

except in the large cities where uninvested capital accumulates. Our profits are, therefore, curtailed at both ends. During the past year at least two United States journals have commented on the practice among Canadian banks of paying interest on deposits, the impression apparently being that ordinary deposits of business firms are sometimes obtained in this manner. I need not say that no bank in good credit will pay interest on the fluctuating deposits of a merchant. Our interest-bearing deposits come from deposit receipts and our savings bank departments, and represent capital from petty savings upwards, invested with us either directly for the income afforded by the interest, or in order to earn some interest until by mortgages or otherwise a larger income can be obtained. Sound banking as we understand it, and as it is understood in Great Britain, is inseparable from the accumulation, as far as possible, of every dollar of the savings and capital of the community not otherwise invested. Individual banks in great cities may obtain all the deposits they desire without paying interest to any extent. We would astonish the shareholders with our profits if we could do the same, but we are, in the main, country bankers, and it is a large part of our business to enable the depositor living near any of our country branches to put the money he may get for the farm products he has sold, or for his labor, into a bank for savings, so that he may earn interest and his capital may be utilized.

THE FINANCIAL SITUATION.

You all know that during the past year we have witnessed events more momentous than any in the history of banking heretofore. It is not my purpose to dwell upon the errors culminating in the fall of a banking house which in the early part of this century was classed by a witty statesman along with the five leading nations as the sixth great power in the world. The wealth of the world and the power to do business have been so enormously increased by steam, electricity and credit, that the operations of nations run as easily now into hundreds of millions as they did a century ago into tens. The failure of Baring Brothers was the result of unduly straining one of these great forces, and we have more occasion to consider this lesson than to regret that their error brought its natural punishment. After all, they as bankers, and the Argentine as manufacturers of securities, were only the chief among many sinners. Other bankers, and other countries than the South American republics, have been transgressing. The interdependence of the various countries of the world is now so great that we in Canada have heard with grave doubts as to the effect upon ourselves of Russia's attempts to create a gold stock, and the consequent struggle for gold among the leading nations, not yet ended; of the financial collapse of Portugal; of municipal extravagance at Rome; of the dangers so eagerly courted by the silver advocates in the United States, and many other foreign matters which are a menace to our financial ease.

Whether we contribute to the strain on the money markets of the world or not, we may be made to suffer by what others do; but I quite agree with the general manager of the Bank of Montreal, that we have already done, and are still doing, our little part towards that overloading of the London market which may yet bring about consequences worse than anything we have ever imagined. During the past year we have advised more than one municipality to curtail its issues, and to bear in mind that ample assets and ability to pay are not the only measures of credit—we must also have the desire and ability of the investing world to purchase securities. Common sense points to the wisdom of avoiding all extensive public improvements for a year or two; and in the matter of frontage improvements, which are so largely adding to the already heavy debts of some of our cities, we should follow the practice of many rapidly growing cities in the western States, and levy the cost of such improvements in two or three assessments, the warrants or debentures for which would be readily carried at home.

THE BANK'S FOREIGN BUSINESS.

Our shareholders, however, are mainly interested in the bearing of the financial situation upon our foreign business, and I am glad to say that, so far, we have at least not suffered from it. Our business at New York, now second in importance to that of our Cana-

dian bank having an agency there, has been conducted without loss, direct or indirect, arising from the panic, although we are not vain enough to suppose that, should matters assume a more serious aspect, we can hope to continue with such a record. Our high position among bill-drawers and issuers of commercial credits, has brought us most welcome accessions of business, and the volume of our transactions is now, in many directions, only limited by our very great caution in extending lines of credit. Never in the history of our foreign business has greater care been necessary. Having no branch in London, England, our bills are drawn upon an independent bank; a bank, as it happens, not only in the first rank, but established at the same time as the Bank of England. In our commercial credit business we have been careful to have as correspondents only banks whose contracts are regarded as absolutely undoubted in the particular countries where drafts under our credits are drawn. When it is considered that in addition to our own high credit, we thus offer the second name of banks of such standing, it is perhaps not surprising that our New York agents were able, in the excitement of a panic, intensified by the timidity of the London discount market, not only to conduct our ordinary affairs without interruption or friction, but to secure valuable business which had hitherto gone in other channels.

TRADE AND CROPS.

