

1880.

BANK OF MONTREAL.

ANNUAL GENERAL MEETING,

HELD 7TH JUNE, 1880.

From "THE GAZETTE," MONTREAL, 8th June, 1880.

The annual general meeting of the shareholders of the Bank of Montreal was held at the Bank yesterday afternoon. There were present a large number of shareholders, including Hon. Thomas Ryan, Messrs. George A. Drummond, Robert Anderson, Henry Lyman, T. W. Ritchie, Q.C., Gilbert Scott, Andrew Robertson, George Macrae, Q.C., Ed Mackay, Henry Joseph, A. Brown, Thomas Workman, T. Cramp, Dr. G. W. Campbell, R. W. Shepherd, Peter Redpath, William Adams, D. L. McDougall, E. Idler, Alex. Murray, Hon. D. A. Smith, G. W. Simpson and others. On motion of Mr. Henry Lyman, Mr. George Stephen, President, was requested to take the chair.

Mr. GEO. A. DRUMMOND moved, seconded by Mr. D. LORN MACDOUGALL, that the following gentlemen be appointed to act as scrutineers: Messrs. W. B. Cumming and T. Davidson, and that Mr. R. A. Lindsay be named Secretary of this meeting.—Carried.

DIRECTOR'S REPORT.

Mr. C F. SMITHERS, General Manager, read the Directors' report as follows:—

In presenting the Sixty-second Annual Report, the Directors invite your attention to the usual statement of the assets and liabilities of the Bank at the close of the financial year. These statements were distributed among the shareholders several weeks ago, and are now upon the table.

The balance at credit of profit and loss account on 30th April, 1879, was	\$101,784 55
The profits for the year ended 30th April, 1880, after deducting charges of management, and making full provision for all bad and doubtful debts, amount to	1,049,340 97
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	\$1,151,125 52
Dividend 5 per cent. 1st Dec., 1879	\$599,960
Dividend 4 per cent. 1st June, 1880	479,968
	<hr/>
	\$1,079,928
Leaving the balance of profit and loss account	\$71,197 52
to be carried forward.	

The gross receipts of the year just closed were very little less than for the previous year: the net profits, after deducting losses, are, as the figures show, very much larger, and the Board has been enabled to make large provisions for bad and doubtful debts by reducing the dividend only one per cent. for the second half of the year, and without encroaching upon the rest which remains at \$5,000,000. Your directors are more than ever impressed with the importance of maintaining a large reserve, and therefore made the reduction in the dividend alluded to rather than resort to a further diminution of that fund. In the effort to maintain profits many adverse circumstances had to be contended with. It will be noticed by reference to the statement that there is a very large reduction of the discounts in Canada amounting to upwards of \$7,000,000, and a corresponding, or even greater, increase in deposits upon which interest is paid. The depression in business has continued, and the process of liquidation going on has caused an extraordinary accumulation of money, which has been seeking investment at unprecedentedly low rates for Canada. This has resulted in the Bank having a very large average amount of unemployed funds—low rates having also prevailed in England—and the only outlet for our surplus has been found in the United States, where, owing to the great revival of business, temporary employment has been found, if not at high, at least at moderately remunerative rates, for a much larger sum than we have for many years been accustomed to employ out of Canada, and, but for which fortuitous circumstance, the result presented to you to-day would have been still less favorable.

Although the falling off in the profits in Canada has been large, it was, in a great measure, compensated by increased profits elsewhere, making the actual deficiency comparatively trifling; the reduction in the dividend was not, therefore, occasioned so much by lack of profits, as by the necessity for making large provision for bad and doubtful debts, though it must be admitted that the uncertain outlook in the immediate future had its influence on the Board in determining the course to be pursued. In explanation of the provision for bad and doubtful debts the Directors have to state that the losses arising out of the current business of the year were comparatively unimportant; but that considerable and unlooked for losses connected with the business of former years had to be provided for. This may give rise to some surprise, and not a little disappointment, in view of the statements made at the last annual meeting; but it is not an uncommon experience after a series of bad years and a period of great depression, a process of shrinkage goes on which baffles all calculation, and it is found that appropriations are required far beyond the most carefully considered estimates. This has proved to be the case on this occasion. Supplementary provision was made in the autumn to a considerable amount, but even this was found insufficient, and a still further and larger sum has again been set aside at the close of the fiscal year for the same purpose.

