

Bank of Montreal

Annual General Meeting, Held 7th December, 1914

The 37th Annual General Meeting of the Shareholders of the Bank of Montreal was held at noon yesterday, in the Board Room at the Bank's headquarters.

On motion of Mr. R. B. Angus, Mr. H. V. Meredith was requested to take the chair.

The Chairman then called upon the General Manager, Sir Frederick Williams-Taylor, to read the annual report of the Directors to the Shareholders at their 37th Annual General Meeting, held Monday, December 7th, 1914.

THE ANNUAL REPORT.

The Directors have pleasure in presenting the Report showing the result of the Bank's business for the year ended 31st October, 1914.	
Balance of Profit and Loss Account, 31st October, 1913	\$1,046,217.80
Profits for the year ended 31st October, 1914, after deducting charges of management, and making full provision for all bad and doubtful debts	2,498,451.62
	\$3,542,669.42
Quarterly Dividend 2 1/2 per cent. paid 1st March, 1914	400,000.00
Quarterly Dividend 2 1/2 per cent. paid 1st June, 1914	400,000.00
Bonus — 1 per cent. paid 1st June, 1914	160,000.00
Quarterly Dividend 2 1/2 per cent. paid 1st Sept., 1914	400,000.00
Quarterly Dividend 2 1/2 per cent. payable 1st Dec., 1914	400,000.00
Bonus — 1 per cent. payable 1st Dec., 1914	160,000.00
	1,820,000.00
Canadian Patriotic Fund	100,000.00
Provision for Bank Premises	290,000.00
	2,310,000.00

Whether a long period of depression and economy, in order to replace the wasted wealth of the world will follow its conclusion, or whether the removal of political apprehensions and the prospect of a longer era of peace will bring about an immediate restoration of prices—not alone of commodities but of stock exchange and of other securities—it would be idle at the moment to predict.

In the United States, the revival of business which had begun to be perceptible met with an abrupt check upon the declaration of war, and in consequence of the cutting off of supplies of European capital, plans for development and expansion in all directions were either abandoned or abandoned.

Notwithstanding that the Western sections have reaped more than usually bountiful crops, the tendency there, as elsewhere, is towards general curtailment and the avoidance of capital expenditure.

These conditions do not appear to result so much from an absence of resources or unsound trade as from doubts and uncertainties touching the future, affecting corporate bodies as well as all classes of the community.

The increased prices, together with shipments of grain and foodstuffs, and the large sale of war materials are having a stimulating effect on business generally, and gradually offsetting the adverse balance of trade.

The embarrassments caused by the disarrangement of the foreign exchange market have largely overcome.

There appears to be a prevailing feeling in favor of giving some measure of relief to the railways by way of increased freight rates so that they may be the better enabled to negotiate securities to meet their present needs and to provide for necessary expansion.

The coming into force of the Federal Reserve Bank's operations should cause an easing money market until commercial activity absorbs the free funds created thereby, and it will likely prove a potent factor in restoring normal conditions throughout the country, as well as preventing those periodical crises which have been so disturbing in the past.

The opening of the exchange has helped to relieve an acute cotton situation. It has also been further considerably eased by the declaration that cotton will not be considered contraband.

The operations of the New York stock exchange are gradually being extended, and the fact of its now having been opened, even with restrictions, has had a good sentimental effect upon the whole financial situation.

In Canada, a period of several years of remarkable growth and progress was accompanied by large—and in some cases imprudent—capital expenditures by industrial, municipal and other corporations, and an ambitious programme of railway construction, made possible by the ease with which money could be obtained.

These conditions were taken advantage of by company promoters and speculators to bring about unduly inflated and fictitious values, and the extent to which these were carried directed suspicion and distrust of our economic position in the money markets of the world, followed by a close scrutiny of our securities and a curtailment of money supplies so essential to our development.

The ensuing check caused embarrassment in some instances, but had a salutary effect on the country in general, as it brought us to realize the fact that unproductive expenditures must of necessity cease for a while, and our efforts be directed towards development of natural resources, accelerated by a large flow of immigration.

It fortunately happened that for over a year previously, our manufacturers and merchants, preparing for such a contingency, had entered upon a period of curtailment and readjustment; and our economic position had been approaching a more normal condition. They were, therefore, the better able to meet the shrinkage in their turnover occasioned first by restricted demands and now by the war.

