In view of the many interests of the Bank in the neighbourhood of Preston, Ontario, the Board have thought it desirable to open a branch there.

The officers of the Bank have discharged their duties with zeal and fidelity, and to the satisfaction of the Board.

The whole respectfully submitted,

(Signed) ANDREW ALLAN.,
President.

Montreal, June 16th, 1893.

STATEMENT OF ASSETS AND LIABILITIES AT 31ST MAY, 1893.

LIABILITIES.

			Last Year:
1. To the Public:—			
Notes in circulation......		$2,665,932 00	$2 731,797 00
Deposits not bearing interest	$2,748,536 91		2,522,246 80
Deposits bearing interest	7,359,732 20		7,319,756 15
Interest due thereon to date	76,127,27		82,216 15
		10,184,396 38	
Balances due to Canadian Banks keeping Deposit Accounts with this Bank.....		757,472 97	720,057 19
Balances due to Canadian Banks in Daily Exchange...		2,030 19	27,695 68
Balances due to Agents in Great Britain..............		709,300 13	334,798 87
Dividend No. 49.....		210,000 00	202,972 00
Dividends unclaimed		1,526 00	1,648 50
		$14,530,657 67	$13,943,188 34
2. To the Stockholders:—			
Capital paid up......		6,000,000 00	5,799,200 00
Rest....................		2,900,000 00	2,685,000 00
Contingent account..		86,320 00	75,800 00
Balance of Profit and Loss account carried to next year..		13,961 79	3,733 28
		$23,530,939 46	$22,456,921 62

ASSETS.

Gold and silver coin on hand..............		$290,572 60	$305,558 09
Dominion notes on hand....................		781,397 00	553,481 00
Notes and cheques of other Canadian banks		592,935 33	601,261 34
Balance due by other Canadian banks in account and daily exchanges...........		96,495 78	76,246 58
Balances due by banks and agents in the United States		625,916 64	631,704 49
Dominion Government bonds..........		1,078,132 45	769,981 06
Railway and municipal debentures....		268,076 90	127,300 00
Call and short loans on bonds and stocks..............		827,495 85	1,698,636 61
Total available assets...		$4,556,022 55	$4,764,169 17
Time loans on bonds & stocks....	$144,425 00		121,181 23
Other loans & discounts	17,732,071 41		16,518,175 43
Loans & discounts overdue (loss provided for)	107,210 17		127,238 71
		$17,983,706 58	
Deposits with Dominion Government for security of note circulation............		153,699 00	70,000 00
Mortgages, bonds and other securities, the property of the bank...............		113,528 48	122,746 11
Real estate............		188,837 68	203,977 74
Bank premises and furniture..........		519,553 24	508,173 28
Other assets........		15,591 93	21,259 95
		$23,530,939 46	$22,456,921 92

(Signed) G. HAGUE,
General Manager.

The President then moved, seconded by the Vice-President:

"That the report of the Directors, as submitted, be and the same is hereby adopted, and ordered to be printed for distribution amongst the stockholders."

Before putting the motion to the meeting, however, the President called upon the General Manager, Mr. George Hague, for a few remarks upon the financial outlook.

THE GENERAL MANAGER'S ADDRESS.

Mr. Hague said: It is not my intention to make very lengthy remarks today, either about the details of our own business or that of the country generally, but rather to dwell upon events that have transpired abroad which affect our own interests. The business of the country was concisely and clearly treated of in the remarks lately made by the President of the Bank of Montreal. I fully agree also with the opinions expressed by the General Manager of that institution on the same occasion with regard to public expenditures.

With regard to the business of the Bank, it is plain from our statement that we have more than held our own so far as extent of business is concerned. And it goes without saying that in these days of keen competition, this has not been done without constant effort and watchfulness, both on the part of ourselves, directing operations from hence, and on the part of our managers at the branches. Without their zealous co-operation our efforts would be in vain. But we have had this co-operation. Managers of branches have worked heartily and zealously in the cause of the Bank, and are constantly on the outlook. Our position, in fact, is very much like that of an army in occupation. If we neglect to maintain a sharp lookout, we shall find our territory invaded and our position disturbed in all directions. It is all in the way of friendly rivalry, of course; yet I am very sure we would all do as well in the end, and probably better, if a process was instituted analogous to partial disarmament. That the country and its trade would be served just as well, I am also sure. As it is now, with a constantly increasing business, which involves constantly increasing expenses, we ourselves find a constantly decreasing ratio of net profit to the business done. We turned over altogether $1,116,000,000 in 1885, $1,278,000,000 in 1887, $1,308,000,000 in 1890, and $1,394,000,000 in 1893. But we make no more net profit now that we did five years ago.

