

THE BANK OF MONTREAL—Continued.

Turning to the general statement, of which you have a copy, you will notice the Paid-up Capital has increased during the year from \$14,887,570 to \$16,000,000, and the Rest from \$15,000,000 to \$16,000,000. From the net earnings, transfers have been made of \$1,000,000 to Rest Account and Contingent Account respectively, and a balance of \$802,000 is carried forward at credit of Profit and Loss Account as compared with \$1,855,000 a year ago. A bonus of 1 per cent. was paid shareholders on June 1st and December 1st over and above the quarterly dividends of 2½ per cent.

Deposits not bearing interest show a small decrease, occasioned by the withdrawal of a large deposit of a temporary nature which appeared in the statement of a year ago. Were it not for this fact, we would show a gain in these deposits of \$2,000,000. Interest-bearing deposits show an increase of \$6,400,000. Part of this increase is of a temporary character, but it is gratifying to find that the ordinary savings deposits have grown in a highly satisfactory manner, notwithstanding the withdrawals that have taken place for investment and otherwise.

Turning to our assets, you will notice that "Current Loans and Discounts in Canada and elsewhere and Other Assets" are \$2,200,000 less. This decrease does not represent a curtailment of our current loans in Canada, which are in reality \$1,600,000 larger than a year ago, but a reduction in our current loans elsewhere. Investments in railway and other bonds are \$1,600,000 less, affected by realizations, and balances due by agencies of this Bank and other Banks show a net reduction of \$3,800,000. The increase in our call loans in Great Britain and the United States is accounted for by the various changes mentioned above.

I think you will agree with me that the statement is a strong one, but it is well that the Bank of Montreal should always be able not only to meet all the legitimate demands of its clients, but at the same time to provide for any exceptional calls that may be made upon it to promote the general welfare of the country.

You will observe that, following the practice of the British and Colonial Banks, we have shown, in the form of a footnote, the contingent liabilities of the Bank and the securities held against them. This item has not heretofore appeared in our Annual Statement.

Business generally has been exceedingly active in Canada during the past year. Good crops, notwithstanding a wet season, have been reaped, and all manufacturing industries have been kept fully employed. Wage earners are in receipt of good wages, and labour, in many sections, is difficult, if not impossible, to obtain. With an increasing immigration, a soil producing a large surplus of food products without serious failure over a comparatively long term of years, the assurance of a vastly increased production as the area of unoccupied arable land is brought under cultivation, and other great natural resources awaiting development, one cannot but be an optimist in regard to the future of our country.

Owing to this ever increasing and rapid development, we must, for many years, be borrowers from the British Islands as well as foreign countries. Just now, there is undoubtedly a feeling in some quarters abroad that Canadians are spending too lavishly and over borrowing to an extent which may later on prove burdensome to us. In this connection, our adverse balance of trade, our so-called real estate boom, etc., are cited. While I do not share these pessimistic views, there can be no doubt that if we are to maintain the preference which Canadian securities have so long enjoyed, caution at the present time is more essential than it has been for a long time past, and it is clear any ill-advised move on our part, any undue speculation, or the flotation of doubtful schemes which may have the effect of causing distrust abroad and so prevent the free flow of capital into Canada, cannot but have a serious effect on business generally, and bring about a check to our prosperity. It must not be forgotten that there are countries other than our own seeking capital, and offering possibly quite as attractive terms, and that once a stream is turned in another direction, a long time may elapse before it returns to its former channels.

Money has been in strong demand in Canada during the year, while in London and New York, in which outside markets we are chiefly interested, the rates continued low until September, since when more stringent conditions

and higher rates have prevailed. With buoyant trade practically the world over, and with, as far as we can judge, a probable continuance for some time of such conditions, money is not so readily obtained. Those seeking capital should have regard to existing conditions and also to the fact that borrowers cannot hope to name their own terms.

The increased cost of living, and the reasons therefor, form a subject much discussed the world over, and commissions of enquiry are now engaged in seeking the cause. I mention the subject because of its effect on the Bank's net earnings, owing to the necessity of our having to increase our fixed charges from time to time as a result of bringing up the salaries of the staff to a point which may be considered a fair and reasonable one for the services rendered. The cause for the enhanced value of all commodities is difficult to determine. There are no doubt a number of reasons for it; among them, the largely increased output of gold, resulting, to a great extent, from the more scientific treatment of ore bodies. The higher standard of living by all classes is also a factor; but I am of the opinion that the root of the matter may be found in the fact that the percentage of population engaged in production of foodstuffs is not increasing in the same ratio as is that of our manufacturing wage earners and salaried officials. This view is supported by figures showing conditions in the United States, where the number of farm families indicates an increase of only 11 per cent. between 1900 and 1910, while the artisan and clerical classes have increased practically 30 per cent. in the same period. A similar condition of affairs obtains in Canada as regards the five eastern provinces, and while, in our Northwest, the rural population is relatively large, and grows apace, mixed farming has not yet been generally resorted to. In this connection, it may be interesting to note that the exports of dairy products from older Canada to the newer Western Canada were this year not less than \$3,000,000, while New Zealand and the United States supplied these commodities to the extent of an additional \$1,000,000.

I have noticed at different times, in certain newspapers, paragraphs calculated to give the impression that the Banks in this country are not affording the farmers the financial assistance to which they are entitled. Such statements are erroneous. There are in Canada some 2,500 bank branches, the great majority of which are located in towns and villages supported by the surrounding agricultural population, and no unimportant part of the business of the Banks is derived from this class. As for this Bank, I may say that our loans to farmers and small traders amount to many millions.

I have alluded to the adverse balance of trade. In the fiscal year ending March 31st, 1912, the imports for consumption in Canada were of the value of \$521,000,000, and the exports of domestic products were \$290,000,000, showing a balance against the country of \$231,000,000, undoubtedly a very large sum. In the five months ending August 31st last the excess of imports over domestic exports was \$130,760,000, showing an even greater ratio than in the preceding year. The gap between imports and exports is not likely to be soon closed; not, indeed, until our manufacturing industries have expanded to a point when the home market can be supplied fairly well within the country, nor until the large demand for foreign goods, arising out of the construction of permanent works, railways, etc., is satisfied from domestic mills. Meanwhile the gap is bridged by foreign loans, by investments of capital in Canada from Great Britain and by money brought in by immigrants. It is, therefore, all the more important to guard against unpropitious circumstances tending to lessen the confidence of British and foreign lenders in Canadian securities.

The delayed revision of the Banking Act will shortly be submitted to Parliament. The present Act has been developed with the growth of the country. It has served its purpose well, and I feel confident that under the direction of the able and experienced financier who now occupies the position of Finance Minister no radical changes will be entered upon lightly.

No one can feel more strongly than I do the necessity of conserving the profits of the Bank so that when lean years come, as come they must, there may be no question of dividend curtailment. At the same time, in periods of prosperity, I feel that shareholders should enjoy a measure of that prosperity. The policy of your Directors, therefore,