I refer to these somewhat trite matters because the halt in business presently experienced may create in the public mind a more gloomy view than is warranted by actual conditions. It is well to remember that for a decade the commercial expansion of Canada was really abnormal.

A decline in the foreign trade of the country had set in before the outbreak of war, and has been accentuated by that event. In the seven months ending October 31st last, the value of merchandise imported, exclusive of specie, was \$254,800,000, or 108,700,000 less than in the corresponding period of the preceding year. On the other hand, the value of Canadian produce exported has been fairly well maintained, having been for the seven months \$227,700,000 as compared with \$245,550,000 a year ago. The adverse balance of trade has, therefore, been reduced from \$145,000,000 to \$67,000,000 in this period, a substantial improvement of \$78,000,000, the more satisfactory in view of the practical closing of the London money market to Canadian loans.

The transportation interests of Canada have also been benefited by an increase in the value of exports of United States products through our ports from \$19,000,000 in the seven months period of 1913 to \$41,500,000 this year.

I am glad to be able to say that from the reports which reach me from all parts of the country, legitimate business is fundamentally sound. While trade

I feel sure this course of action will meet with your approval.

The year, I need hardly say, has been an eventful and anxious one.

POSITION IN GREAT BRITAIN.

In Great Britain the period immediately antecedent to the declaration of war was marked by considerable ease in the money market, coupled with a slight recession in trade, following a long period of unrest and depression caused by the Balkan crisis and other adverse factors.

The outbreak of hostilities brought about the collapse of the whole financial fabric, the closing of the bourses and a world-wide financial cataclysm. For a time at least a condition of well nigh general insolvency was threatened. The steps which were taken to cope with the crisis are of too recent occurrence to require reiteration.

Britain's command of the sea was undoubtedly the chief factor in bringing about a recovery of confidence, but great credit is due to the government and their able financial advisers for their hold and statesmanlike management of the situation and their prompt action in meeting the crisis, as well as to the Bank of England for the courage and activity with which the plans of the government were carried out.

The great latent wealth of the Empire has been demonstrated by the patriotic response to the recent government loan, and this is being followed by the removal of barriers to trade which is now once more approaching a normal condition.

What the consequences of the war will be must depend, I think, to a large extent on the duration of the hostilities.

Whether a long period of depression and economy, in order to replace the wasted wealth of the world will follow its conclusion, or whether the removal of political apprehensions and the prospect of a longer era of peace will bring about an immediate restoration of prices—not alone of commodities but of stock exchange and of other securities—it would be idle at the moment to predict.

In either event, all borrowing countries, including Canada, must expect their facilities to be largely curtailed while the wastage of war is being repaired.

IN THE UNITED STATES.

In the United States, the revival of business which had begun to be perceptible met with an abrupt check upon the declaration of war, and in consequence of the cutting off of supplies of European capital, plans for development and expansion in all directions were either abandoned or abandoned.

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generally is quiet, and in many branches restricted, especially those dependent upon construction work, there is compensation, in a measure, by activities in others which provide the vast supplies required by the war.

A general suspension of new undertakings is apparent. Agriculture—the backbone of the country—continues prosperous, notwithstanding a shorter crop yield, owing to the high prices being paid for grain and other farm products. The great increase in the number and value of live stock in the Northwest is especially gratifying.

Farmers are preparing to increase the acreage of land under crop, and manufacturers are taking advantage of the situation to extend their sales where foreign competition, for the time being, has been eliminated. There is, moreover, an undiminished confidence in the future which is an asset of no little importance.

Considerable unemployment exists, but the extent of it is probably over-estimated, and I think our position in this respect will compare favorably with that of other countries.

These conditions are overshadowed at the moment by a war so disastrous and so unexpected that even yet many of us do not grasp the full significance of it all. New local conditions and new problems had to be met.

GOVERNMENT'S WISE COURSE.

The wise and timely action of the Finance Minister in providing facilities for rediscount, and in making Bank Notes legal tender, had a steady effect throughout the country, and has enabled the Banks under all circumstances to meet the legitimate demands of business and to keep in hand ample resources against default.

Power was taken by the Government to declare a moratorium, but fortunately it has not been necessary to put this into effect; for all must recognize the supreme consideration of maintaining our credit in the money markets of the world.

The war, by closing the financial markets of all countries, has precluded us from obtaining capital for construction and development work and so long as these conditions prevail, it will be necessary for us to conserve our resources rather than proceed with other than unavoidable capital expenditure.

