

well within their hand. They think if they can double the business, they will make double the profit. They are then tempted to double the size of their mill or their store; to buy double the quantity of limits or lands; to double their stock in trade, and to double the amount borrowed from the bank. But it is forgotten that all this means a double burden of interest, twice as much debt, double risks on credit sales, and double competition. The result not unfrequently is that instead of doubling his profits, a trader makes no profit at all. In addition he often finds himself plunged into embarrassments in consequence of the load of debt he is carrying. One of the most prosperous of the rich men of this country told me he ascribed his prosperity mainly to this, viz., that he increased his business only as his capital increased. The contrary habit has to do with a large part of the failures of merchants and the losses that befall our banks. Merchants in Canada are far more prone to outside ventures and speculations than those in England. There are few failures here with which this element has not to do. There are great facilities for such outside ventures here. But certain am I that on the whole no money is made by them. And much is lost. I have already referred to the widespread losses suffered by people who have dabbled in Manitoba land. But this is the ordinary experience with such ventures. The man who

STICKS TO HIS BUSINESS

and looks to that, and that only—as a source of money-making—he is the man who comes out best in the long run. Of course when a trader has acquired a large capital by his business, and to employ or invest it, puts his money into an outside enterprise, he may risk the loss of it without detriment to anybody. The outside ventures I have referred to are those carried on with borrowed money. Often such ventures give rise to deception in order that they may be concealed from a banker. When an honourable tone is once broken down, it is hard to recover it. And these ventures are seldom wound up without the banker suffering. I may be pardoned for stating as another cause of bank losses, an unreasonable extension of bank branches in this country. Competition for business, both in our towns and cities, is far beyond anything known in England. Towns, which there would have one or two banks, here have four or five. The cities of Montreal and Toronto have each more banks than Liverpool, though Liverpool has at least ten times as much business as either of them. There are more banks in Winnipeg than there are in manufacturing towns in England of 250,000 inhabitants, which do business with every part of the world. Banking business is consequently pushed amongst us, as if such things as losses had never been heard of. Men are sometimes appointed solely for what is called their 'popularity,' and lending powers are committed to them enabling them to be on the best of terms with all the speculative spirits of the neighborhood. The game goes on pleasantly enough for a time; but disaster almost invariably follows. The unfortunate feature however is that the loss is not confined to the offending bank. Other banks and their customers are made to suffer for the folly of their neighbors. But the root of nearly all of our bank losses is that loans and credits are too large. In the town in which my early years were spent a rigid rule prevailed amongst all the banks as to the ratio between a customer's yearly business and the amount of credit allowed him. I believe if the rule then prevalent were adopted generally in Canada, many of the loans granted by banks to their customers would be cut down one-third, and some considerably more. Our customers might think that they were hardly used if this ratio were adopted. But they would be well satisfied with the result. In the first eleven years of my banking life, in a busy manufacturing centre, I do not believe there were eleven failures amongst the circle of our customers during the whole time. And I know that

THE LOSSES OF THE BANK

from that time down to this have not averaged one-half of one per cent. per annum on its capital, taking in bad years as well as good ones. When we can arrive at that happy condition of things in Canada we shall have reason for congratulation. This is the real reason why Bank dividends are so much higher in England than here. Very few pay less than ten per cent., while the majority pay over twelve per cent., and many go on steadily year after year, paying fifteen to twenty per cent. The secret is not so much greater profits as smaller losses. I do not

see why, with a better understanding between banks, we may not approximate closer to this condition of things here. The power to obtain unreasonable credit is much facilitated by the mischievous practice of borrowing money and discounting bills at two or three Banks. To imagine that this is good for the borrower is a delusion. In confirmation of this I may say that in every failure of importance in this city it has transpired—I think with scarcely an exception—that more than one Bank account was kept. And I am bold to say, from my knowledge of the circumstances of some of these failures, that had they kept but one account they would not have failed at all. If the Banks of the Dominion could arrive at that common understanding among each other that prevails in Scotland, I am persuaded that the result would be a large diminution of failures and losses both to the mercantile and banking community. The evils of over-competition were severely felt there some years ago. It was agreed after full discussion that a committee of the different banks should revise the whole field, and decide which banks were to withdraw from certain towns or localities. The result was a large diminution in the number of branches, a decrease of competition, much reduced facilities for reckless borrowing, far greater security for prudent traders, and a lifting up of the whole mercantile tone of the community. If Scotland wanted this some years ago, I am certain Canada wants it far more at present. It is to be hoped, for the sake of the mercantile community and of the banks also, that some arrangement for mutual understanding and joint action may be arrived at by which reckless competition, with all its attendant evils, may be put an end to in Canada.

