

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 unfavorable and very likely unfounded rumor, 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, prohibited so far as bank stocks are concerned in every 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 honored 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 department 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 favor 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 91 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 7 or 8 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 last 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 shape, 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 favorable 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 a 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