption, a very much larger amount of money than usual will be returned to us for lumber alone.

The cut of saw-logs in the Ottawa District, and the stock held over from last season, are about the same as last season, but owing to the handsome advance in price the yield in money will be materially larger. Indeed the output as a whole is said never to have been sold to yield a higher price. The amount of squared white pine timber is about the same as last season, while the waney timber is about doubled. At the moment the market is very dull and the outlook not so bright as for lumber. The market for deals, however, is all that could be desired.

The conditions both as to lumber and timber in other districts are not materially different, except that, apart from saw-logs cut in Canada by Michigan firms to be sawn in Michigan, a considerable quantity of saw-logs taken out by Canadian firms have been sold in Michigan instead of being

sawn into lumber in Canada as heretofore. It is to be hoped that before very long the demand from the east and better railroad facilities will make it more profitable to cut all these logs in Canada, instead of towing them across Lake Huron. Perhaps, indeed, the scarcity of white pine lumber may have the effect of removing the duty within the next year or two.

#### AGRICULTURAL INTERESTS.

If we turn to the agricultural interests of Ontario, whether the farmers complain or not, we can find little that is not satisfactory.

Every year is a banner year in cheese, because thus far the trade has steadily increased. The figures we quote are for Canada as a whole, but as yet most of the cheese is made in Ontario. The great growth in this industry may be best shown by quoting the money value of the yearly exports at intervals of ten years, adding the year just past. The cheese year is made to close 31st March.

1860.....	\$	13,675
1870.....		674,486
1880.....		3,893,366
1890.....		9,372,212
1893.....		13,687,851

The past year has been favourable to manufacturers and middlemen alike. The average price was slightly less than in the previous year, but the yield was larger and this more than made up any loss in price. The foreign market for cheese is, as far as we know, almost unlimited, and with the low price of wheat, and the growing uncertainty as to the average price of wheat even over a series of years, we are glad to notice that every season new districts are beginning to produce cheese. The coming year, owing to these facts and the favourable weather for grass, promises a large increase.

The cattle trade grows, and while it has not yet become for the exporter a business free from abnormal risks, the grazier obtains pretty fair results and the volume of business

steadily increases. For the moment the drovers and shippers hold back until the difficulties attending the scheduling of Canadian cattle in Great Britain are removed. Fortunately our cattle are free from disease, but it is well to remember with reference to cattle, cheese, apples, or any of our products, manufactured or unmanufactured, that we create our foreign trade with difficulty because we are a small body of people, and therefore we cannot afford to send abroad anything but our best. Wherever Canadian products are known, especially in the United States and Great Britain, they stand for excellence. Let us at all hazards maintain the standard. As an instance of the growth of the cattle trade, at one of our branches in the finest part of Ontario our business with drovers has increased seven fold in six years, by a steady annual growth.

We have lost a large part of our trade in low grade horses through the McKinley tariff and the conversion to electricity of horse car lines. But our high grade horses sell as well or better than ever, and certain classes of draught horses are in demand for Great Britain. It is our own fault if we do not, by elevating the standard, maintain and increase this important branch of business.

Each year lately farmers have fattened more hogs, but this last year has demonstrated more clearly than ever that we quite undervalue our capacity in this direction. The supply in the farmers' hands was eagerly purchased at high prices, and the business was profitable to our few packers, yet the whole trade is a bagatelle as compared with what it might be.

The egg trade is in a peculiar condition. The exports of 1887 to 1890, inclusive, averaged thirteen to fourteen million dozen for each year. The seasons of 1891 and 1892 fell to eight million dozen for each year. A small profit was made during the past season, but the price to the farmer was about two cents per dozen less than before the McKinley tariff. Our eggs go to Great Britain in perfect condition. There is

no difficulty in that direction. On the other hand, extraordinary prices have been paid in New York—high enough to enable us to pay the duty and still reap large profits if our eggs had not already gone to another destination. The situation may please the western farmer in the United States, but it is certainly hard on the eastern consumer.

