of my fellow-directors and myself the deep sense we entertain of the ability, industry and zeal devoted to the interests of the bank by the general manager and his staff, upon the efficient discharge of whose duties the prosperity of the institution so largely depends.

Hon. George A. Drummond seconded the motion for the adoption of the report.

THE GENERAL MANAGER'S ADDRESS.

Mr. E. S. Clouston, general manager, said: There is not much to be said with reference to the statement laid before you to-day. The circulation, compared with our last annual statement, shows a falling off of $488,000, a sign of the general inactivity in business. The deposits not bearing interest have decreased $1,000,000. The deposits bearing interest have increased $3,700,000, chiefly from some special deposits. Aside from these, our general deposits have rather decreased owing to heavy withdrawals for investment during the low prices of securities last summer. We have invested a considerable amount, $2,207,000, in the highest class of United States railway and other securities, which would be readily realizable at the sum they stand in our books at. Our overdue debts have increased $171,000; the loss on these has been fully provided for. The advantage of our large foreign balances and investments and the elastic character of our business outside the Dominion were well exemplified last year. We were able, notwithstanding the panic, to strengthen our cash reserves and respond to unexpected demands without in any way interfering with our Canadian business. Since I last had the pleasure of meeting you, we have passed through probably

ONE OF THE MOST TRYING YEARS

in the financial history of the century. The year of 1893 commenced with the terrible banking crash in Australia, and at our last meeting, while we were quietly discussing important financial problems, there was hanging over the world a crisis remarkable for its severity and duration. The Australian troubles were followed by a sudden stringency in the London money market. The Bank of England rate was advanced from 2½ per cent. at the beginning of May to 4 per cent. at the end; the joint stock banks took fright, and in their desire to strengthen their reserves, aggravated the position by ruthlessly calling in their Stock Exchange loans and refusing to discount. In the United States the apprehension caused by the extraordinary silver legislation had borne fruit and brought about an appalling state of affairs. Several railroads passed into the hands of receivers, large corporations closed their doors, banks were failing daily, currency, under the influence of panic, was rapidly disappearing, and business was being transacted in New York on Clearing House certificates. Currency, gold and silver, went to a premium, and a man in New York with a large balance at his bankers could barely obtain sufficient currency for his daily household expenses. In some cases Canadian currency was actually resorted to for the purposes of commerce and payment of wages in the United States.

THE ACUTE STAGE WAS PASSED

when the repeal of the Silver Bill was carried in the House by a large majority on the 28th August, though it did not actually have the assent of the President until the 1st November. On the Continent the disorganized condition of national finances; in India, the closing of the Mint for silver coinage; the coal strikes in England and the consequent depression in trade, all helped to make last summer a period of the utmost anxiety to those having the management of financial institutions. Canada was more fortunate than most countries, but though she escaped without any serious crisis, she had her troubles, and heavy speculative losses were made by the more adventurous of the community. Those behind the scenes know how thin the ice was on which we were skating, and how close we were on one or two occasions to a very serious state of affairs. Fortunately there had been no great over-production or over-importation; we had no currency question like the United States to deal with. Bankers for the most part kept their heads and did not try to enforce impossible payments; the newspapers were discretion itself.

I regret to say that the real danger to Canada last summer was the unsatisfactory condition of the cash reserves of some of the banks. They were weak even for normal periods, but in the delicate and difficult period I refer to, they were a source of danger and peril to Canada. Had the slightest run occurred at this time, I am afraid our much vaunted system would have fared no better than others. A reserve to be effective in a crisis must be, first, cash; and for a second line of defence foreign balances and securities readily saleable outside the country. Canadian municipal securities, or even call loans on securities, having only a Canadian market, though available under ordinary circumstances, do not constitute a reserve for a crisis. In New York the banks all holding a 25 per cent. reserve to start with, were able by banding together to use the total reserve for the support of the banks endangered by sudden calls, but in Canada where the minimum reserve carried is not fixed by legislation, but by the judgment or caprice of the executive of each individual bank, such joint action would have been impossible. The banks who had kept strong could not prudently have weakened themselves by assisting banks who had notoriously offended, and the probable result would have been that the weak would have gone to the wall, and the strong remained stronger than ever. The lesson of last year will have been productive of good if it has taught the necessity of a much stronger cash reserve. In estimating the reserve necessary to be carried, it would appear as if in some cases the deposits payable after notice were left out of the calculation. The majority of these are practically payable on demand, as the notice only runs from one day to fifteen, and in case of a bank under suspicion, it would hardly venture to show weakness by exacting notice. As it was we had only one bank failure, the Commercial Bank of Manitoba, which had been notoriously rotten for some years past, and should not have existed so long. As the bank was a small one, there was no disturbance in the circulating medium.

THE COMMERCIAL CONDITION OF CANADA

at the opening of the year was fairly good, and in this province it might be described as prosperous, but we could not expect to escape for any length of time the demoralization in trade prevailing among our neighbors.

