

From which have to be deduct-

ed:—	
Dividend 5 per cent.	
paid 1st December,	
1885	\$600,000
Dividend 5 per cent.	
payable 1st June,	
1885	600,000
Bonus 1 per cent. pay-	
able 1st June, 1886.	120,000
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	1,320,000 00

Leaving a balance of \$ 525,545 25
To be carried forward at the credit of Profit and Loss Account.

The directors are gratified that the result of the year's business has been such as to warrant them in again declaring a bonus to the shareholders of one per cent., in addition to the dividend of ten per cent. for the year.

The last annual report contained allusions to the alterations going on in this building, and also to the erection of new premises for the bank's business at Toronto. The alterations here, as will be observed by those shareholders now present, have almost been completed; and the new building at Toronto will, it is expected, be ready for occupation shortly.

The expenditure at these two places will amount to about \$200,000. The directors, however, have only, as will be noticed in the balancesheet, added \$160,000 to bank premises, making that account now stand at \$600,000, and that figure represents the buildings, as well as all the furniture and safes, the considerable amounts realized during the year past, from debts previously written off, having enabled your directors to supply the balance necessary to cover the above expenditure on bank premises, and other outlays on our offices—and also to clear off a sum of over \$50,000—representing furniture and safes, the total taken out of the year's profits for these purposes being \$111,000.

The head offices and all the branches of the bank have been inspected during the past year.

The directors have had to lament the death, in February last, of Mr. Alfred Brown, who had served on the board for very nearly six years, during which time he devoted his earnest attention to the interests of the bank. The vacancy has been filled by the election of Mr. Edward B. Green Shields to the board.

C. F. SMITHERS,
President.

GENERAL STATEMENT.

30th April, 1886.

Liabilities.

Capital stock	\$12,000,000 00
Reserve	\$6,000,000 00
Balance of profits carried forward	525,545 25
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	\$6,525,545 25
Unclaimed dividends	5,665 92
Half-yearly dividend, payable 1st June 1886.	600,000 00
Bonus, payable 1st June 1886.	120,000 00
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	\$ 7,251,211 17
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	\$19,251,211 17

Amount of the notes of the bank in circulation.....\$ 4,956,639 00

Deposits not bearing interest

Deposits bearing interest

Balances due to other banks in Canada

Gold and silver coin current.. \$2,378,288 43

Government demand notes.. 3,752,654 00

Balances due from other banks in Canada

97,656 87

Due from agencies of this bank and other banks in foreign countries.. 9,288,871 18

Due from agencies of this bank and other banks in Great Britain

Notes and cheques of other banks.....

Dominion Gov't bonds

Loans and bills discounted

Debts secured by mortgage and other security

Overdue debts not specially secured (estimated loss provided for)....

Bank premises and furniture at Montreal and branches.

600,000 00

\$47,138,476 10

W. J. BUCHANAN,
General Manager.

Bank of Montreal,
Montreal, 30th April, 1886.

The president moved, that the report of the directors now read be adopted, and printed for distribution among the shareholders, and continued: Gentlemen, before presenting this motion to the meeting I have a few words to say. You have heard the report read, the statement has been in your hands for several weeks, and it is only reasonable to suppose that many, if not most of you, have studied it, and are therefore familiar with it. Still I may be able to throw some additional light upon it. You, of course, quite understand that we are here to-day to supply information, and I keep that fact steadily in view in all that I have to say. I am not, however, by any means in an apologetic mood, because I consider that there is nothing to apologize for. I claim that we have not only done as well as but very much better than might have been expected under the circumstances. What we have accomplished has not been by the help of favoring breezes, but in spite of head winds. When our fiscal year commenced, the insurrection in the North-west was the absorbing topic of the day, and, of course, a very disturbing element. Still it did not prove an unmixed evil from a banker's point of view, because although it cost the country several millions of dollars and a good many valuable lives, still it was an important help to the business community in that part of the country, creating a large demand for supplies and making money very abundant in that section. But passing by that, it is hardly necessary to remind you that Montreal has been sorely and exceptionally tried. The visitation of smallpox extended over many months and unfavorably affected business in all its ramifications; it will be within your recollection how neither manufacturers nor importers could sell their goods freely. They were to a certain extent virtually boycotted. Then in the spring came the floods, but out of all Montreal has come comparatively unscathed.