Turning to Canada, and especially Ontario, if we were to repeat the opinions of farmers and business men, we would have to report another unsatisfactory harvest, and another year of trade in which the profits were quite too small and the bad debts excessive. There is unfortunately no doubt that the bad debts arising from the failure of shopkeepers and wholesale merchants have been excessive, but do we not commit a grave error in repeatedly deploring the condition of trade and farming, and in waiting for years of plenty, and the return of the old-fashioned profits? While we wait do we apply the remedies of economy in expenditure and rigid scrutiny in granting credits? Is it not better to conclude that the present is the normal condition of things, that the harvests are not likely to improve on the average, and profits not likely to be larger? If we faced this condition to-day, we would simply live within the conditions and so prosper. I do not address this advice to those prudent people who always live within safe limits, or to the many who are making quite as large profits as they could wish. I offer the advice to those who argue that the poor harvests and lean profits are reasons which alone justify shrinkage in their balance sheets. We can all prosper, even though the harvests are no better than those of the last three or four years, if mercantile business is not so persistently overdone, long credit and credit without adequate security so persistently given, and expenses maintained on a level no longer warranted by the condition of things. I am sure that if the superfluous shopkeepers and shopkeepers' assistants could be turned into farmers, there would be nothing whatever the matter with Ontario, providing, of course, they became industrious and intelligent farmers. Every year the pressure of competition is greater; more people wish to obtain a share of the profits of the community in some other manner than by wages, and consequently success is more difficult. But under the severest conditions those succeed who exercise the most intelligence, industry, economy and command of capital, and with these qualifications, as much can be done by farmers and business men here as anywhere.

During the past year the Ontario farmers paid their implement notes and interest and mortgage instalments quite as promptly as in former years, in many districts much better than for several seasons. They bought less at the stores, and there are many indications that they find it necessary to economise and are economising, but a few years of economising throughout the province, in town and country, would be almost equal to an extra crop. The output of cheese was the largest in the history of this great industry, the export for the year ending 31st March being 108,150,000 pounds, valued at \$9,700,000, a gain of nearly half a million dollars on the previous year. The export from the United States during this period fell off to a greater extent than the gain made by Canada. We have already suffered from want of rain to such an extent that it is hardly possible for us to maintain as high figures this season.

The trade in both distillery and grass-fed cattle has been very satisfactory, and winter-fed cattle are now being shipped in fine condition. Regarding eggs, whether we eventually, as I think we will, establish a satisfactory market in England or not, no one has suffered by the McKinley Bill down to date but the consumer of eggs in the Eastern States. Our trade in low-priced horses has suffered, but with the probable early conversion of horse cars to electricity in view, our farmers must in any event endeavor to raise high class animals hereafter. For these the demand is as great as ever. When we come to wheat and barley the record is not so encouraging. That we can grow barley fine enough and of such varieties as will command a market either in the United States or in Great Britain, there is no doubt, but in reaching the high standard there may be years of disappointment and loss.

THE LUMBER TRADE.

The trade in square timber, in which, as I said a year ago, we have little or no interest, is not yet in a healthy condition. There is still in sight more timber than the total product of any year since 1881, although the amount made in the past year is only about one-fifth of that for 1889-90. It is therefore to be hoped that next winter the quantity manufactured will be as nearly nothing as may be possible. The work in the woods has been done under favorable circumstances and the output is correspondingly cheaper than in recent years; part of the reduction in cost, however, is, unfortunately, the result of lower wages. Since the maximum cut of sawlogs in the Ottawa district in 1887-8, the stock on hand has been steadily falling, we are glad to notice, and is now lower than in any but two of the last ten years. The demand in the United States is satisfactory, at prices higher than a year ago, but the South American market is still wanting. As we have said in past years, a diminished production is all that is necessary to give the lumber business a quite satisfactory tone, and at the moment the Ottawa manufacturers have fair profits in prospect. The output in the North Shore District is also smaller, but the general conditions of the business are not as favorable as could be desired. The home market on which they largely depend is very limited, owing to the collapse in real estate speculation and the general shrinkage in business.

In concluding my remarks, permit me to say that during the coming year, while there can be no certainty as to crops or trade, there is no reasonable doubt as to our wisest course. The harvest prospects in the North-West are good, I understand, but the want of rain has done so much damage in Ontario and Quebec, that we have at least no excuse for anything but caution. Clearly we should import as lightly as possible, manufacture well within the limit of previous years, cut down expenses, and extend credit with regard only to the buyer's ability to pay under adverse conditions of business. If we do this we will doubtless be able to endure the result a year from now whatever it may be.

The motion for the adoption of the report was then put and carried.

Mr. Lee:—After hearing the remarks of yourself and Mr. Walker on the Report, and having these excellent figures before us, I think I may say that the resolution I am about to propose will be received and passed unanimously. I have much pleasure in moving that the thanks of the meeting are due and are hereby tendered to the President, Vice-President and other Directors for their careful attention to the interests of the bank during the past year.

The resolution was seconded by Mr. Geo. Robinson, and on being put to the meeting was carried.

Mr. Cox, in returning thanks for the directors and himself, spoke as follows:—On behalf of my colleagues and myself I can assure you that this resolution is much appreciated. I can also assure you that your directors have the interests of the institution at heart, and are giving it their unceasing and best attention. Supported as we are by the executive, we feel that everything that can be done is being done to further the interests of the bank. We are gratified to know that this is appreciated, and thank you for the resolution.

Moved by Mr. A. V. Delaporte, seconded by Mr. John Scott, that the thanks of the meeting be tendered to the General Manager, Assistant General Manager and other officers of the bank for the satisfactory discharge of their respective duties during the past year.

Mr. Cox:—Before submitting the resolution I