While, therefore, we have enjoyed some advantages, I cannot be blind to the fact that trade with us now is both dull and depressed, the farmer is receiving low prices for his grain, manufactured products are extremely low in price, work is slack; indeed it would be folly to imagine that we could escape in this age of steam and electricity, when interchange of ideas and commodities is so rapid, without feeling some effects from the unfortunate condition of affairs throughout the world. The shock has been too great to recover immediately; some improvement is visible in England, though in the United States the legislators are doing their best to prevent any. A redeeming feature in the situation is the condition of the dairy industry, which is steadily increasing in volume and returning good profits to the farmers. The deal trade promises well, and I am informed that the importations of merchandise generally this spring are on a much smaller scale than usual. I took occasion last year to advert to the desirability of ceasing for a time from the

LARGE BORROWINGS FOR PUBLIC PURPOSES

to which the Government and municipal corporations have been addicted, and threw out then a warning that the policy, if persisted in, might seriously endanger the credit and disturb the financial stability of the country. I am glad to observe that this feeling has prevailed in influential quarters, and that on the part of the Dominion and Provincial governments new undertakings, involving large capital expenditure, are being avoided. If the estimates of the Federal Government are adhered to, the expenditure on capital account during the ensuing year will be very considerably less than for a long time past, and as none of the funded debt of the Dominion, outstanding, matures before 1903, Canada as a borrower to any large extent in the British money market is likely to be conspicuous by her absence. I regret to say, however, that the same prudent foresight is not being displayed by some municipal corporations, whose civic rulers continue to incur liabilities at an excessive rate when compared with the increase of the surplus revenue available for interest purposes. An impairment of credit is thus risked, to say nothing of the contingency of higher taxation which is incurred. Bearing all these past troubles in mind and remembering also that we have large interests in the United States, where during the first half of the year it was difficult to say who was solvent, and during the second half we could not even nett 1 per cent. for our money on call; bearing in mind, also, that the reserve we carried gave confidence to the country, and that we cramped no deserving customer, that we came through the year with increased credit to the bank, I venture to say that the shareholders have reason to be satisfied with the statement laid before them to-day. I only hope that we will do as well next year. At present the outlook is not encouraging; we cannot be prosperous if the general community is not making money; prolonged depression must surely bring losses, no matter now careful a banker may be, and our foreign balances are producing very poor results. At the date of this statement, we had large amounts of money which could not be lent at any price, and competition is as keen as ever. As one of our most respected constituents said at one of our meetings: "Shareholders must begin to realize the inexorable logic of events, and that in the present days of keen and cutting competition fancy dividends and bonuses must be relegated to the indefinite future," and I agree with him. I am more than ever convinced that in order to keep up our present dividend it is absolutely necessary in the good years to husband our profits to meet years of depression and low rates of money, particularly in a heavily capitalized bank like ours.

THE GENERAL DISCUSSION.

After some remarks by Mr. John Morrison, Mr. John Crawford said that the directors, the shareholders, and the public had good reason to be proud of the conservative policy pursued by the banks of Canada during the past year, and especially by the Bank of Montreal during a prolonged period of general depression in the neighboring country. He went on to ask the character of the bonds, representing $2,207,000, which were invested in American railways; also what amount had been charged to Profit and Loss account for rebate on current loans, and the aggregate amount loaned to directors and their firms. It was gratifying, he thought, to learn that the Profit and Loss account was nearing the figure of $1,000,000, only $200,000 more being required to bring it to that amount. When it reached that sum he hoped that it would become stationary, and would not be called upon unless for the equalization of dividends. He congratulated Mr. Gault, who was one of Montreal's foremost and most liberal citizens, upon his appointment to the directorate. He alluded to the Bank of England episode, and said that it furnished an excellent object lesson to bankers the world over, who should, he suggested, adopt as their motto the word "Vigilance." No one, he believed, would attach the slightest suspicion of dishonesty or disloyalty to any bank officials in the Dominion; but if the Bank of England had adopted the practice of appointing some of its directors, say, for a period of three months each, to enquire, if even only partially, into some of the principal amounts of the bank, he thought Mr. May could never have succeeded in hoodwinking the directors as he did.

Mr. John J. Arnton spoke in favor of dividends being paid quarterly, instead of semannually, and Mr. Crawford also favored the paying of dividends quarterly; but the suggestion was opposed by Mr. John Morrison.

The president then spoke as follows: Perhaps it would be well that I should say a word or two. Our friend, Mr. Morrison, had an idea that we were putting the best face on the statement; we were putting it in the most explicit and the clearest terms that we could before the shareholders, to show that all had been done for their interest that was possible with the capital of the bank during the past year. Mr. Crawford wanted to know something about the railway bonds held by the bank. We look upon them as being absolutely good, and it was because they were thought the very best security that they were chosen. Moreover, they were readily convertible into cash at any time. As to the rebates of interest on bills under discount, they are something like $200,000, and the amount loaned to the directors is about $1,200,000. The English banks, as my friend knows, are in many respects differently circumstanced to those of Canada; and they have one advantage that