When the McKinley tariff was imposed, we feared the results to the Quebec farmer, in the matter of hay perhaps more than in anything else, but we miscalculated. The export business to Great Britain is already important, and, at the moment, although we have had a spring unusually favourable to hay, the demand from Great Britain is very great, prices being as high as £5 per ton, with many enquiries for Ontario hay. Fruit continues to be an important element in the products of the Ontario farmer. The apple crop last year was large, and the farmer was well paid for them, but the shippers again lost money through over-shipping to Great Britain. It is to be regretted that, notwithstanding the fact that only apples of the best quality can be exported profitably, many farmers neglect their orchards and allow the fruit to deteriorate in size and quality.

I refer to the grain crops last. The price of wheat was, of course, quite unsatisfactory. The Ontario farmer cannot raise wheat at these prices, but it is quite clear that he does not need to raise much wheat. From every part of Ontario our managers make pretty much the same report. The farmers have more than off-set the low price for grain by the high prices for cheese and hogs. Or, we are told that the farmers, owing to the low prices of wheat, are year after year turning their attention more to dairying, cattle grazing, fattening hogs, or fruit growing. Again we are told that in many counties the farmers are still holding last year's wheat, and in some localities two or three years' crops of wheat. This may be a very foolish thing for a farmer to do, but let us bear in mind that he is financially *able* to do it. From the same counties we have the information—in fact, there are very few



exceptions throughout Ontario—that the deposits in banks are increasing, that farmers' notes for implements are promptly paid, that he does not want to borrow from the banks, and is meeting the interest, and to some extent reducing the principal on his mortgages. Also, that there is no demand for mortgage loans, and that upon mortgages subject to repayment many good farmers are demanding a reduction in the rate of interest.

#### THE FINANCIAL SITUATION.

The last few months has been a period of unusual anxiety throughout the financial world. Our business interests are now so large that we cannot watch unconcerned the troubles of other countries. Even if Canada had no business connection with these countries, or so little as to make their troubles of small direct interest to us, we must in these times of rapidly changing conditions be always on the alert to grasp the lessons to be learned from every panic or financial collapse. We are very apt to think that human nature among civilized nations is pretty much the same everywhere—that motives and conclusions, based upon the same conditions, will not be very different in different countries, and yet every collapse of man's business schemes conveys in its history evidence contrary to this view. We are amazed at the slender basis on which nations, certainly not less intelligent than ourselves, build enormous structures of credit; and when failure enables us to view the inside of these ruined structures, we are not astonished at the collapse, but that such structures should have imposed upon the confidence of prudent people. I do not wish to be misunderstood, however, regarding our own country. We have in the past made serious mistakes, and while these will probably not be repeated in the future, we may fall into error in new directions. Something, however, in our northern blood seems to keep us from getting altogether out of sound condition. Perhaps the comparative slowness of our progress, and the labour and patience necessary to each step forward, have

been of benefit to us, although these are with the majority reasons for complaint. Perhaps, indeed, a nation of grumblers who do not take too roseate a view of their prosperity is a safer field for investment by the foreign capitalist than those Eldorados where he hopes to lend his principal *safely* and to obtain *high* rates of interest at the same time.

In Italy we have seen almost a complete failure of the entire banking system, the gravest evils being temporarily averted by amalgamating several large banks into one stupendous whole. In Rome a real estate speculation of extraordinary magnitude, to which we have before referred, came to its natural end some time ago, and it now appears as if this real estate building and speculating had been largely aided by the banks, who also assisted equally wild ventures of other kinds. The country which, having almost no manufactures or diversified industries, had little basis for much sound banking, now finds itself over-loaded with irredeemable paper money, the security for which is admitted to be unsaleable real estate to a very large extent.

