

1866.

BANK OF MONTREAL.

ANNUAL GENERAL MEETING,

HELD 4th JUNE, 1866.

(From THE GAZETTE of 5th June, 1866.)

The annual meeting of the Shareholders of the Bank of Montreal was held at the Banking House in this city yesterday, T. B. Anderson, Esq., the President in the Chair.

Among the stockholders present we noticed Messrs. T. B. Anderson, Hon. Jno. Rose, E. M. Hopkins, J. G. McKenzie, Jno. Redpath, Hon. Thos. Ryan, Chas. Phillips, Henry Thomas, John Greenshields, Fred Griffin, Edward Goff Penny, D. L. MacDougall, Thos. Cramp, W. B. Cummings, Jno. Crawford, Jesse Joseph, Henry Lyman, D. Torrance, W. E. David, Jno. Reekie and T. M. Taylor.

It was then moved by Chas. Phillips, Esq., seconded by F. Griffin, Esq., that the following gentlemen be appointed to act as Scrutineers: W. B. Cummings, Esq., E. G. Penny, Esq., and that Mr. R. A. Lindsay be the Secretary of this meeting.

The following report was then read by Mr. King, the Managing Director:—
REPORT OF THE DIRECTORS TO THE SHAREHOLDERS AT THEIR FORTY-EIGHTH ANNUAL GENERAL MEETING, HELD 4th JUNE, 1866.

The Directors, at the close of their last annual report expressed a hope that the return for the succeeding year would show a marked improvement, if nothing unforeseen occurred to disappoint their expectations; and they have more than ordinary pleasure in meeting the shareholders upon the present occasion with the following statement of the results of the business for the year ending 30th April last:

	£	s.	d.	\$	c.
The balance at credit of Profit and Loss account on 30th of April, 1865, amounted to..	5,052	4	6	20,208	91
Profits for the year ending 30th April, 1866, after deducting charges of management and providing for bad and doubtful debts	193,262	10	1	773,050	02
	198,314	14	7	793,258	93

Out of which has been added to the "Rest".....	£62,500	\$250,000
Divd 4 p.c. paid Dec., 1865,.....	60,000	240,000
Divd 4 p.c. payable June, 1866	60,000	240,000
Applied in reduction of "Bank premises, &c,".....	12,500	50,000
	£195,000	\$780,000

Leaving a balance at the credit of "Profit and loss account" of.....	£3,314	14	7	\$13,258	93
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This very satisfactory result is due in a great measure to causes which have beneficially affected the Banking and all other interests of Canada during the past year, and may be very simply stated.

The termination of the American civil war was accompanied and followed by a much more rapid decline in the price of gold than in the price of any other commodity. The effect of this was to increase enormously the purchasing power of Federal currency in foreign markets, and Canada, being the nearest, was the first to reap the benefit. Not only were remunerative prices obtained for the lumber and agricultural products which were accustomed to find American markets previously, but an unusual and exceptional demand arose for manufactures and even imported goods to supplement the short stocks fortunately held in the United States at the close of the war.

This however would have been of short duration, and its effects transitory, if the country had not been blessed with an exceedingly abundant harvest, which was rendered more valuable by a comparative deficiency in the crops of the Western States. This deficiency was coincident with the revival of trade between the Southern and Western States, and had the effect of maintaining high prices in American markets throughout the winter for the products of Canada, which were hurried forward an early sale in anticipation of the

close of the Reciprocity Treaty on the 17th March last. This extraordinary combination of favourable circumstances produced a year of unusual prosperity, which has been felt by all interests throughout the country.

So far as this institution is concerned it is fair to the shareholders to state that the excellent returns now submitted could not have been attained, even during this year of prosperity, were it not for the unsparing appropriations that the profits of the preceeding year enabled the Directors to make, before they were warranted in saying that they had provided the full amount of all debts reported either bad or doubtful. It was in view of this fact, and the experience the Directors have had of the difficulty of maintaining the usual return of 8 per cent per annum, and at the same time making provision for doubtful as well as hopeless assets, that they have deemed it prudent to apply \$250,000 of the surplus profits to the increase of the "Rest" and \$50,000 in reduction of the account of "Bank Premises."

