

after by an entire cessation of profits from that source—the inevitable result of getting our money back. But this was not all. The same condition of things which led to the liquidation of this indebtedness raised the credit of all the associated roads to such an extent that their securities became negotiable, the result being that all, or nearly all, our advances to railroads were paid off during the autumn months, flooding us in the aggregate with a very large sum of money, a sum which could not easily be diverted all at once into new channels.

The question which naturally follows is: "What has been done with all this money?" Let us turn again to the statement of assets and we shall see that by far the largest part of the funds thus set free will be found under the item of amounts due by agencies in foreign countries and Great Britain, and the balance not thus accounted for, it will be seen, was invested in Dominion Government bonds. Of course, it is not pretended that the money earned as much in Great Britain or the United States as it had been doing in Canada; but what could we do? The funds came back upon us, and could not be used in this country, and, therefore, on the principle that "half a loaf is better than no bread," we did the next best thing. In the summer and well on into the fall, when the funds were piling up in New York, I was feeling exceedingly blue, and began to despair of earning a respectable dividend for the year ending 30th April, 1886. It was a matter of public notoriety that we had from eight to ten millions of dollars unemployed, or loaned, if at all, at merely nominal rates, and, gentlemen, it was true. Later on we found employment for a very large sum at Chicago, and although rates have ruled comparatively low even there, still it was very much more profitable to use our funds there than in either London or New York. After this explanation I think you will admit that, taking everything into account, we have not done very badly. It is to be feared, however, that the same condition of things may occur again this summer; our loans in Chicago are already running down very rapidly, and it seems inevitable that funds must flow back to New York, and I see little reason to expect that there is likely to be any considerable advance in the value of money at that point, though it may be a shade dearer, especially if it should command higher rates in London.

BANK PREMISES.

I would like to add a few words about the addition to the Bank Premises account. The report has, I think, made it plain that the bank has provided no less than \$111,000 out of the year's profits to put the account upon its present basis, and close all other accounts connected therewith. Of course our safes and fixtures represent a very considerable sum, but they are now all included under this head, and all outlay for improvements and repairs at Branches other than Montreal and Toronto has been provided for. The first impression on your minds may be that \$600,000 is a large sum, but if the facts are carefully examined I think that idea will be dissipated. Let me call your attention to the fact that we own twenty-one buildings, photographs of which may be seen in the album upon the table. I consider the building in which we are at present assembled to be worth at least half the money, say \$300,000, my calculation being that the land upon which it stands is worth \$200,000, and we cannot be far wrong in putting the building itself at \$100,000, in view of the fact that we have just expended \$80,000 upon its improvement. Then our new building in Toronto will cost at least \$120,000—exclusive of the land upon which it stands—so that these Montreal and Toronto premises alone may be considered good value for upwards of two-thirds of the whole amount, leaving nineteen buildings to represent the remaining one-third, or says \$200,000. But there is another view to take of the matter, viz., that these buildings are necessary to carry on our business to the best advantage, and are in fact the most economical way of doing so. To rent premises suitable for our purpose it is almost necessary that they should be built especially for us, and to give capitalists what they would consider an adequate return for their investment would be a very expensive way of dealing with the matter. If you consider for a moment that we can borrow all the money we want at 3 per cent. per annum, you will see the force of my reasoning. But for

the sake of argument call the funds worth 4 per cent., which gives a rent of \$24,000 per annum for all the buildings owned by the bank, and how small a sum this is will be better understood when I tell you that three offices in London, New York and Chicago alone stand us in a rent of \$21,500 per annum. Before leaving this subject allow me to say one word more, viz., that these alterations were not gone into merely for embellishment or æsthetic effect; but were actually necessary to provide for the increased requirements of our business, which had far outgrown the accommodation afforded by the office as it was before making the change. Then again the sanitary condition of the building sadly needed improvement. It is quite possible that some may think that all this might have been accomplished at a smaller outlay; but it was thought best to make a thorough job of it, once for all, and have a banking room worthy of the head office of the leading financial institution in the country. And what is true here was also true in Toronto—the office had long been too small for our requirements, and the inspector had for years been urging upon the head office the necessity for rebuilding. I might add before leaving this subject that the percentage of our bank premises' account on the capital is less than that of some other banks, and less than the percentage on the aggregate of bank premises of all the banks in Ontario and Quebec on their united capitals.

BONUS TO THE STAFF.

There is another matter that I should like to refer to for a moment. Although not alluded to in the report it is proper that I should mention that the board, in the exercise of what I deem to be a wise discretion, and of the powers conferred on them by the Banking Act, considered it advisable to signalize the year by giving the entire staff a bonus. This decision was unanimously arrived at in view of the fact that the bank has been enabled to give the shareholders a bonus for two consecutive years while the staff has not had a general bonus for thirteen years—say since 1873—and seeing that the result of the year's business has been so far satisfactory, as not only to give the shareholders a fair return, after making all necessary provision, including a considerable increase to the amount carried forward, and that something still remained at their disposal, it was deemed wise to recognize the services of the staff. And I feel sure, gentlemen, that none of us will ever have cause to regret the action of the board in this connection, which after all is only carrying out the sentiments of the age that labor should to some extent share in the profits realized by capital.