In Australia the collapse has been almost as complete. Offering higher rates of interest than other countries could afford, they attracted both from abroad and from their own people an amount of money to the banks in the shape of short and time deposits, the magnitude of which has always been a matter of extreme surprise to Canadians. It is not astonishing now to learn that it was as freely lent as it was obtained, and that the inducement to lend has often been the high rates paid by the borrower rather than good and easily liquidated security. This is not the time, however, to make unkind criticisms regarding our Australian cousins. It is rather a time to express our gratification that certain great Australian banks, evidently managed on sound principles, survived the terrible strain. What we wish to draw your attention to is the difference in the nature of the banking of Canada and in these countries. To begin with, our deposits are almost entirely from our own people. Therefore, distrust

of Canadian banks as a whole must arise from within, which is to the last degree improbable. Again, instead of having large creditors abroad, our banks invest part of their reserves in the United States in a shape available for liquidation on short notice. While this is sometimes the cause of complaint by borrowers, who think money might be cheaper if this were kept at home, bankers know that it is our chief source of supply and strength in times when additional money is needed in Canada.

But the main feature in our banking as compared with these countries rests upon the nature of the advances made to the borrowing public. The prudent Canadian banker has long since learned that he may lend to a manufacturer to aid him in bringing his goods to market, but that he must not lend him to build his factory; that he may lend the flour miller or lumberman to make his flour or lumber, but he must not lend money to help him build a mill. Many loans in Canada are of course not in this happy shape, but the point is that they are recognized as departures from sound banking and are not accepted as satisfactory business. We argue that as a bank's liabilities are practically on demand or short notice, its loans should, as far as possible, represent transactions which in the natural course of things will be liquidated in the current year or season.

There is another comparison which may be made between Canadian and Australian banks, which will illustrate the difference in the character of the discount business very clearly. In both countries the banks issue note circulation and have about the same privileges. In Australia it is true gold circulates to some extent, but not enough to interfere with the value of my illustration. Now, calculating roughly, the volume of bank notes in circulation in the two countries will depend on the character of the discounts. If loans are made against fixed property and are renewed over and over again, no note circulation will be created, but if loans are made to prepare and move merchandise to market, a certain

amount of circulation will arise from each transaction, whether it be in paying for labour, paying farmers for their products, or in the many other forms in which actual cash is necessary. Now with loans and securities in Australia of about \$700,000,000, the circulation is only about \$23,000,000, the ratio being about  $3\frac{1}{4}$  per cent., while in Canada with loans and securities at 31st December, 1892, of about \$250,000,000 and circulation of about \$36,000,000, the ratio is over 14 per cent. There may of course be other local reasons why our circulation is larger proportionately than theirs, but in the main the reason assigned is I think correct. Australia has few manufactures, not many different kinds of industries, and the basis for real mercantile banking is much smaller than the volume of loans which the banks have attempted to carry.

But I must not be understood as criticizing loans on real estate. Under proper conditions there can surely be no safer business. The point is that in Canada we have realized that land banking and mercantile banking are two very different things, and we mercantile bankers, therefore, leave as strictly as possible to the loan companies the business of carrying the fixed property of the country on which money is borrowed. It is their business to be experts in such values, not ours.

We are, however, much more interested in the situation in the United States than in Australia or Italy, and while the National Banks, like ourselves, have no power to loan on real estate, it is to be feared that owing to the practice of borrowing money on accommodation paper through brokers, and the practice of borrowers keeping several bank accounts, much paper is held by banks which represents speculations in real estate, in industrial companies the stocks of which have not been absorbed by investors, and many other transactions which do not come under the head of sound mercantile banking. The great cotton and wheat crops of 1891, exported mainly in 1892, doubtless gave a tremendous impetus to the imports of the latter part of 1892 and the spring of 1893. This was further aggravated by the McKinley