CHANGED CHANNELS OF TRADE.

But to return to the point from which I have wandered: What are the facts in regard to the results of our year's business? The net profits are \$72,860 in excess of last year, or to put it in another form, we have added \$146,000 to the balance of Profit and Loss carried forward, and this after paying out the same amounts in dividends and bonus. You may naturally ask how this was accomplished in the face of universally low rates of interest, and very inadequate employment for money, and I will proceed to the task of trying to explain it to you. But before doing so, let me digress for a moment just to say how the profits were not made. Well, then, they were not made out of West Shore Bonds, as has been so industriously circulated by the press. We neither made \$300,000 nor any other sum out of West Shore Bonds, for the best of all reasons, viz.: that

we never owned a West Shore Bond, and I am a little curious to know how many we were supposed to hold in order to realise so large a sum. Neither did we make it out of the Canadian Pacific Railway, as has also been stated and diligently repeated—this will be made quite clear further on—the loss of that source of profit having been in fact one of the greatest difficulties we have had to contend with. To return to the point from which I have digressed. I stated that we had added \$146,000 to our surplus, the figures being \$525,545, as against \$379,569 on the 30th of April, 1885. I am quite sensible that some exception may be taken to this amount as being unnecessarily large, but we (that is the Board) do not think so.

The matter has received a great deal of attention, and in view of the magnitude of the bank's transactions and the widespread ramifications of its business, rendering it liable to a variety of contingencies, it is considered to be of the utmost importance that we should always be prepared for a bad year, or, as it is commonly called, a rainy day. We therefore, look upon this balance of something over half a million of dollars in the light of a Contingent Fund, or, more properly speaking, a fund for the equalization of dividends. So that in the event of our being unfortunately overtaken by reverses our shareholders may calculate upon the usual dividend without the necessity of encroaching upon the rest. This is a matter, the importance of which I venture to say can hardly be over-estimated. You are, of course, aware, that we have a large number of small investors among our shareholders who are largely dependent upon the dividends derived from the bank for an income, and they ought to be and must be protected from any serious falling off in their incomes from that source. Before leaving the subject, however, I may remark that the directors do not consider it necessary to still further augment this fund, which would seem now to be sufficiently large for the purpose, and therefore assuming that your present directors remain in office, it will remain at about the present figures, unless, unfortunately, it should be treasured upon to meet some unforeseen misfortunes.

In comments upon our statement by the press, attention has been prominently called to the shrinkage in circulation—this falling off is easily accounted for, but is, after all, a matter of secondary importance under existing circumstances. The cause is no doubt largely to be traced to the completion of the construction of the Canadian Pacific Railway, from which the bank doubtless derived a very considerable and widespread circulation—another reason is that in the winter of 1884-5 we paid out large sums for the purchase of grain in Manitoba and the Northwest, while last season some of our customers did much less in the purchase of wheat in that section while others did nothing at all. Then as regards the value of circulation, you will at once see that it depends entirely upon the condition of the money market. If rates are high, and our capital fully employed, a large circulation is an important factor in our profits; but if interest is extremely low, as in the past year, and we have more money than we can use, then it is obvious that the capital created by the circulation of the bank's bills is of no value whatever.

The deposits may be disposed of in a word: they are larger, but what is of much more importance is, that the increase is in those not bearing interest.

The great falling off under the head of Loans and Bills discounted, amounting to something like seven million dollars, cannot have failed to attract your attention. This reduction it is almost unnecessary to say is largely accounted for by the repayment of advances made to the Canadian Pacific Railway and other railroad companies. In the month of July treasury notes were substituted for the direct obligations of the Canadian Pacific Railway. It will, doubtless, be within your recollection that these treasury notes were the form the temporary loan of five million dollars to the company authorized by Parliament took—and these notes were shortly afterwards retired, in September and October, out of the proceeds of \$15,000,000 of bonds negotiated through Messrs. Baring Bros. & Co., of London. So that you will understand that the greatly improved condition of the company financially cut off our source of profit. The first step was a reduction in the rate of interest when the original indebtedness was retired by the obligations of the Dominion Government, followed shortly