The year just closed has been rather an eventful one for Canadian Banks in general, and in the case of the Bank of Montreal it has been exceptionally so. Since the last annual meeting a vacancy occurred on the Board by the resignation of Sir A. T. Galt, which they filled, as required by the By-laws, by the appointment of Mr. Alfred Brown.

During the year the Bank has also undergone a change of management, and it is a matter of congratulation that not only was this effected without interruption to the harmonious working of the institution, but that the Board was able to fill the vacancy from the Bank's own staff by the appointment of the Senior Agent at New York, who has been long connected with the banking interests of Canada.

The renewal of the Bank charters for ten years from July, 1881, has occupied much of the attention of the Board. This measure, if not in all respects exactly what might be desired, is in the main satisfactory. It takes from us the right to issue any notes of a smaller denomination than \$5, and makes all our issue a first charge upon the assets of the Banks in case of insolvency.

The Legislation authorizing an increase of Dominion notes from twelve millions to twenty millions on a very slender coin basis is a matter of grave importance, not only to the banks, but to the country at large, and your directors take this opportunity of recording an opinion unfavorable to Government issues of notes payable on demand, as fraught with danger to the best interests of the country.

Perhaps the less said about the future the better. It is not always wise to forecast, especially so early in the season, when it is too soon to form an intelligent opinion about the crops either on this side of the Atlantic or in Europe, both of which are important elements in the consideration. Apart from this, however, much has been said about the signs of returning prosperity, and there are undoubtedly some evidences of improvement. The realization of these hopes is not, however, as well assured as we could wish. There is happily a substantial improvement in lumber, which it is hoped will continue, and from which favorable results are expected. The demand for money continues light, and far below the ability of the Banks to supply. The employment of funds in the United States, which has contributed so largely to the income of the past year, is somewhat uncertain and cannot safely be depended upon, though it is a valuable outlet for surplus reserves, which must be employed in such a manner as to be always available. On the whole, therefore while the directors do not wish to encourage hopes which may not be realized, neither do they regard the future with anything of dismay. Some sources of profit may fail, but others will probably arise, and they see no reason to doubt that the Bank will continue to prosper, and maintain the prestige which it has so long enjoyed.

GEO. STEPHEN,
President.

GENERAL STATEMENT, 30TH APRIL, 1880.

LIABILITIES.

Capital stock paid up (subscribed \$12,000,000 00)		\$11,999,200 00
Reserve	\$ 5,000,000 00	
Balance of profits carried forward	71,197 52	
	\$ 5,071,197 52	
Unclaimed dividends	18,775 22	
Half yearly dividend, payable June, 1880	479,968 00	
	<u>\$ 5,569,940 74</u>	
		\$17,569,140 74
Amount of Notes of the Bank in circulation	\$ 3,601,655 00	
Deposits not bearing interest	5,432,890 94	
Deposits bearing interest	16,898,347 16	
Balances due to other Banks in Canada	1,168,647 53	
	<u>\$27,092,540 65</u>	
		\$44,661,681 39

ASSETS.

Gold and Silver Coin Current	\$ 1,863,052 21	
Government Demand Notes	3,519,192 00	
Balances due from other Banks in Canada		\$ 226,062 76
Due from Agencies of this Bank, and other Banks in the United States	14,417,097 38	
Due from Agencies of this Bank, and other Banks in Great Britain	2,350,220 96	
	<u>\$16,993,381 10</u>	
Notes and Cheques of other Banks	674,2 8 12	
	<u>\$23,049,883 43</u>	
Bank Premises at Montreal and Branches		467,078 00
Loans and Bills Discounted	\$20,561,528 07	
Debts secured by Mortgages and other Securities	298,845 03	
Overdue debts not specially secured (estimated loss provided for)	284,346 86	
	<u>\$21,144,719 96</u>	
		\$44,661,681 39

