

the last Annual Meeting—that a larger return would be made to the shareholders in the event of the average profits of the last few years being maintained.

It will be further observed, that the large balance of undivided profits remaining on hand, would have admitted of a more liberal distribution to the shareholders for the past year.

The Directors, however, desiring to act with caution, and having in view the changes in the Banking Law, to take effect in July next, and the disposition on the part of some large shareholders to increase the capital of the Bank, have not considered it expedient, in the general interest, to distribute more than 16 per cent. for the year, until the shareholders have the opportunity of expressing their views—and, in order that this may be done intelligently, and after due consideration, this Report is published at the earliest possible moment.

E. H. KING,
President.

Montreal, 12th May, 1871.

GENERAL STATEMENT.

Liabilities.	
Currency.	
Capital Stock	\$6,000,000 00
Reserve	3,000,000 00
Unclaimed dividends	13,258 05
Half-yearly dividend and bonus, payable June, 1871...	408,000 00
Balance of Profits carried forward....	345,907 75
	\$9,838,265 80
Circulation	182,683 00
Current accounts, not bearing interest....	5,100,044 78
Deposits bearing interest.....	14,022,559 85
	\$19,305,287 63
	\$29,143,553 43
Assets.	
Gold and Silver Coin	\$3,481,634 30
Government Demand Notes	276,985 00
Balance due by banks	8,469,894 06
Notes and Cheques of other banks....	585,544 16
Government Securities	1,247,699 84
	\$14,061,757 26
Bank Premises at Montreal and Branches	370,000 00
Notes and Bill discounted and other debts due to the Bank	14,711,796 07
	\$29,143,553 43

BANK OF MONTREAL,
Montreal, 30th April, 1871.

The Chairman observed that he had no doubt but that the business of the year would be regarded as entirely satisfactory. It was impossible to say too much for such a return of a year's business. He was aware that there had been some difference of opinion as to the mode in which the surplus profits of the year had been dealt with. He was aware that an idea had been generally entertained that there would have been a larger division of profits made, and that the dividend for the last half year would have been ten per cent. There had been some dissatisfaction expressed, and the directors thought it better to tell the shareholders at as early a date as possible, the reasons why they had thought it expedient to give them no more than eight per cent. He was also aware that there was some misapprehension with regard to the engagement entered into by the directors at the last annual meeting. If those who were under this misapprehension had read the report of that meeting through they would have

perceived that there was no ground for the opinion they had formed. The Chairman proceeded to read from a report of the last annual meeting, showing that the directors said they thought it their duty to speak with reserve of the dividends likely to be paid in the future; that the rest was then considered ample; and if they continued to make anything like the large profits of that year, the Directors would, he thought, be warranted in making a larger distribution. This was what he had said last year, and in justice to himself, in order that he might not be misrepresented hereafter, he begged to say that the Directors clearly guarded themselves against distributing the whole profits of the year, and that no reasonable complaint could be founded on what had then been stated. The Bank paid 12 per cent. the previous year, and this year it had paid 16 per cent. The profits of the present year, he believed, were the largest the bank had ever made. He had no expectation that these profits could be maintained; he looked forward to a large reduction. In the first place, the change in the Banking Law would make a difference as to their profit from circulation. The arrangement with the Government would cease on the first of July. The loss which would at first be sustained in this respect might be fully recovered, but it would take some time, and they were bound to lay their account for a loss. Then, the arrangement for issuing Provincial notes would also terminate soon. He was well aware that the profits of the present year were due in a great measure to the breaking out of the war between France and Prussia, and the disturbed state of the money market. This had given them the opportunity of making large profits. The Directors, therefore, considering all this, deemed it prudent to continue the cautious course which they had followed for some years past. They had gradually increased the dividends to 16 per cent., and they now thought it better to tell the shareholders that they reserved a certain amount. It had been their endeavour all along that no increase should be decided on that would last for one year only. The Directors were resolved never to increase the dividend for the sake of a momentary effect, and he trusted their policy would be approved of by the great body of shareholders. The question of an increase of stock, he would not allude to just then, as it would no doubt come up at a later period of the meeting. The only other thing that he considered it necessary to call attention to was the increase in the value placed upon the landed property of the bank. This had been raised from \$250,000 to \$370,000, and the increase was fully represented by additional property at Sarnia and elsewhere. The Chairman remarked, in conclusion, that he would be happy to answer any question that a shareholder might desire to put.