So long ago as the annual meeting held in the year 1855, the hope was expressed of bringing the "Rest" up to \$1,000,000 at an early period. The Directors can only point to the fact that the "Rest" standing as it does at \$950,000, although larger now than it has ever been, is still \$50,000 short of the amount that was considered desirable before it was expedient to entertain the question of a larger Dividend. In connection with this subject there are some points closely affecting the prospects of Banking in Canada, to which the Directors wish to draw the attention of the Shareholders.

In the first place it is a matter of moment that the charters of the Canadian Banks will expire in 1870. Hitherto the banks of Canada have maintained their credit, and upon the whole a moderate reputation for prudent management; yet it cannot be concealed that in past times of difficulty it was the large paid up capital of the older banks that sustained and enabled them to use their credit for the redemption of the redundant circulation obtained in years of inflation, and against which there is no sufficient check nor reserves provided in existing charters. When the danger of this system is fully realized, it can hardly be desired that the Legislature,

in the interests of the country, should continue the present Banking system without some important modifications.

In the next place the Usury Laws are still in existence, and although an effort to obtain their modification in the last session of Parliament, so far at least as regards mercantile transactions, was met by a general agreement to consider the whole question during the coming session, there is yet no certainty that Parliament will consent to any amelioration of the law upon this important subject.

The Usury laws encourage the Banks to prefer foreign and mercantile transactions, rather than advances depending on local industry for repayment, with the object of keeping surplus funds more under command for employment in better money markets as occasions arise. The inducement that exists at present to curtail Banking facilities in Canada, and remit funds to England where the Bank rate of interest is 10 per cent per annum, is a practical illustration of the working of the Usury laws.

Another interesting consideration, is the effect that may be produced by the repeal of the Reciprocity Treaty.

The Directors are not disposed to exaggerate the consequences that may flow from the interruption of our trade relations with the United States, but they have already adverted in this report to the exceptional circumstances affecting the trade of the Province during last year, and which have served to neutralize the disturbing influence that would have attended the close of a free and valuable market for our products. It is to be hoped that the erroneous opinion will not prevail that Canada can afford to be indifferent because no immediate inconvenience has resulted from the repeal of the treaty. The inevitable tendency of high productive duties is to diminish consumption, and however much the United States may need our lumber and wool, trade between the two countries will languish and be restricted in comparison with the dimensions to which it would otherwise have grown.

The Directors apprehend, at the worst nothing more than a temporary interruption to the progress of the country.

Favoured as Canada is by freedom from debt and taxation, when compared with the United States, and looking at the steady progress in the manufactures of the Province, an opportunity now presents itself of considering our fiscal system, with a view of cheapening the necessities of life, thereby attracting labour, and lessening the cost of productions while gradually removing restrictions upon commerce that retard our industrial development, and depending hereafter upon more equal and direct contributions, derived from sources of internal revenue, for the maintenance of the public credit.

Since the close of the Bank year, on 30th April, a financial storm of great severity has occurred in England, entailing serious Banking and mercantile disasters. The Directors have the gratification of informing the Share-

holders that up to the latest advices, they have no reason to apprehend either loss or inconvenience from those unfortunate events.

T. B. ANDERSON, President.

GENERAL STATEMENT.

ASSETS.		LIABILITIES.	
Gold and Silver Coin on hand.....	\$ 771,391 13 0	Capital Stock.....	\$1,500,000 00 0
Government Securities.....	77,418 8 4	Deposits.....	2,731,950 00 4
Balance due by other Banks.....	1,144,086 16 2	Dividends Unclaimed.....	6,510 6 1
Notes and Cheques of other Banks.....	144,248 12 4	Half Yearly Dividend of 4 per cent, 1st June, 1895.....	60,000 00 0
Bank Premises at Montreal and at Branches and Agencies.....	\$2,610,145 9 10	Rest.....	\$3,570,430 11 5
Notes and Cheques of Montreal not included under the foregoing heads.....	87,500 00 0	Balance of Profits carried forward.....	287,300 00 0
Bank of Montreal, Montreal, 30th April, 1895.	\$2,697,695 16 3		3,857,730 11 5
	\$2,311,254 6 1		10,927,838 07 2
E. H. KING, General Manager.			26,041 22
			240,000 00
			\$14,281,738 24
			\$3,000,000 00
			15,281 34
			21,245,017 22