BANK OF MONTREAL, }
Montreal, 30th April, 1880. }

C. F. SMITHERS,
General Manager.

MR. STEPHEN moved, seconded by DR. CAMPBELL, That the report of the directors now read be adopted and printed for distribution among the shareholders. In making this motion he took occasion to address a few remarks to the meeting. The report, he said, was so full and complete that he should probably best consult the feelings of all present by making his remarks extremely limited and would therefore detain them but a few moments while alluding to a few of the points mentioned in the report. The report was very complete in treating of the various questions relating to the business of the past year, so that if there was any want of interest in the meeting it would not be for lack of material to discuss. The Directors were anxious to see the shareholders take every interest in the institution, and were prepared to answer any reasonable questions that might be put concerning the business of the Bank. They would observe in regard to the statement submitted that the net profits of the year were something over \$400,000 in excess of those of last year. Last year they were \$611,000, while this year they were \$1,049,000. The question naturally arose how on the face of this large increase the Directors were obliged to reduce the distribution to shareholders from 5 to 4 per cent for the last half year. That question was a very pertinent one. Those who remembered what took place at the last meeting of the shareholders would recollect that it was then stated in rather positive terms by the directors that they had, as they thought, made ample provision for expected losses, their idea being that there would be no more losses on their accounts than outstanding, but in that they had been disappointed. The assets in liquidation had turned out so much worse than was expected that the directors had to make much larger appropriations than they had any reason to suppose would be necessary. The consequence was that although the bank had earned this large increase of profit it was not sufficient to pay 5 per cent dividend without encroaching on the Rest. This was a matter which occupied the attention of the Directors, and after viewing the question in all its aspects they came to the conclusion that it would be unwise to further encroach on the Rest, and decided to reduce the dividend. This was a matter upon which very material differences of opinion might exist, and they were prepared to listen to anything which any shareholder had to say concerning that decision. Another point touched in the report, and a point of very great importance, was the increased issue of Dominion notes. This was not the place in which to discuss questions that might have a political bearing, and the directors did not wish that anything they said in this report should have any appearance of political tinge, but they could not help thinking that the Government of Canada should be cautious about reducing the coin basis for their issues. As to the future, seeing that they had not always been fortunate in the past in their forecasts of the future, the directors desired to be very circumspect as to their predictions, but hoped we had seen the end of the depression and hard times. The volume of business was no doubt still small, but was more profitable than during late years, and this was the form in which improvement must be felt. It was satisfactory to find one of our staple trades, the lumber trade, showing very decided symptoms of improvement. He believed almost every deal in the country was disposed of, both old and new, and the prospects for the future of that business was very good. This would tell on other branches of business, but of course it would take time for all these influences to be felt. As to the general trade of the country he thought the improvement was very decided, although there was still a little too much credit given. The manufacturing industry had benefited by the revision of the tariff, and being free from the unfair competition to which it had been hitherto exposed, showed good prospect of doing well from this out. He would not detain them further, and reiterated his request to the shareholders to put any questions they deemed proper.

MRS. HOLLIS asked if the head office was inspected as well as the branch offices.

MR. DRUMMOND asked whether the amount was anywhere stated in the report of the appropriation for bad and doubtful debts since the last annual meeting. He did not want details, but desired to know whether it would not be possible to give the information of the amount on each account without naming the accounts, or else to give the gross amount.

MR. CRAWFORD desired to know why the shareholders did not take into their own hands the appointment of auditors since the Government had failed to supply the necessary machinery. The General Manager had said with reference to the Banking Act that on the whole it was rather satisfactory. He (Mr. Crawford) must say that his time having been engrossed very much for the last few months with other matters, he had no opportunity of watching the progress of the bill at Ottawa, but had come to the conclusion from what he had read and heard that substantially the old Act had been re-enacted. It seemed to him to be a singular commentary on the situation in the face of the bank disasters amounting in the aggregate to several millions and reducing many families from competency to beggary, which were still fresh in the minds of the community. He would take this opportunity, without further entering into the objectionable features of the bill of expressing his unqualified disapprobation of the Banking Act as a whole and chiefly of the clauses alluding to the proxy system, the vote per share and the appointment of scrutineers, and also what in his judgment was the most important desideratum for the shareholders, the neglect to supply machinery, by which auditors could be appointed to investigate the accuracy of any report or any account furnished by the directors or others in charge. That appeared to him to be a most important question, and he desired to know if provision had been made to satisfy the shareholders on this point.