tariff, under the operation of which certain changes were deferred until 1893, and large imports are of course being made in advance of these changes. The much smaller cotton and smaller cereal crops of 1892, with the decline in prices and the large stocks at home and abroad, have created an enormous gap between exports and imports, which quite apart from the return of American securities and the distrust as to the parity of gold and silver being maintained, was a sufficient cause for large exports of gold. The silver situation, however, outweighs all else in importance. During the existence of the Bland Act, that is from 1878 to 1890, many things helped to avert disaster following the coinage of silver. Gold came into the country from abroad to a very large extent. The revenue from the high tariff enabled the government to reduce the national debt at a pace unheard of in the financial history of the world. This caused the retirement of over \$200,000,000 of National Bank currency, the bonds on which it was based being called in or sold by the banks because of the high premium. This contraction and the rapid growth of the country easily made a place for silver or silver-paper, created at the rate of only \$2,000,000 per month. But now the country is required to absorb twice as much, and all the fortunate circumstances which helped to avert disaster under the Bland Act have disappeared. Gold is not coming in, but steadily going abroad. The charges of the Federal Government, what with pension bills, public works, etc., have reached a billion dollars for the present Congress. The tariff and other taxes no longer meet the charges. They have fallen on a bad year of exports, and failing to act quickly enough in repealing the Sherman silver-purchase bill, speculation in every direction has collapsed, and worse than this, very many solvent business men are unable to have their natural and moderate wants supplied. Within the last week or so two New York papers have tried to obtain a vote of Congressmen and Senators as to the repeal of the silver bill. If we are to be influenced by their reports the repeal is nearly

certain. Let us hope so. It is humiliating to see a great nation floundering in such a mess, when nothing but the simplest common sense is necessary. Yet it is a matter of votes, and we can have no certainty until the repeal is actually accomplished.

Meantime we should be thankful that matters move along quietly in Canada, and that apparently we can abide the issue whatever it may be. We have had a close money market, sharply following a period of great ease. A collapse in local stock speculation occurred and was perfectly natural. Those who were hurt blamed the banks, but this is nothing new. It was doubtless well that speculation was checked at that time and not allowed to run a few months longer. Looking around us, while every caution is necessary, we do not see anything in the outlook which is not hopeful for Canada. It will be strange, if when the dust has blown away, British investors do not see in our steadiness and sound financial position good reason to invest in this country some of that constantly increasing income which in the past has flowed so easily to the southern half of the world.

The motion for the adoption of the Report was then put and carried.

#### AMENDMENT OF THE BY-LAWS.

In moving the resolution respecting the By-laws, Dr. Hoskin explained fully the alterations and additions thereto, the chief of which were the provisions for the Superannuation Fund, and the increase in the allowance for Directors' fees from \$10,000 to \$12,000.

He further said:—Before moving the adoption of the By-laws I desire to make an observation in connection with the President's remarks upon the real estate situation in Toronto, a matter very appropriately referred to in view of the fact that whatever affects the interests of Toronto, advantageously or otherwise, must reflect upon and affect the material interests of our banking institutions. There has, no doubt, been over-building in Toronto, but that is a condition

which is true of other cities and towns on this continent, and even of some in England and elsewhere. Taking London, England, for example, there are in many of the suburbs hundreds of shops, and rows upon rows of unoccupied dwellings, built in advance of the requirements of the people ; nevertheless if because this is the case it were said that London was in a bad way and generally going to the dogs, such a conclusion would be altogether erroneous. It is equally erroneous when applied to Toronto at the present time. A lot of imaginary wealth has vanished, and fictitious and unhealthy prosperity in some quarters has also vanished, but the material wealth and prosperity were never so great as at present. The President, in support of his views, referred to the experience of building societies and kindred institutions as an index to the financial conditions of the city. From my connection with several institutions of this nature, I am in a position to testify to the accuracy of his remarks. The companies with which I am connected have over \$1,500,000 invested in mortgages on city property, and in a period of several years they have not had more than \$10,000 of city property thrown on their hands, and their losses thereon would be more than covered by \$1,500 to \$2,000. These figures speak for themselves. Toronto is the metropolis of this fair Province, the centre of many institutions whose establishment here guarantee its stability, and I venture to say that its future progress is beyond peradventure.

To return to the subject of my motion, I will now ask the Secretary to read the proposed By-laws.

The Secretary having read the By-laws, it was moved by Dr. Hoskin, and seconded by Mr. Leggat, that By-laws Nos. 1 to 8, as read, be and the same are hereby adopted as the By-laws of The Canadian Bank of Commerce.

