

## THE BANK OF MONTREAL—Continued:

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 deposits.

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 fallacy of issuing inflated currency for such purpose—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 I may remind you there is a homely adage that "no one has yet succeeded in lifting himself by his boot straps."

Nor 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 RESERVES 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 bourses have 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 honour 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 and may I say 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.

### POLICY-LIQUIDITY.

It is common knowledge that the policy of this Bank is conservatism, a policy that tends in prosperous days to arouse in some quarters a measure of criticism, but one meeting with unstinted approval in times as troublous as those 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 eleemosynary 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. In 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 \$1,146,739,868 a year ago. During the same period our own deposits have increased by \$7,649,836.11 exclusive of deposits made by and balances due to other banks in Canada, which have increased by \$5,570,032.53.

### CIRCULATION.

Our notes in circulation are \$169,837 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