

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 shew weakness by exciting 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 merchandises 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 Governments 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 net 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 how 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 Dominion banks during the past year, and especially by the Bank of Montreal during a prolonged period of general commercial 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, 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, who, as a class, would compare favorably with those of any other similar institutions elsewhere; but he considered that 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, it even only partially, into some of the principal accounts of the Bank, 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 semi-annually, believing that such a step would do very much to popularize the Bank, besides being a great advantage to those Shareholders who had what might be called a fixed income.

Mr. John 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 just 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 spoke of railway bonds, and wanted to know something about those held by the Bank. We look upon them as being absolutely good, and it was because they were considered to be the very best security that they were chosen. Moreover, they are 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 we have not and that is, very much larger deposits for which they pay nothing. The Bank of England has been mentioned as an example of a bank that had met with some difficulty, and one which might have been avoided, possibly, had more care been taken by the Board. Mr. Crawford perhaps is not aware that it has a committee sitting daily to deal with all matters connected with the Bank. As to the paying of dividend quarterly, spoken of by Mr. Arnton, I would say that the remarks I made last year upon this subject were earnestly meant, and the question had not been absent from the minds of the directors. The past year, however, would hardly have been an opportune time to deal with the question, owing to the crisis which we have, happily, in a great measure averted. But after the argument of Mr. Morrison—economy and providence—I think that I need not say much more on the subject. Economy is a very great virtue, and those who most closely exer-