The financial policy of issuing inflated currency for such purposes—abundantly proved by experience of other countries—is well known, and Canada is to be congratulated on having avoided the miseries of a depreciating "paper" currency.

In this connection it may remind you there is a homely adage that "no one has yet succeeded in lifting himself by his boot straps."

Not should it be forgotten that we have a large foreign interest indebtedness to be liquidated by exports or new borrowings.

For the latter, the London market being now less available, we shall have to rely partly on such facilities as the United States market can offer, and, in a measure, upon our own resources, to solve the problem of restricted trade and shrinking revenue, as well as to meet maturing interest, capital commitments and other obligations.

FOREIGN RESERVE VALUABLE.

Our reserves abroad have proved valuable in this connection as they are enabling us to conserve the gold supply of Canada.

War and other adverse conditions are bound to retard our progress. A period of rest and recuperation may be expected, but the future depends to a great extent upon the spirit with which the people meet the changed conditions.

Economy and prudence in the matter of expenditure, and an earnest effort to increase production of exportable articles, will in time usher in an era of active trade and renewed prosperity.

There is no question in my mind that after a pause the duration of which will be determined by the measure of our production and by our savings, we shall again enter on a period of progress and development, and that pause, I believe, will not be long continued.

Mr. R. B. Angus seconded the motion for the adoption of the Report, which was carried unanimously.

THE GENERAL MANAGER'S ADDRESS.

Sir Frederick Williams-Taylor, the General Manager of the Bank, then made his annual address, as follows:

Gentlemen:—This Bank is now approaching its centenary, but never before in the ninety-seven years of its history has the annual balance sheet been presented to the Shareholders under such universally perturbed financial conditions as exist at the present time.

For the sake of consecutiveness and as a natural preface, I may say that since the outbreak of the present war all business has ceased to transact business in consequence throughout the world at large. Stock Exchange securities have become unrealizable except by limited sale and slow process.

In a sense a large part of the trading and manufacturing world has undergone a course of declension towards first principles. The most readily saleable commodities in large volume now are the necessities of life, either direct or represented by commercial paper, and the appliances created by man for the destruction of life.

As the President has ably reviewed the general trade and financial situation both in Canada and at the chief centres abroad, my duties are confined to an explanation of the most important features in the accounts I have the honor to submit to you and the points arising therefrom.

It is pertinent to interject that the interests of the Bank of Montreal have become of such an international character that one cannot adequately analyze and comment upon our balance sheet without at least reference to London and New York.

LONDON.

The interest taken by Canada in the London financial situation is due to a combination of firm patriotism and monetary dependence. Not only are we solicitous for the welfare of our Empire's financial centre, but the Dominion has financed its requirements in that market to an extent obvious enough to the few but only recently fully appreciated by the people of this country as a whole.

It might be added without boastfulness that this Bank's London business has steadily increased in importance step by step with the development of our country until we have attained a prestige, and what has been termed by others a unique position among Colonial Banks represented in the great metropolis, that you, its Shareholders, can regard with a measure of national pride as my individual pride.

NEW YORK.

We are naturally greatly interested in New York conditions, as not only is that city the Clearing House of North America, but also the channel through which the bulk of our foreign exchange transactions pass. Further, the financial relations of the two countries become more intimate and further dovetailed with the ever-increasing establishment in Canada of branches of great American industrial companies.

previous days to groups in some quarters a measure of criticism, but one meeting with unmitigated approval in times as troublesome as these we face at present.

Thanks to a reasonably liquid position, the unexpected outbreak of war found us not unprepared. It was an easy transition for us to convert into actual cash and bank balances, to the extent we deemed advisable, our secondary line of defence in the shape of other reserves held, as you are aware, in London and New York.

PROFITS—PATRIOTIC FUND.

As banks are not elementary institutions, it is our duty to earn for the shareholders such measure of profit as is consistent with the safe employment of your capital and the deposit monies entrusted to our care. Under normal conditions our first consideration has ever, as you know, been safety, but with the financial world out of joint we have felt it our duty both in self protection and in a desire to bear our share of the national burden in safeguarding the general situation, to take additional precautions.

The pursuance of this policy our cash reserves and bank balances have been brought up to a percentage point that seemingly precludes danger.

Naturally the greater volume of money unemployed, the smaller our profits. Nevertheless we are gratified to have been able to comfortably earn our customary dividend, continue the semi-annual bonus of 1 per cent. and at the same time to have made, in our opinion, full provision for realized and prospective losses.