T. B. ANDERSON, Esq., then addressed the meeting as follows:—

Gentlemen: At the last annual meeting I had occasion to express regret at our inability to replace the sum of \$100,000 borrowed three years ago from the Rest in order to obviate the necessity of a reduction in the usual rate of dividend. From the report now read you will have learned, no doubt with satisfaction, that the profits of the past year have been so large, and the losses comparatively so small, as to have enabled us not only to replace the sum taken from the Rest: but after having done so, and also made provision for the farther necessary appropriations detailed in the report, that there still remained such an amount of unappropriated profit as to admit of a farther addition to the Rest of \$250,000, thereby bringing it up to the large amount of \$950,000, leaving at the credit of Profit and Loss a balance of upwards of \$13,000 to be carried forward to the business of the ensuing year—and all this, be it re-

membered, after the usual complete provision has been made for bad and doubtful debts. The mention of bad debts recalls to my recollection a remark made by a friend of my own, a shareholder, and a valued customer of the Bank, who, at our last general meeting very pointedly observed that there would seem to be no end of old debts, which, notwithstanding the assurance that they had been amply provided for, seemed to have cropped up again and reappeared in a shape still so formidable as to have materially reduced the acknowledged profits of the year. I confess to a feeling at that time that the remark was not without its point, and it is pleasing to reflect that we shall be spared a repetition of it on the present occasion, from having made such a liberal use of the pruning knife, as to have lopped off, not only the bad, but also the doubtful debts. In the statement submitted to you this time last year, when I assured you that if those old debts were ever brought before your notice again, it would be on the announcement of our having recovered back a portion of what we had in the meantime dealt with as entirely lost, a prediction, I am happy to say, verified in the recovery of a portion of many of the debts then written off in *toto*. I mention this merely in proof, if any were needed of the disposition of your Board, if they err at all, to err on the safe side, and not incur the risk of creating future disappointment by presenting you with an estimate of affairs conceived in too hopeful a spirit. In this gratifying state of things, perhaps it would be wise to rest satisfied with the present and not hazard any speculative conjecture regarding the future, which may be subject to influences alike beyond our foresight and control. At the same time, however, I have no hesitation in expressing a very confident opinion that during my entire connection with the administration of the affairs of the Bank, now pervading a period of close upon forty years, these affairs have never been subject to a more thorough and searching investigation, and have never been found in a position more sound, healthy and in every respect satisfactory than they are at present. In making this statement I do not specially refer to the excessive amount of the profit of the past year, a considerable portion of which, as mentioned in the report, was derived from sources of an exceptional character, of which it is exceedingly improbable, I may almost say impossible, that we should have an opportunity of availing ourselves again to anything like the same extent. Nor do I refer solely to the largely increased amount of reserved profits, although that is no unimportant feature in the present aspect of affairs; the present rest of \$950,000 exceeding by \$150,000 the maximum amount ever before attained. But as regards the future, my reference is more particularly to the additional safeguards against losses, arising out of the improved system of management inaugurated, and so far successfully carried out by the General Manager, Mr. King, the

value of whose services it is scarcely possible too highly to appreciate; his active and intelligent mind never failing tenaciously to grasp and with rare ability to utilize to the utmost possible extent, every opportunity which offers to advance the interests of the Bank. And here it may not be out of place to remark that the business of the Montreal Branch, which, since its formation 8 years ago, has steadily increased, has now attained a magnitude which renders its prudent and careful management a matter of the utmost importance. I have pleasure in also bearing testimony to the valuable services of the manager of that branch, Mr. Angus, of whom it is but justice to say that he has shown a peculiar aptitude for the prudent and judicious management of the important interests entrusted to his care. It is probably known to most of you, if not to all, that last winter it was deemed expedient that the general manager should proceed to England on the business of the Bank. He accordingly did so in January and returned in April, and I am happy to say his mission has been productive of very satisfactory results in the arrangements he succeeded in perfecting, which not only insure the more economical management of our business on the other side; but will tend materially to increase its volume. I shall not occupy your time with further remarks; but may state in conclusion, that if any shareholders desire more particular information on the affairs of the Bank it will be freely given. If on the other hand, the information offered be deemed sufficient and satisfactory, I would ask you to move the adoption of the report.