MR. R. A. RAMSAY thought that the directors of the Bank should be given an opportunity of explaining the relations of the Bank with the St. Paul, Minneapolis & Manitoba Railway Company. During the past year there had been, owing especially to the circumstance connected with the management of the Bank a strong opinion that at one period this Bank, was under considerable risk relative to that undertaking. The present opinion seemed to be that while there was such a risk at one time, the Bank as well as the gentlemen connected with the railroad had been remarkably successful and all danger of loss had been averted. The opinion was further expressed that the risk would hardly have been undertaken had not the president and other gentlemen connected with this Bank been interested in the railway, and to a large body of the shareholders the risk appeared to have been too heavy a one to take under the circumstances. The Chairman would no doubt be glad to have an opportunity of explaining fully the connection of the Bank with that railway. There appeared several communications in the newspapers, especially during last summer, when changes took place in the Bank, which bore the character of semi-official utterances, yet those explanations did not hang together, were not quite consistent with each other, and it became the directors of the Bank on the first occasion they met the public, to lay before them a full and careful statement of the relations which the Bank bore to that railway.

THE CHAIRMAN said he was much obliged to Mr. Ramsay for alluding to this matter. He did not propose himself to answer the questions involved, but would leave the task to Mr. Smithers. The matter had been brought

up by his friend, Mr. Macdonald, last year, and he then thought that was the end of it. He was not aware there had been any discussion outside since.

Mr. BUNTIN also desired information on this subject.

Mr. SMITHERS said he would try and give all the information without detaining them too long. He would begin by stating for the satisfaction of Mrs. Hollis that every branch of the Bank had been inspected, including Montreal, with the exception of the branch at London, Eng., which was the only one that had not been inspected within the year. That branch could not always be inspected, and he did not know that it was necessary that it should be, for they had a very strong committee there, and in London there was not a great deal to inspect. He would proceed to state that he had been called to headquarters to relieve Mr. Angus at the close of the half year, and that he took charge on the 1st of November, and was responsible for all the business done during the second half of the year. He need hardly tell them it had taken him nearly the whole of that six months to master the business of this large institution in all its ramifications. He would further say, and the Board would bear witness to the correctness of the statement, that it was his practice to be very communicative to the Board. They would bear him out in saying that he withheld nothing from them which they ought to know. He saw no reason why he should not adopt the same course towards the shareholders (applause), with this exception, however, that of course some of the details could not be given. There were some things which it would not be proper to talk about. With those exceptions, he proposed to be frank and outspoken. The interest of the shareholders and directors was one; the directors were shareholders, and were simply telling their partners what they were doing. Much of the ground had been covered by the report, and the President's speech, and what he had to say would be but a matter of detail. He would begin by stating that the profits were \$1,734,786. By this he meant profits after deducting expenses of management, but not losses. That amount was about \$24,000 less than the profits of the previous year, and was equal to about 14½ per cent on the capital. It was a matter of surprise to him that the falling off was not much greater in view of the stagnation of business and the low rates of interest prevailing all over the country. The large reduction of discounts had been referred to in the report. That reduction would be easily understood as he proceeded with his remarks. On that subject he would like to say that, although discounts had gone down so much in Canada—and it was really only in Canada that discounts were made, the business outside of Canada being of a different kind—the reason was not because the Bank was not prepared to take any good business that offered in Canada, but because business had not been offered here such as they could take. It was not strange, therefore, that discounts should have gone down, and they would understand the reduction when he told them what the course of loans in the whole Dominion had been for a series of years. In July, 1871, when the present banking law was enacted, the aggregate discounts of the whole Dominion amounted to \$88,000,000; in February, 1875, they had reached the enormous sum of \$160,000,000, and since that date they had been steadily on the down grade, the amount to-day standing at \$107,000,000. Now, this reduction of \$53,000,000 in less than five years was a very serious decrease, and accounted for a good deal of the losses and other matters that the bank was now writing off. It was in those good years when the discounts went up from \$38,000,000 to \$160,000,000 that the seed was sown for the losses now written off. The discounts had become reduced from \$160,000,000 to \$107,000,000 to-day, and he questioned whether the amount was not still too high. He himself believed the reduction in our discounts under the circumstances instead of being deplorable, was a very satisfactory fact. (Hear, hear.) This state of things accounted for the great difficulty experienced in lending money safely. If they could not lend their money safely in Canada, the Bank was not afraid to lend it on call in New York at low rates, and would do so rather than lend it upon unsatisfactory security. In reference to this it might not be amiss to refer to the great and unfortunate competition between the banks for business. Scarcely an application came from their branches to take up an account in which it was not stated that if this Bank did not take it up there were others ready to do so on terms which afforded little or no margin for profit. That, however did not influence them very much. They did what they considered was best. It was clear they would have to be content with smaller profits and make up the difference by avoiding losses. His motto had always been to keep clear of the losses and the profits would take care of themselves. (Hear, hear and applause.) Their policy was only to take the best business, the business they believed to be the best. There was another fact to which he might refer. The great ease of money, which was, of course, an evidence of business stagnation, was further illustrated by the course of deposits. In 1871 the total deposits stood at \$58,000,000; in 1874 they reached \$86,000,000, and to-day they were \$82,000,000, showing the remarkable fact that in the face of a fall of \$53,000,000 in the discounts, deposits had only declined \$4,000,000. Now, all this bore directly upon the reduction in their dividend, and after all, though he was very sorry to have been obliged to curtail the income of anybody, the shareholders had only been asked to give up one-tenth of their income from this source. If further evidence were wanted to show that the value of money had undergone an important change, it was to be found in the fact that the United States four per cent bonds were selling to-day at 109, and British consols, 3 per cents, within a fraction of par. Now, that affected the value of all investments, and he did not see in the face of that why bank shareholders should not expect to get less out of their investment when everything else was paying less. With regard to losses concerning which Mr. Drummond put a question, of course it was impossible to enter into details, to mention the amount written off in any particular account, but the facts were these:—In October last the Bank wrote off something over \$300,000, and in April following about \$400,000 additional, making a total of about \$700,000. After a somewhat careful analysis of those losses he found that less than a quarter of them arose out of the business of the year. It was pretty hard to tell exactly what arises out of the business of each year, but as far as they could tell, about a quarter was what they expected to be bad and doubtful on this year's transactions, and the remainder (three-fourths) was connected with the business of former years. In this connection he would like to explain their mode of writing off losses. Let nobody suppose that the writing off of these debts was mere guess work, that they wrote off a round amount to cover a great block of past due bills at once. Nothing of the sort was done. Every bill, and every security, and every piece of property was dealt with in detail, and separately, and carefully considered and valued. The process was somewhat as follows:—In the first place the directors received from every Manager a full report in which he classified all his past due bills, stating in each separate case how much was considered good, how much doubtful and how much bad, and accompanied that classification with a statement and full explanation of all the securities held on these bills, giving the reasons for arriving at conclusions, &c. These statements are accompanied by a report from the solicitors in any case in which the bill is in suit. Then when all these reports were gathered in he (Mr. Smithers) went over them carefully with the inspector.

