

BANK OF MONTREAL.

Annual Meeting of Shareholders, June 4th.

THE REPORT FOR THE YEAR.

Speeches of the President and General Manager. The Trade Situation Reviewed. Caution Impressed upon Merchants and Manufacturers. The Outlook.

The annual meeting of the shareholders of the Bank of Montreal was held in the Board room of the institution at one o'clock, Monday, June 4th, and was largely attended. Among those present were Sir Donald Smith (President), Messrs. Hugh McLennan, Gilbert Scott, W. C. McDonald, A. T. Paterson, E. B. Greenshields, R. B. Angus, R. W. Shepherd, John Crawford, J. H. R. Molson, Hon. Thomas Ryan, Robert Anderson, Thomas Workman, George Macrae, Q.C., Hector MacKenzie, Jesse Joseph, John Dunlop, J. L. Morris, James O'Brien, F. S. Lyman, Rudolphe Forget, A. C. Clark, R. G. Stark, Robert Benny, D. R. Stodart, J. Morrison, A. M. Crombie, James Burnett, Thos. Peck, Henry Joseph, G. Strathy, Henry Yates, Angus Hooper, J. B. Learmont, D. McCarthy (Sorel), A. H. Lunn, B. A. Boas, J. P. Scott, Campbell Lane, W. J. Buchanan, W. H. Meredith and others.

On motion of Mr. H. Yates, Sir Donald Smith, K.C.M.G., was requested to take the chair.

Mr. Robt. Anderson moved, seconded by Mr. Alex. Clark: That the following gentlemen be appointed to act as scrutineers: Messrs. James Burnett and F. S. Lyman, and that Mr. A. B. Buchanan be the secretary of this meeting. Carried.

THE DIRECTORS' ANNUAL REPORT.

The President then called upon the General Manager to read the Annual Report of the Directors, which was as follows:—

The Directors have pleasure in presenting the Seventieth Annual Report, showing the result of the Bank's business of the year ended 30th April, 1888:—

The balance of Profit and Loss on 30th April, 1887, was	\$605,740 35
The Profits of the year ended on 30th April last, after deducting charges of management, and making all necessary provision for bad and doubtful debts, were	1,284,501 17
From which is to be deducted:	
Dividend 5 per cent. paid 1st December, 1887	\$600,000 00
Dividend 5 per cent. payable 1st June, 1888	000,000 00
	1,200,000 00
Leaving a balance of	\$600,241 52
To be carried forward at the credit of Profit and Loss account.	

Attention was drawn last year to the fact that the Deposits had fallen off about \$5,000,000. This amount has been more than recovered, and a reference to the annexed General Statement will show an addition of upwards of \$6,000,000 during the past twelve months.

The loans and discounts and balances due by foreign agents have increased to a corresponding degree.

The Head Office and all the Branches have passed through the usual thorough inspection during the year just past.

In the preceding Annual Report it was intimated that preparations were being made for establishing a branch at Vancouver; this has been done, and in connection with it an office in the adjoining town of New Westminster has lately been opened.

Since the last Annual Meeting the Directors have had cause to regret the loss by death of their late colleague, the Hon. John Hamilton, who had served on the Board for the space of nearly five years.

The vacancy caused by Mr. Hamilton's death has been filled by the election of the Hon. J. J. C. Abbott to the Directorate.

DONALD A. SMITH, President.

GENERAL STATEMENT, 30TH APRIL, 1888.

Liabilities.		
Capital Stock	\$12,000,000 00	
Rest	\$0,000,000 00	
Balance of profits carried forward	600,241 52	
	\$6,600,241 52	
Unclaimed Dividends	10,137 52	
Half-yearly dividend, payable 1st June, 1888	600,000 00	
	7,300,379 04	
	\$19,300,379 04	
Amount of notes of the bank in circulation	\$5,467,743 00	
Deposits not bearing interest	9,399,525 92	
Deposits bearing interest	14,325,730 23	
Deposits due to other Banks in Canada	148,782 97	
	20,332,832 12	
	\$48,633,211 16	
Assets.		
Gold and silver coin current	\$1,835,398 28	
Government demand notes	1,872,016 25	
Deposits due from other banks in Canada	\$178,593 21	
Due from agencies of this bank, and other banks in foreign countries	9,788,205 47	
Due from agencies of this bank, and other banks in Great Britain	1,333,576 13	
	11,300,135 14	
Notes and cheques of other banks	1,137,971 50	
	10,166,821 17	
Loans and bills discounted	\$31,452,541 50	
Debts secured by mortgage and other securities	317,222 24	
Overdue debts not specially secured (estimated loss provided for)	116,626 25	
	31,886,389 99	
Bank premises at Montreal and Branches	600,000 00	
	\$48,633,211 16	