The future is a sealed book, and it is idle to attempt to penetrate far into it; it is wisely hidden from our view; as in all things, so in banking. The most that we can do is to indicate what seems probable from the present standpoint. It is little better than a waste of time to speculate about the crops at this season of the year; so far, they promise well, and they may be ever so promising up to a certain point; but still they are liable to all sorts of—I will not say accidents—but contingencies such as rust, insects, drought, or the reverse, but, worst of all, early frost in certain sections, sometimes destroying in a single night our most cherished hopes of a bountiful harvest. But assuming that the country is favored with a good crop, in these latter days the matter does not end there. Given a good crop, the next question that arises is—what about a market? Formerly a good crop was looked upon as a panacea for all our troubles; but of late years the production of wheat has been so much increased, and the competition with other countries has become so keen, that prices in the English market have fallen lower than ever before. In the case of India it is an unequal contest, the extremely low price to which silver has fallen enabling that country to lay wheat down in England at a price with which it is nearly, if not quite, impossible to compete; and it looks as though wheat growers on this continent will have to depend largely upon home consumption for a market, rates usually ruling higher in Chicago than in Liverpool.

TRADE PROSPECTS.

Now, as regards trade, the general impression in the United States before the labor troubles broke out was that they were just upon the eve of a very considerable revival of business, and it is to be hoped that the strikes have only postponed, but not destroyed, the

much needed improvement. In fact, many contend that the outlook for general business is excellent. Some well informed parties argue that it is not a mere spurt, but a healthy reaction from a long period of liquidation, and the result of general economy. The labor troubles have undoubtedly checked production, and it is now claimed that manufacturers are bare of goods, while consumption is large and the demand is expected to increase. If these expectations are realized, it is only reasonable to hope that we in Canada will share, at least to some extent, in the improvement. But what is the condition of things here to-day? The general impression seems to be that the business of the country is fairly prosperous. As far as I can learn the feeling is not buoyant, but hopeful; nothing like a boom either exists, or is looked for, but trade seems to be, on the whole, tolerably satisfactory. I think the wholesale houses, for the most part, report the volume of trade moderate, payments fairly good, but profits rather light, and the case is probably much the same with manufacturers. The factories are for the most part, I think working full time, and the products going into consumption; the margin for profit is small, but there is reason to hope that most of the mills are at least holding their own, and some of them perhaps making a little profit; but it is of the utmost importance that production should be kept down. The imports of dry goods are believed to be light, but this is a matter of less significance than formerly at it is now the custom to repeat orders by cable.

Among other evidences of improvement, I am glad to know that the shipping business via the St. Lawrence route may be included. It seems to be admitted that there is a marked increase in that direction as compared with this time last year, and I believe it is attributed, at least in part, to the reduction in canal tolls.

If you ask me what are the bank's prospects, I answer that it is a very difficult question to reply to. The position to-day is certainly not all we could wish—our funds are not by any means as fully or profitably employed as we should like. No one can say what the course of the money market will be in London, but the disturbed condition of things politically is not favorable to activity in business, and is calculated to render capital very timid—still the stock of bullion held by the Bank of England is very low, indeed lower than for many years, and the best authorities are predicting dearer money; the bank rate was recently raised to 3 per cent. in the hope of drawing gold from abroad. I have already intimated that our funds are accumulating rapidly in New York, where rates are still exceedingly low—there, too, however, interest may rule higher in the fall, but there is little prospect of any improvement during the summer months, unless indeed the drain of gold to Europe should continue or increase, so that while I should like to take the most hopeful view of the situation, I cannot shut my eyes to the fact that it is going to be up hill work to make profits, and with every desire to send you away happy, I cannot lead you to hope that there is much prospect of our making as much as we did in the year just closed. Of course we cannot realize as much from sums previously written off—that is out of the question; but fortunately, on the other hand, we shall not have to make the same provision for large expenditure, which has been already provided for. I trust, however, that as in the past year the result will be better than we fear, and that we may do fairly well. It is true that certain sources of profit have been cut off, but it is hoped and believed that others will be found—it is an age of progress—the world does not stand still even in Canada, and, after all, it seems to me that the Bank of Montreal is yielding about as good a return to its shareholders as any other equally satisfactory and readily convertible investment, even taking the stock at its present quotation. Bank profits have been rather on the wane in England, but in spite of this the market value of bank shares has improved rather than the reverse, and the reason is, of course, not far to seek, holders being satisfied with a smaller return from that source as from every kind of investment. Precisely the same thing has been going on here. Stocks have advanced while profits, as a general thing, have declined.