It is not, I assure you, from want of close attention to business. I would be inclined at times to think that we are not sharp enough for the keen competition of these days, were it not that the reports of other institutions, exhibit the same feature. In fact, this state of things is common to every line of business amongst us.

We could bear with this diminution of working profits, if the liability to loss were diminishing; but that is not the case. The competition just referred to, bears directly upon this liability to loss; for it affects not only the rate at which we discount and lend money, but the security we take for it. There is a constantly increasing tendency to relax wholesome rules in this respect, to the injury both of those who have sufficient capital and those who have not. It is a pure delusion for a trader to imagine that the more money he can borrow, the better chance he will have of succeeding. The direct contrary is the case. Banks would generally serve their customers better by restricting credit than by extending it, and by requiring tangible security when they lend it. The first would diminish failures and promote the lasting prosperity of customers. The second would almost entirely eliminate the liability to loss, except from fraud and false representation and from depreciation in the value of securities. This state of things could be reached by a good general understanding amongst the Banks. As competition is worked, however, it both diminishes profits and increases failures and losses.

As there is now a Bankers' Association in Canada, its energies could not be better directed than to bring about reform.

AUSTRALIAN BANKS.

The financial world has lately had some very striking object lessons in the matter of abuse of credit. Since the beginning of the present year there has been the most terrible succession of bank failures in Australia that has ever been known. What was the cause of it all? The cause can be stated in one word, viz., too much borrowed money. For many years back, the Australian Governments were borrowing money to an amount far beyond anything we have ever known. Victoria alone, with a population of only a million, has run up a debt of $220,000,000. The other colonies borrowed somewhat in the same ratio. The enormous amount of five or six hundred millions of borrowed money was spent in a population far less than that of Canada. This of itself was sufficient to produce a certain amount of inflation, but it would not have produced the disasters that have overwhelmed the banking interests had it not been supplemented by another enormous influx of borrowed money, viz., the amount of English and Scotch money sent out to Australia in the shape of deposits. These two great financial currents were in operation at the same time, but the second was in a far more dangerous form than the other. It amounted to nearly two hundred millions of dollars, and was all poured into the banks, who as they paid stiff rates of interest for it, were driven by constant pressure to seek employment for it. Unfortunately for the banks of Australia, they were not under the restraint of wise and thoroughly digested banking laws, as we are here. And I will pause for a moment to say that, so far as I know, there is no country in the world where banking laws have been so thoroughly discussed in all their bearings, both in Parliament and by bankers themselves, as Canada, and no country whose banking law is, taken as a whole, as good. But, to return to Australia, the effect of all this was an enormous lending by the banks on lands and mines and fixed properties, this not being confined to one city or locality, but extending to every locality, and to the whole population. This was very bad banking, as we know from former experience in Canada. Along with this came inevitably an enormous increase of spending on imported goods, immense extensions of mercantile credit and lines of banking accommodation, and also of prodigious and rapid development of building and improvements of all kinds, both private and public.

There never was in the world apparently, such a wealthy and prosperous community, as filled the Australian colonies a few years ago. But the foundation was not solid. Winnipeg and Manitoba were exactly in the same condition ten years ago. And from the same cause, viz., that coincidently with the expenditure of immense sums of borrowed money on public enterprises, there were enormous sums of money taken from outside the province and deposited in banks. The very same features were common to both, viz., a prodigious rise in value, vast increase of wages, incomes, profits, and luxurious expenditure, large numbers of people rolling in wealth, and a general belief that this was the natural condition of things and would go on forever; followed by a turn of the tide, difficulty in realizing property, heavy fall in values, enormous losses to the lenders of money, and finally an all but universal breakdown of credit and business. In the case of Manitoba, if there had been established in the province at that time local banks and local loan companies, every one of them would have failed. As it was—every bank and loan company that did business there, ourselves included, made heavy losses. In Australia the Loan Companies were the first to feel the reaction. They also had been borrowing money freely in England and Scotland, and lending it on inflated values. These concerns became embarrassed or bankrupt one after another for a year or two, and then the turn of the banks came. These banks were mostly large institutions with a heavy capital and ample reserves. Yet they went down one after another, the failure of one increasing the distrust in others, until at last there were only three left: these three having been distinguished for their caution and prudence in the midst of abounding folly and excitement.

I need not remind you that the state of things above described, has no parallel in Canada. No conclusions with regard to Canadian credit can be drawn