W. J. BUCHANAN,
General Manager.

BANK OF MONTREAL,
Montreal, 30th April, 1888.

THE PRESIDENT'S ADDRESS.

Sir Donald Smith, in moving the adoption of the Report, said:—You have just heard the Report read, and you will see by it that on the 30th April last there was a balance, speaking in round numbers, of \$605,000; that the profits of the last year, up to the 30th April, were \$1,284,501, or, altogether, \$1,889,501. If we take from that two dividends of 5 per cent. it leaves \$600,000, or about \$85,000 more than is shown by the balance of the previous year. The profits for last year were, roundly speaking, 12½ per cent., and the profits for this year 10½ per cent., or about 2 per cent. of a difference.

To have given a bonus of 1 per cent. would have required to have taken from last year's balance some \$40,000. Although it would have been very pleasing to your Directors to have paid a bonus of 1 per cent., or even 2 per cent., they felt that they had to consider—and very carefully to consider—the interests of their shareholders. During the past year, as you are aware, the harvest was a partial failure in Ontario, which had effects upon the profits of this bank as well as upon the profits of banks generally. There were also last year two failures of banks in Canada, and one of them a very disastrous failure. Taking this into consideration, and also remembering that, although not politically connected with our neighbours on the other side of the line, we know that during the year of a presidential election there is always a disturbance, more or less, of business; considering, again, that it is uncertain what the outcome of the crops for the present year may be, and that the fall wheat is not well reported of, your Directors have thought that they would be acting most to your advantage and your interests by giving only a dividend of 5 per cent., making 10 per cent. in all for the past twelve months.

Those who come to look back some nine years will recollect that in 1879 it was found necessary in order to make up the ordinary dividend to take \$500,000 from the "Rest." They will also recollect that in the following year of 1880 the dividend was only 9 per cent. Now we do not wish to be obliged to repeat this. All along it has been said to you by your Directors that their earnest wish

and great desire was to have a steady dividend of 10 per cent., and after that so much of a bonus as they thought it was quite safe to give, keeping intact the Rest and having at the same time a sufficient balance to meet all contingencies. The Directors believe that in examining and considering the result of the business for the last year they have made provision for everything which could be considered bad, and they further believe that the Bank of Montreal at this moment is in every way in a condition for transacting its business to the best advantage. They regret very much not being able to give a bonus which would, no doubt, be very pleasing to certain classes of the community—especially these generally spoken of as "on the street," those who had speculated by endeavouring to advance the market price of the stock by "bulling" it, as the term goes. It is not in the province of your Directors to consider such.

A Shareholder—Hear, hear.

