

built premises of an excellent character at Calgary, a very rising place, as most of you know, and it has appropriated an adequate sum for a bank building at Regina. With all this it now shows a balance of \$439,728, at credit of profit and loss, so that we feel there is really nothing to apologize for on the part of your directors at this moment. Their object has been, as you have been told on several occasions, if possible so to conduct the affairs of the bank that it will give a steady income to its shareholders, with the view of ensuring, as far as possible, that there shall be a regular dividend of 10 per cent. We have confidence that there is no reasonable cause for fear but that the bank will be able to continue that rate of distribution.

There have been some disturbing influences within the past year, notably that McKinley bill, of which we have all heard so much. The outcome of business throughout the country has not been good; the harvest of last year was not equal to what was looked for, although it promised to be very abundant in the first instance. In Manitoba and the North-West, owing to early frost and then to a period of exceptionally wet weather before it could be gathered in, there was a very great shrinkage, and yet with all that they are in a better condition there than they have been at any time, and with the promise, happily a good promise just now, of an excellent harvest, we may look forward to an improvement in the general trade of the country, with a remunerative business for the bank. It would be out of place for us to predict with regard to that; much depends on what the harvest is to be, but, as I say, if it is ordinarily good, then we may look forward to having a prosperous time; for, notwithstanding the disturbance we speak of in respect to tariffs, we have no doubt that Canada will find other markets and that she will go on progressing. Just about this time last year I had occasion to allude to illustrious visitors, then amongst us, who had come to Canada, and to Montreal, by way of India, China, Japan, and into close communication with Vancouver, and we rejoiced to find it so. This year we have heard within a short time of the arrival in Vancouver of the first of a line of steamers which will bring us the East and its vast business resources. When we can find that leaving London to day, in twenty-one days after we are at Yokohama, in Japan, I think a very great deal indeed has been accomplished for the future of Canada, seeing that the journey is made so very much through the Dominion. Added to this we shall, no doubt, also have an accelerated mail service of our own across the Atlantic. We look eagerly for this, and I believe the time is not far distant when we shall have it, and when to it will be added a direct line also from our Pacific coast to the vast continent of Australasia and to the growing business of that great country. I think we may take to ourselves the hope and the assurance that we are to grow throughout every part of the Dominion, and that Montreal, and, I trust, your institution of the Bank of Montreal, will not be behind in the race.

You are aware that the new banking Act comes into effect on the 1st July of this year. The principal alteration this makes is that there is a guarantee of 5 per cent. on the part of all banks, to secure the circulation of the whole. The Bank of Montreal did not consider that it required this, but with a view to advancing the interests of the country it was prepared to go into the arrangement, although certainly we should have preferred to have been left alone. Another provision is that calling for a list or exhibit of unclaimed balances. That is of very little consequence, except in that it will add to the work of our staff very considerably, and to some little extent to the cost, while really the benefit to be derived from it will absolutely be nil to the community. We look forward with much hope to the future of the bank. The late general manager who had conducted affairs under the direction of the board, Mr. Buchanan, owing to ill-health, was obliged to retire, much to our regret. The present general manager, who was joint manager, and who has a thorough and complete knowledge of all the affairs of the bank, will, I am sure, so conduct its business that you will have cause in the future, as I hope you have had in the past, to be satisfied with the result of the administration.

One word, and only one more. We need

hardly say to you that the Bank of Montreal knows nothing of party politics; its only desire and effort throughout has been so to conduct the affairs of the bank as to give the greatest possible support to the industries of the country, commercial and other, and while doing so to make the best possible profits for its shareholders, keeping in consideration always the absolute security of its capital, and, may I say, of its Rest, which we look upon really as a portion of its capital, and which we trust and believe it will never be necessary to encroach on. One chief object of the directorate has ever been to provide that there shall be a uniform dividend, so that the stock of the bank will approach as nearly as may be in the estimation of the public to that of a debenture stock yielding a regular income year by year. And in stating that we know nothing of politics, I desire to make just one remark on a subject which is at present in the minds and the thoughts of all of us, that is, in respect of that great statesman, for we all admit that he is a statesman who has done so much for the advancement of the Dominion. (Hear, hear, and applause.) I am sure our earnest prayer is on all sides, irrespective of party, that he may overcome the serious illness from which he is now suffering, and be spared to us for years to come. Now, gentlemen, I really don't think it necessary that I should say anything further. I shall be ready to answer any questions that may be put in regard to affairs of the bank in the best way I can. I move the adoption of the report, seconded by the Hon. G. A. Drummond. Before sitting down I will call upon the general manager to address you.

THE GENERAL MANAGER'S REMARKS.