The \$100,000 gladly voted by your Directors for national patriotic purposes was taken out of the year's profits.

DEPOSITS.

For obvious reasons it is natural that Bank deposits throughout Canada should decline as they have done to a slight extent, the grand total of all the banks to the end of October being \$1,144,199,224, as compared with \$1,146,749,868 a year ago. During the same period our own deposits have increased by \$7,649,828.11 exclusive of deposits made by and balances due to other banks in Canada, which have increased by \$5,579,922.53.

CIRCULATION.

Our notes in circulation are \$169,537 greater than a year ago.

QUICK ASSETS—CURRENT LOANS.

As before intimated our quick assets have increased during the year, the ratio to liabilities to the public being 55.17 per cent at the end of October, 1914, as compared with 49.69 per cent at the same date in 1913. It is satisfactory to be able to state that this has been accomplished without restricting the legitimate demands upon us by our merchant and manufacturing clientele in Canada. It is the case that our current loans in Canada, which as you are aware, are mainly to the mercantile community, are lower now by \$10,172,553.79 than they were at the corresponding date last year, but I desire to make it quite clear that the reduction was ante bellum, and that there has been an increase of over three million dollars in such loans and of over thirteen million dollars in total loans in Canada since the outbreak of war.

It is only fair to add that the wisdom of keeping our secondary reserves, viz.: our call loans—in London and New York, instead of in Canada has once again been strikingly demonstrated. If the war had found us in a reverse position it would have indeed been a serious matter, not only for ourselves but for the entire community. In other words, the wisdom of this Bank in having its call loans available outside of Canada in time of stress is now being splendidly justified.

MUNICIPALITIES.

Our loans to Municipalities stand at \$9,017,324.26 as compared with \$5,227,905.74 at the corresponding date last year. A very large proportion of this sum has been advanced in anticipation of tax payments.

Loans have been made against the security of debentures in certain instances, but only as a matter of public policy to enable our civic clients to pay for work to which they were committed, or where the health or safety of the citizens was at stake. We have felt it our duty to urge upon both our Provincial and Municipal friends the wisdom if not the imperative necessity of refraining from committing themselves to fresh capital outlay and of limiting their expenditure to essential undertakings. I am glad to be able to say that as a rule our advice has been well received and in most cases conscientiously followed.

PROVINCES.

I would now like to briefly recite to you the situation as we find it in our various Provinces.

PROVINCE OF ONTARIO.

General conditions in Ontario are moderately satisfactory. Crops have been quite good, with high prices, and profitable results have accrued generally to those engaged in agricultural pursuits.

The lumber trade is dull. The production of silver in the Cobalt District shows a slight falling off.

Manufacturing has been quiet, with a material reduction in the labor employed, particularly in those industries producing machinery and agricultural implements.

Wholesale conditions are reasonably satisfactory, but retail merchants are feeling the decreased volume of business consequent upon reduced wages and pay-rolls.

Urban real estate is inactive, but a lower level in prices is inevitable.

PROVINCE OF QUEBEC.

Reasonably satisfactory conditions prevail throughout the Province of Quebec, which, if less prosperous than some of its sister Provinces, is also for the same reason less liable to periods of depression.

Agricultural conditions have been reasonably good. The lumber trade has had an average year and the price and demand from Great Britain are improving, due to the closing of the Baltic and the curtailment of the cut in Russia consequent upon mobilization.

Manufacturing industries have been quiescent with fewer operatives employed, but textile and certain other lines are stimulated by orders from abroad. There has been little movement in real estate, but nominal values have not appreciably fallen.

MARITIME PROVINCES.

Though the Maritime Provinces are not enjoying the same measure of prosperity as a year ago, economic conditions may be summed up as being fairly healthy, and surprisingly good as compared with those of the world over. This, perhaps, may be attributed to the fact that previously there has been an absence of impact and fictitious prosperity, and consequently no severe reaction.

early part of the year, but the foreign trade, with a resurgent upward tendency, shows a reduction and lower prices.

The fishing industry has been less satisfactory than in the past. More land is being brought into the coal mined in Nova Scotia than last year, largely accounted for by the closing down of steel plants and other industries. This unfavorable feature of the year is reflected in the manufacturing towns.

NORTH-WEST PROVINCES.

In the North-West Provinces agriculture and stock raising are of primary importance, and all other industries and businesses are more or less directly dependent upon the success of the community.