I should not have addressed you at such length, but that the unfortunate illness of my old and much esteemed friend Mr. Smithers, President of the Bank of Montreal, prevented him from making those customary remarks at the annual meeting which have been so much appreciated of late years. His remarks would have been much more valuable than any I can make. There seems, however, to have been an expectation that I would do what is possible to supply the deficiency. It is on this ground that I have ventured to detain you so long.

Mr. John Crawford, of Verdun, moved, seconded by Mr. G. M. Kinghorn, "That the thanks of the stockholders are due and are hereby tendered to the president, vice-president and directors for the manner in which they have conducted the institution during the past year." The motion was carried unanimously.

On motion of Mr. J. P. Cleghorn, seconded by Ald Hood, it was unanimously resolved, "That the thanks of the stockholders are due and are hereby tendered to the general manager for his efficient management during the year."

On motion of Mr. Alex. St. Denis, seconded by Mr. John Duncan, it was resolved, "That Messrs. W. B. Cumming and John Crawford be appointed scrutineers for the election of directors about to take place; that they proceed to take the votes immediately; that the ballot shall close at three o'clock, p.m. this day, but if an interval of ten minutes elapse without a vote being tendered, that the ballot shall thereupon be closed immediately."

It was finally moved by Mr. Alex. McDougall, seconded by Mr. John H. R. Molson, and carried, "That the thanks of the meeting are due and are hereby tendered to the chairman for his efficient conduct of the business of the meeting." The meeting then adjourned, and the scrutineers shortly after reported the following gentlemen duly elected as directors for the ensuing year: Andrew Allan, Robert Anderson, Hon. J. C. Abbott, John Cassils, William Darling, John Duncan, Jonathan Hodgson, Adolphe Masson, Hector Mackenzie.

A special meeting of the directors took place immediately thereafter, when Mr. Andrew Allan was elected president, and Mr. Robert Anderson vice-president.

By order of the Board.

G. HAGUE,
General Manager.

Montreal, 18th June, 1884.

BANK OF TORONTO.

The twenty-eighth annual meeting of the shareholders of the Bank of Toronto was held at the banking house on Wednesday the 18th June, 1884; the president, Mr. George Gooderham, in the chair.

At the request of the chairman, the cashier read the following report and statement of the result of the business of the Bank for the year.

REPORT.

The Directors of the Bank of Toronto have pleasure in meeting the stockholders for the purpose of reporting on the operations of the bank for the year just closed.

The year has been characterized by a marked reaction from the expansion that prevailed in the business of the country during several of the preceding years.

The harvest of 1883 proved to be an exceptionally poor one, whilst a depression in the lumber and timber trades, and an excess of stock in the manufacturing industries necessitated a large curtailment in production. These and other causes resulted in a considerable diminution in the amount of banking accommodation availed of throughout the country. Of this diminution the Bank of Toronto has borne its share, thereby suffering to some extent a decrease in earnings.

The losses of the year, which, considering the circumstances, were moderate, have all been written off, and debts of a doubtful character at the time of making up the annual balance sheet continue to be provided for as in previous years.

After these provisions had been made, it gave the directors satisfaction to be able to declare the same distribution to the shareholders as they did a year ago, as well as to add a further sum to rest account.

The following statement shows the result of the year's business:—

Net profits, after deducting interest due to depositors, rebate on current discounts, and writing off losses	\$239,169 26
Add balance from last year	14,891 46
	<hr/>
	\$254,060 72

This sum has been appropriated as follows:

Dividend No. 55, four per cent.	\$80,000 00
Dividend No. 56, four per cent.	80,000 00
Bonus of two per ct.	40,000 00
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	\$200,000 00
Added to rest account	40,000 00
Carried forward to next year	14,060 72
	<hr/>
	54,060 72
	<hr/>
	\$254,060 72

The directors beg to state that considering the existing depression in many branches of business and the great shrinkage in value of nearly all commodities which has been and is still going on, they cannot but feel that much caution will be required in connection with banking generally in order to maintain matters in a sound position.

The directors have pleasure in bearing testimony to the satisfactory manner in which the various officers of the bank have discharged their respective duties.

The whole respectfully submitted.

(Signed) GEORGE GOODERHAM,
President.

GENERAL STATEMENT—31st MAY, 1884.

Liabilities.

Notes in circulation	\$1,010,269 00
Deposits bearing int. \$3,402,991 23	
Deposits not bearing interest	1,044,329 25
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	4,447,320 48
Bal. due to other Banks in Canada ..	226,211 28
Bal'nc's due to ag'ts of the bank in Great Britain	12,154 70
Unclaimed dividends	512 00
Half-yearly dividend and bonus payable 2nd June, 1884 ..	120,000 00
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	\$120,512 00
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Total liabilities to the public	\$5,816,467 41
Capital paid up	\$2,000,000 00
Res.	1,100,000 00
Int. a'ord on dep's. receipts. \$42,323 00	
Rebate on notes discounted. 67,108 00	
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	109,431 00