It was then moved by Mr. Drummond, seconded by Mr. Stephen, and

Resolved,—That the report now read be printed for distribution among the shareholders.

Mr. William Murray inquired what was the amount as compensation for circulation.

The chairman replied that it was \$150,000.

Mr. Murray thought the chairman had taken too gloomy a view of the loss on that point. There were banks now with a circulation of \$4,000,000. The directors must not discourage the shareholders.

Mr. Thomas Workman did not think the profits would be increased by the change. He wished to ask a question as to the basis on which the value of the bank buildings was estimated. He considered that the bank premises were worth a great deal more than the value put upon them. He believed that they would realize nearer \$1,000,000 than the \$370,000 at which they were estimated.

Mr. John Crawford said he had been about to ask the same question himself. What would the bank premises realize over and above the 370,000 dollars? There was another question he would like to ask in consequence of certain reports circulated out of doors. It was rumoured that a

large sum had been appropriated to meet bad and doubtful debts. He therefore begged to inquire what was the actual sum that had been appropriated during the last five years to meet bad and doubtful debts. He would also like to know what was the amount of the annual expenses of the institution. He would like to see a statement of the gross profits, and the amount of the general management expenses. He would also ask what was the amount of profit the bank was likely to realize from the amount of circulation already out; and whether the amount set down as unclaimed dividends covered everything from the commencement of the Bank, or whether it was only the amount for the last year.

The Chairman—Mr. Murray had stated that he had exaggerated the loss they would sustain by giving up the compensation they were paid by the Government on their old circulation. That was a matter of opinion. He (the chairman) might be wrong; he did not assert that he was right; but there was something that Mr. Murray had not taken into account: there was the sum received in connection with the provincial notes. It was originally about one per cent. on the Government circulation, but a year ago the amount had been reduced to \$45,000. It was true that they might be able to get back a large part of their circulation. He might be taking too desponding a view, but he deemed it prudent to prepare for a loss. Both Mr. Workman and Mr. Crawford had asked a question respecting the Bank premises. The premises had stood at a valuation of \$250,000 for many years. The actual cost of the bank premises had been considerably in excess of the calculation made in the report, but it would be hard to answer the question as to what they would realize if they were sold. He did not think there was anything to be gained by establishing that their bank premises were worth more than they stood on their books. He thought they had cost, as far as could be ascertained, about \$675,000, but the actual value of them was a matter which it was quite impossible for any of them to decide. With regard to the question respecting bad and doubtful debts, he would say at once to Mr. Crawford, who had asked that question, that they expected to get very little back from the bad and doubtful debt fund. He thought the fund remained where it was last year. They might get a good deal back, if the suit in which they were engaged with the City Bank was decided in their favor, but he did not wish to prophesy in the matter. No more than \$25,000 had been appropriated to that fund the past year. As to the profits and expenses, he could tell them that the total profits of the Bank for the past year exceeded \$2,000,000. But as to the total expenses, he could not state the precise amount at the moment. It would be necessary to go into the amount for commission, &c. If it was thought desirable that these details should be entered into, he would have the figures prepared. Their old circulation was \$182,000, and he believed they would make something out of it, probably from \$120,000 to \$140,000. They might invest a sum, and apply the interest on the securities to paying off the notes as they came in. This was the only way in which they could arrive at it.

Mr. T. Workman—How long is it since you ceased to issue notes?

The Chairman—Since 1866. Under the new law they would issue only new notes, and thus soon be able to tell what would be made. The unclaimed dividends represented the whole amount not called for. They had no means of ascertaining what profit they would derive from this source. To do so, he would have to enquire from every branch.

Mr. Crawford inquired whether it was likely to be as much as \$1,000,000.

The Chairman—Certainly not. Mr. Angus had just informed him that the amount was \$30,000 at this branch, and they would be fortunate if the other branches were equal to this. He now