Sir Donald Smith—It is the duty of the Directors to look to what may be most to the advantage of their shareholders. In passing I might say that at no time in the existence of this bank have the Directors had so great an individual interest in the stock of the Bank as an investment has been the case with the members of your Board during the past year. This fact, apart from their wish to discharge their duty faithfully towards you, will also be considered as an incentive to give whatever dividend or bonus they can possibly give with safety. Having gone back last year to the position of affairs which existed before the late lamented Mr. Smithers became president of the Bank we thought it proper that the duty of placing before you an extended statement of the affairs of the Bank should rest with the General Manager. As you know, Mr. Smithers was not only President of the Bank but he also occupied the position of joint General Manager. At present the President does not occupy this latter office. The President and Vice-President are the representative members of the Board, and Mr. Buchanan takes the place vacated by Mr. Smithers. Mr. Buchanan will therefore put before you an extended statement of the business for last year. While regretting that we cannot show a better exhibit now, we are not without hope for the future. Should be have, which we hope may be the case, good crops in the eastern provinces and in the North-West—and especially from the North-West we hear very good accounts—we believe that with this and other favourable circumstances the outlook for next year ought not to be unsatisfactory. I may say here, that had it not been for the bountiful crops in the North-West and Manitoba last year the situation throughout the country, considering the partial failure in Ontario, would certainly not be so good as it is at present. We have got rid of the burden of the Lake St. Peter debt, that incubus which has been hanging over the harbour of Montreal and over the people of Montreal for so long a time. I may be permitted to say that this shows us what persistent determination in a good cause can effect. I hope that in every other instance in which the people of Montreal are concerned they will be as determined to uphold their rights and to obtain what properly belongs to them. Another act of legislation this year which will also do good to banking institutions, is the Warehousing Act, which has been extended to manufacturers of cotton and woollen goods, and to distillers, so that the advances made by banks to those industries are now in a better position than before and better secured. The prospects are very good in the North-West. The extent of ground broken up is much greater during the last year than formerly, and should the crop be a fairly good one we may certainly look upon it that Manitoba and the North-West will contribute largely to the prosperity of the whole country. The Sault Ste. Marie route affords us a new inlet into Canada, and having gone over that route within the last three weeks or so, and knowing something of the Western States for a good many years before, I can say that my friends and myself were surprised beyond measure to see the great advances that had been made within the last five or six years. We feel satisfied, and I think I am quite safe in saying to you that Canada will benefit greatly from having this road and from having so much of the produce of that country brought into and through Canada. Another encouraging feature for us is the evidence we have of the high credit of our country in the European market. We have seen that for a certain loan put on the market within the last week some ten times, or more than ten times, the actual amount was bid for it. In some respects, however, the prospects are not very promising, and I do think that very great caution is required. I think we have been producing far too largely in cotton, agricultural implements, and some other manufactures, and I think that manufacturers and merchants alike have to look very carefully to the future. Still with ordinary prudence I am satisfied we have no cause to despond, but that we have every reason to believe that the country will go forward prospering, and that with the prosperity of the country your Bank and the stock you hold in it will appreciate year by year. At any rate you may fairly expect a fixed 10 per cent. dividend on your stock, and that the management of the Bank will be such as will ensure for you the full benefit of the prosperity of the country. We very much regret the loss of the Hon. John Hamilton, one of the members of the Board, during the past year. The Directors were glad to be able to induce the Hon. Mr. Abbott to fill the vacancy which so occurred. Mr. Abbott is well known to all of you, and I am sure you will consider that the choice is a good one. I move, seconded by Mr. Gilbert Scott:

That the Report of the Directors, now read, be adopted and printed for distribution among the shareholders.

Mr. Gilbert Scott—As seconder of the Report it is not necessary for me to say anything, as the President has explained everything to you. I second the adoption of the Report.

The President—I would ask Mr. Buchanan, the General Manager, to make his statement to you.

THE GENERAL MANAGER'S ADDRESS.

Mr. Buchanan, the General Manager, then said—I do not propose to make any very extended remarks in connection with the statements just submitted to you, but it may be interesting to sketch as briefly as possible the course of the money market during the past bank year, as its condition, especially in the United States, has an important bearing on our profits. In England money ruled easy at 2 per cent. until August, when the Bank of England rate was raised to 3 per cent. On 1st September it was advanced to 4 per cent., and so continued till the close of the year, not so much apparently from actual scarcity of money as from the fear of it. During the first three months of the present year it came down steadily, until it reached 2 per cent. in March, where it remained until the other day, when it was raised to 3 per cent. In the United States there was a severe stringency in the last week of June; it did not last long, but the fear of a repetition of it kept money pretty steady until the end of December. The action of the Government in purchasing its own Bonds to the extent of \$25,000,000, and also of depositing the funds in the National Banks, not only prevented excessive rates, but (unfortunately for us) had a good deal to do with the reduction in the value of money to a very low point, the best rates obtainable now being 1½ to 2 per cent., and on several occasions lately we have not been able to place our money even at those figures. So that during the greater part of the last six months, when we generally look for our largest profits, circumstances were dead against us. There has been a considerable shipment of gold during the past month, and it is to be hoped this will continue and induce a dearer money market.