Mr. Edward Martin, Q.C.—I am very glad to see some of the changes in the By-laws. The establishment of the Superannuation Fund is a very proper move. Banks as a rule are only able to pay moderate salaries to their employees,

and it is therefore only a matter of justice that the Bank should contribute liberally to a fund which will provide a very moderate competence to its deserving officers when they have outlived their usefulness.

I think it is also fair and right that as the volume of the Bank's business has largely increased, we should recognize the fact by a suitable increase in the allowance to the President and Directors, who must naturally spend a good deal of valuable time in looking after the Bank's affairs.

I am glad also to hear the emphatic assurances that the Bank in its loaning operations has kept clear of real estate.

The resolution adopting the new By-laws was then carried ; and on motion of the same gentlemen the following resolution was passed unanimously :—

That the Board of Directors be and are hereby authorized to contribute annually to the Superannuation Fund for the employees of the Bank such sum, not exceeding \$10,000 in each year, as they in their discretion may deem proper.

It was then moved by Mr. George Robinson, and seconded by Mr. J. B. Folingsby :—

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.

Mr. Cox.—I desire on behalf of my co-Directors and myself to thank the meeting for the vote of thanks to the President, Vice-President and Directors. Speaking for myself, my duty as President is a very pleasant one, for I am surrounded by a number of gentlemen who have no interests to serve save those of the Bank, and are able and competent in the discharge of their duties. I have the proud honour to preside over a staff, from the General Manager to the juniors, that, I am sure, cannot be surpassed by any banking institution in this or any other country. I thank you for this resolution.



Moved by Mr. John Scott and seconded by Mr. Henry Beatty, 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. Cox.—I have a better opportunity than anyone else of seeing, from day to day, the untiring zeal and watchfulness with which these gentlemen perform the duties of their respective offices. It is always a pleasure to me, in submitting this resolution, to feel that it is not merely a formal resolution, but one which I know deserves and receives the cordial approval of the Shareholders.

Mr. Walker.—I have to thank you very much for the resolution. Although it is passed as a formal matter, and in stereotyped language, I can assure you that as far as the staff, from the youngest juniors up to the General Manager, is concerned, it has more than a merely formal significance.

I have also to thank the Shareholders for the grant to the Superannuation Fund. We have discussed this matter exhaustively for a couple of years past, with the best actuarial assistance we could obtain, and we think we have arrived at a more or less scientific basis for the Fund. It is desirable, if we do start it, that at the end of 15 or 20 years it should be able to stand the strain that will then fall upon it. The staff has grown again this year as you have seen, but this cannot go on forever. Many people think that bank officers are not hard worked, but from my own experience I think there are few establishments where men are more severely taxed than in the larger branches of The Canadian Bank of Commerce.

Mr. Plummer.—I do not know that I need add anything to what Mr. Walker has said, except my acknowledgments for my own share in the vote of thanks. I think the annual contribution to the Superannuation Fund, which the Shareholders have voted, is after all the very best evidence of their appreciation that they could have given us.

We would have liked very much to have embodied some such provision as other banks have, whereby benefits accrue to widows and orphans of deserving officers, but we have seen clearly that the Fund could not stand that and survive, and we have therefore confined our scheme to superannuation only for the present. I hope, however, that we shall, after a time, be able to undertake the foundation of a Widows' and Orphans' Fund, but that must be a separate fund, for which special contributions will be necessary.

Moved by Mr. John I. Davidson, seconded by Mr. Jas. Crathern, and carried, that the meeting do now proceed to elect Directors for the coming year, and that for this purpose the ballot-box be now opened and remain open until three o'clock this day, the poll to be closed, however, whenever five minutes shall have elapsed without a vote being tendered; the result of the election to be reported by the scrutineers to the General Manager.

The meeting then adjourned.

The scrutineers subsequently reported the following gentlemen to be elected as Directors for the ensuing year :— Messrs. Geo. A. Cox, James Crathern, John I. Davidson, William B. Hamilton, John Hoskin, Q.C., LL.D., Robert Kilgour, Matthew Leggat and George Taylor.

At a meeting of the newly elected Board of Directors held subsequently, George A. Cox, Esq., was re-elected President, and John I. Davidson, Esq., Vice-President.