Mr. W. Murray then moved the second resolution as follows:

Moved by Wm. Murray, Esq., seconded by Henry Lyman, Esq.,—That the report of the Directors, now read, be adopted and printed, for distribution among the Shareholders.

He congratulated the President and Directors on their report, showing an addition to the Rest of \$250,000, with a large sum written off for bad debts and a handsome sum still left to the credit of profit and loss. This showed a profit on the year of something over 13 per cent, after clearing the account of everything doubtful. Mr. Davidson the predecessor of the present manager, had used the pruning knife unsparingly, and he believed that Mr. King did the

same thing. Nothing could give more satisfaction than such statements as had just been made, because he believed they were based on truth, whereas the satisfactory statements of some other financial institutions seemed to be utterly erroneous. He believed that it had been agreed some years ago that no increase of dividend should take place until the Rest had accumulated to \$1,000,000, after which the whole profits were to be divided. Still in view of the changes which were taking place in commercial affairs, it might be prudent to aim even at an increase of the Rest to at least 20 per cent on the capital. Should the Bank continue to be as fortunate; as it had been, there might be half-yearly dividends of 5 per cent, and still with additions to the Rest. He had five and twenty years experience of banking institutions in Canada, and he thought the Bank of Montreal the only one that had been truly successful.

Mr. T. B. Anderson remarked, in reference to what had been said by Mr. Murray, that he had no desire to detract from the excellence of Mr. Davidson's management; but he must say that since he had left the Bank the pruning knife had been used more liberally than ever he had used it.

The motion was seconded by Mr. Henry Lyman.

Mr. John Greenshields moved the third resolution, as follows:—

Moved by John Greenshields, Esq., seconded by M. E. David, Esq., That the thanks of the meeting be presented to the President, Vice-President and Directors, for their attention to the interests of the Bank.

He said that the report showed the Bank could make plenty of money if it could only steer clear of bad debts. Here was a profit on the year's business of 13 per cent., which some might think ought to go into the pockets of the shareholders. He thought, however, that it was better that some of it should be appropriated to the Rest. The position of the Bank was good—as the financial agents of the Government, the Grand Trunk Railway Co., and the Imperial military government—and it therefore possessed great power as a financial institution, and now they had almost reached a point, which he had never expected to see, with the Rest nearly accumulated to the amount of \$1,000,000, equal to one-sixth of the entire capital of the Bank. Even a larger Rest, however, would not be objectionable, for

its possession made the stock of the Bank all the more valuable, if it were sold. He was glad, considering the position occupied by the Bank, that the Directors had had the courage to state in a plain way certain economical truths, that might be pondered with advantage alike to the Bank and to the public. Mr. King had established a reputation which did not require to be trumpeted forth at that meeting; but the Bank had always been fortunate in having men of high character for its officers. The report showed a prudence which might be expected from a grave and reverend body like the Board of Direction, inasmuch as there was no attempt to prophecy for the years to come. What with the Fenians, the Commercial Panic in England; the prospect of a war on the Continent of Europe, and the loss of the reciprocity treaty, he would be a bold man who would venture to predict another year of equal prosperity; but so long as the Directors continued to make such excellent statements, he would be glad to move this resolution.

Mr. T. B. Anderson having returned thanks.

Mr. James Reekie moved the next resolution as follows:

Moved by James Reekie, Esq., seconded by T. M. Taylor,—"That the thanks of the meeting be given to the General Manager, the Managers, Agents and other officers of the Bank for their services during the past year."

Moved by John Crawford, Esq., seconded by J. H. Joseph, Esq.,—That the ballot now open for the election of Directors be kept open until three o'clock, and no longer; and that until that hour, and for that purpose only, this meeting be continued.

We the undersigned scrutineers, appointed to receive the ballots for the election of Directors to the Bank of Montreal, hereby certify that the following gentlemen were duly elected, viz.:—Messrs. Thomas B. Anderson, Thomas E. Campbell, E. M. Hopkins, John G. MacKenzie, John Redpath, Hon. John Rose, Hon. Thomas Ryan, Henry Thomas and David Torrance.

ED. GOFF PENNY,
W. B. CUMMING,

BANK OF MONTREAL, }
4th June, 1866. }

To the General Manager of the Bank of Montreal.