The results of the crop for the year 1914 have been satisfactory. Certain districts suffered severely at the critical period, and the total crop was consequently less than last year, but with the prevailing value of the grain product somewhat greater, and owing to the early harvest and the late autumn it is expected that a record acreage will be secured next year.

Mineral farming is receiving more attention, and results and more live stock is being produced. The four mills are well employed, but other manufacturing industries are quiet.

Trade conditions are not altogether satisfactory. Credit is granted less freely than formerly. There has been a decline in realty values with consequent curtailment of building operations.

The North West Provinces undoubtedly are suffering through a period of stress, but with their abundance of good farm lands still uncultivated and producing vast food supplies, we look to them with a justifiable measure of confidence.

PROVINCE OF BRITISH COLUMBIA.

British Columbia after nearly two decades of continuous prosperity, development and expansion in business is now suffering from re-acted conditions by the general commercial depression and wide financial distress.

Agricultural conditions continue to show improvement. Crops are good, but the prices for fruit have come up to expectations. There is a tendency to increase the production of live stock, for the demand is good.

As a matter of common knowledge that the business has been in an unsatisfactory state throughout the year, the ratio to liabilities to the public being 55.17 per cent at the end of October, 1914, as compared with 49.69 per cent at the same date in 1913. It is estimated that the total mineral production will be 75 per cent of last year. Consequent upon the inactivity of the smelters, the collieries also are doing so well, and the output of coal has greatly diminished.

The fisheries have had a successful season. Salmon run has been good with a ready demand at satisfactory prices. The halibut catch also has been satisfactory, but the market is less so.

Provincial and municipal expenditure is of a nature being curtailed.

The year 1914 has marked an almost complete cessation in real estate speculation with a general decline in values.

NEWFOUNDLAND.

General conditions in Newfoundland, England's last Colony, cannot be described as altogether satisfactory.

The pulp and paper industry is normal. The catch of codfish, the great staple product of the country, is smaller than usual, and the outbreak of influenza has demoralized for a time the usual marketing in a slackened demand and low prices. However, I am glad to state an improvement is perceptible. The seal catch was almost up to the average but the lobster catch has been unsatisfactory.

As trade conditions in Newfoundland are governed almost entirely by the return from fisheries, business is generally affected disadvantageously this year. The immediate outlook is somewhat uncertain. Nevertheless it is well to bear in mind that the Island of Newfoundland is a staple article of food and that in the event of the war, so far as disadvantageous, it is presently proving otherwise.

MEXICO.

Conditions in Mexico continue disturbed with business practically at a standstill and it is probable that when a more settled state of affairs may be expected.

The business of our office in Mexico City has been curtailed to the lowest possible limit and is being conducted under exceptionally trying conditions.

THE EFFECT UPON CANADA.

Your President has adequately reviewed the general situation in a masterly manner that makes few remarks superfluous, but perhaps I may be permitted to say in summary of my own comments that from a financial point of view the outstanding result of the war upon Canada has been the instantaneous disappearance of a large amount of British capital to which we had become so accustomed that sight was to be expected.

Money from this source flowed to us in such an amount during that period that during a considerable ante bellum period it amounted in round figures to at least \$20,000,000 per month. Canadian public borrowing during 1914 year was \$177,000,000. Since the outbreak of war the inflow of such capital has ceased.

This monetary deprivation coupled with the necessity of using our earnings and income for the purpose of paying to Great Britain interest on our indebtedness of \$2,900,000,000 to London has brought us to the extent to which the London money market and the British investor have been our friends and our partners, in what might be termed this national Canadian enterprise.

TRADE.

The trade situation we are now facing is that, owing to our present inability to borrow by public subscription in the London market, we seemingly must limit our imports to the approximate volume we are able to pay for in exports, or we must borrow elsewhere; that is, in the natural assumption that we wish to reduce our current cash capital.

There is an alternative, for it will be obvious to all that the United States desire us to purchase from them in return for the goods they are exporting to them in return for the goods they are exporting to them in return for the goods they are exporting to them.

STANFIELDS, LIMITED.

Stanfields, Limited, of Toronto, N.S., has been awarded an order by Mr. Frederick Stobart, purchasing representative of the Imperial Government for 175,000 tons of undergarments.

CHICAGO BOARD OF TRADE.

J. Johnston, of Johnston, Storm & Co., No. 27 Broadway, New York, has purchased the Chicago Board of Trade membership formerly standing in the name of S. H. P. Fell.