Mr. E. S. Clouston, the general manager, said:—It is not a pleasant task to appear before the shareholders in my first six months of office, to give explanations with respect to a statement somewhat less favorable than those of previous years. The last six months, however, have been pregnant with events of so grave a character in the financial world, that, looking back upon them, I cannot help feeling thankful that I am not called upon to explain an even much worse result than the present. We have been on the verge of a crisis, the outcome of which no man could foretell;—it would probably have been the most serious in the history of the world had it been allowed to run its course, but happily it was checked in time through the tact and determination of the governor of the Bank of England, aided by a combination of the most powerful banks and bankers of London. There had been an uneasy feeling for some time, the air had been thick with rumors, and on the 6th November the Barings notified the Bank of England they were unable to meet their engagements. It was not, however, until the 15th that it was announced to the public. The interval, meantime, had been employed in making arrangements to avert the panic, which it was feared might break out, the particulars of which are now matters of history.

This crisis was followed in December by a financial stringency in New York, caused not so much by a shortage of the supply of funds in the country as by the locking up of large quantities of gold, either through fear of the operations of the silver bill, or, some say, designedly, with a view of affecting the stock market. But whether it was hoarding caused by the natural timidity of capitalists, or whether it was through the machinations of speculators, or the natural export to pay debts due foreign countries, the gold disappeared, and the result was an acutely sensitive condition of the market. Credit was suspended, some classes of long exchange were entirely unsaleable, and discounts were so difficult to procure that merchants were put to unusual straits for want of customary banking facilities. At one time it looked very serious, and it was only when some importations of gold were ordered that apprehension was removed from the public mind, and business resumed its normal condition.

As you are aware, both in the United States and in England, we have very large interests, and though we lost nothing directly, during either of the two periods, but came through with added strength to our already well established credit, yet we have suffered indirectly. The downfall of the Barings was brought about by their inability to market the large quantity of bonds, chiefly of the South American States, which they either owned, or against which they had advanced, and though

the aid afforded by the Bank of England has enabled them to take time to liquidate, there remains, hanging over the London market, large masses of securities still undigested. Until these are absorbed by the public, or written off by the holders, a fate which must befall a great many of them, prices of securities, even the best class, must be depressed. We always hold, or are interested in, a considerable amount of bonds and other securities, and in better times have made large profits out of that class of business, and though what we hold are all undoubtedly good, and of a high class, as we have carefully avoided any of a speculative character, and have not held a foreign bond for the last three years, the market value has declined, and we have been obliged to make provision to bring them down to the price of the day. Returning to Canada, it was found necessary, during the last year, to place in liquidation several accounts which were not in a satisfactory position, with the result that we discovered that previous appropriations, considered ample at the time, were totally inadequate to meet the shrinkage in values, caused by the last three years of agricultural and commercial depression. It will always be my desire to take the shareholders into my confidence with regard to the business of the bank, to the greatest possible extent compatible with the interests of the institution; but you will readily understand how impolitic it would be for me to give any details, where the bulk of the appropriations are on debts not actually liquidated, but only in process. We have gone through the assets of the bank very carefully, and believe that very ample appropriations have been made. There has been no desire to make things appear either better or worse than they really are; but a revaluation has been made with the desire to arrive at a true result without exaggeration. As a general rule, when one bad year succeeds another, it is our experience that the appropriations are usually insufficient, and you have only to look at some of the recent failures to see how difficult it is for a banker to arrive at a true estimate of the value of his assets, when an account, estimated as quite good last year, shows now a loss of \$50,000 to \$75,000.

The lesson to be learnt from our past experience is that in good years it is a mistake to distribute all that is earned. It is much more prudent, in order to equalize dividends, to set aside a considerable percentage of our surplus earnings in good years to meet unexpected contingencies in bad ones, which are sure to come. It is becoming more and more difficult, owing to competition, to earn our dividends, and unless we can increase our loaning power by adding to our Rest, or by increasing our deposits, I do not think we would be safe, even if we made them, in distributing a larger percentage of our profits than we have done for the last few years.

If we were only satisfied that the commercial community were fully alive to the necessity of greater economy and curtailment of credit, we could look forward with more confidence to the future. I cannot help feeling, however, that they are in no position to stand a succession of bad seasons arising from indifferent harvests, or other causes—there are too many in business with insufficient capital, and their stability is honeycombed by too much and too long credit.

If I am right in my interpretation of the present condition of the financial market in London, it is hardly necessary to point out to those controlling the finances of municipalities, cities, corporations, and even Governments, the absolute necessity of the greatest prudence and economy. Of late there seems to have been a fever of borrowing, extending even to the smallest village. The local market can only absorb a certain quantity of securities, and if these borrowers are obliged to appeal to a market already overloaded, it means that they must negotiate their securities with difficulty, and at a much lower rate than they have hitherto obtained.

There is one reassuring feature to the shareholders, which perhaps I may be allowed to refer to. The credit of the bank never stood higher than it does at present, and its earning power is unimpaired. Notwithstanding the fact that during the periods before referred to we were obliged to keep several millions of cash unemployed to meet any possible panic that might arise, our gross profits were the largest, with one exception, since 1878—our commercial losses for this year were not abnormal, and