In Canada money has followed pretty much the same course; owing to over-importation, poor cash collections, the unusually heavy demands of the lumbermen, the absorption of capital in real estate, and other causes, the surplus of loanable funds was reduced last autumn, and an advance in the rates of interest was only natural. Relief came towards spring by the successful marketing in London and Paris of Provincial and Municipal Bonds, and the rates have been lowered again. It is to be hoped the Government will act on the power taken lately and reduce the rate of interest on deposits in their Savings Bank from 4 to 3½ per cent. It seems a waste of public money to allow a higher rate for deposits liable to be withdrawn at short notice than would have to be paid for a long loan. Then, again, these savings can be used to more advantage to the country if lodged with the banks, but the competition between the Government and the banks is not on equal terms, as the banks must of necessity carry a reserve in coin or legal tender notes against their Deposits, while the Government carry none. If the Government rate was brought down to 3½ or 3 per cent. the banks would then have some chance. The question you are probably most interested in is the reason for the falling off in the net profits this year as compared with last. The decrease—\$235,000—is very close to the amount of bonus given to you a year ago, and I may say at the outset, that had we been able to see far enough ahead at the time, your Directors would probably have only declared a bonus of 1 per cent., and in that case the profits of the two years would have been about equal, and a similar bonus could have been paid this year also. The causes for the diminution in net profits are twofold, viz., smaller profits and larger losses. Last year we had a considerable amount of Dominion Government Securities which were disposed of in England at a handsome profit, and we also made money on the sale of American Securities in New York. This year we have had no similar opportunities, and were it not that our Canadian business has been above the average we should not have been able to make so good a showing as we have done. The very low rates before alluded to, which have prevailed in New York for the last three or four months, have also curtailed our profits very materially. Then, I am sorry to say, our losses last year exceeded the average—we have had nothing like them since 1883. As you know it has been a trying time—two banks have failed—one very disgracefully, and disastrously to its depositors, and another has been forced into liquidation. There have been two or three large mercantile failures and a number of smaller ones, while in many cases, though no actual bankruptcy took place, compromises have been effected. Merchants bewail absence of profits and many bad debts, and it is, therefore, not very surprising that this Bank, with so immense a business in this country, has suffered a good deal. With all our care every year tells us that losses cannot be escaped. The system of long credits, which prevails in Canada, adds materially to the hazards of business. We endeavour to exercise the greatest possible care in lending our money, but we must take the risk incident to banking business in Canada, or look abroad for the employment of the bulk of our capital. But now about the losses, for which we had to provide in the past year, it is only right to state that a great portion of them should more properly have come out of previous year's profits. We took rather too sanguine a view of the future, and of the condition of two or three of our accounts in particular—they were weaker than we supposed, and the failure of crops in Ontario last year brought matters to a crisis. Bearing that in mind and the extent to which another failure of the crop would affect the prosperity of the country, the Directors were impressed with the necessity of exercising more than ordinary caution in estimating the present position of our assets, and the future prospects of the Bank. We believe ample appropriations have been made for all losses, and that the Bank to-day is in as sound a position as it ever occupied, and we feel confident that the Shareholders will approve the conservative policy adopted.

As to the future, you will see from our general statement that we have plenty of money to lend, and all we require is a profitable field to place it in. Canada is limited, and we must always calculate on using a good deal of our money in the neighbouring States—the prospects of large earnings there in the immediate future are, as I have already said, very poor. We shall hope that a more active demand will spring up before long, although it looks as if low rates will last at least during the summer. We are obliged to hold reserves here from motives of prudence. Keeping as we do large accounts, and being in some cases the bankers for other banks, we are occasionally drawn on for large sums without notice, and if we were obliged to withdraw money from our restricted local markets to meet these demands, you can see how disorganizing it would be to the general finances of the country. In New York we could always get in all our call money in twenty-four hours without creating the slightest excitement, or causing a murmur, which would be an impossibility in Canada. Employing this large amount of our funds in the United States, the interest ruling there will always be an important factor in our profits, and it need not be surprising, therefore, if the net result does not always compare favourably with that of other banks, who have not the same necessity for carrying large reserves in foreign markets. Still we have paid not less than 10 per cent. for a number of years, sometimes more, and not many banks in this country can show a better record. The crop prospects in Canada, apart from Manitoba and the North-West, are not very cheering; the season