After going over them with the inspector, who was continually among these branches, and is familiar with all the details and facts, he (Mr. Smithers) went over them again with the assistant general manager, and after that decided on what amount was necessary to write off, and what amount to recommend the board to appropriate. Having done that, he explained the matter fully to the president at an interview which lasted for hours, and at which the inspector and assistant general manager were present to assist in discussion, and afford information. After all this was done the whole was submitted to the board and explained to them for their approval and confirmation. (Applause.) If there was any better mode of dealing with the matter he should like to know it. (Renewed applause.) If he were to be asked with regard to these appropriations whether they were ample to cover all the losses, his answer to that would be—he hoped so, he was not going to commit himself to anything, but could only say that he hoped the appropriations were ample. He could have nothing to gain by carrying forward worthless assets. (Applause.) His interest was all the other way. It would lay rather, as everybody would admit, in overdoing it than otherwise. He had given the thing a thorough overhauling, and claimed he had conscientiously and impartially written off what the circumstances seemed to call for, according to the best judgment he could form from the information at his disposal. As he had already said, he hoped the amount was sufficient. Beyond that he was not prepared to admit anything. This much he might say: many things had been written off so low they could not trouble us much again. He might make another remark which perhaps bore on that subject, and that was: that the amount thus written off had nothing to do with the amount of profit at their disposal; that the appropriations were made and completed before the final accounts were received, and were, therefore, not made to square with the dividend. (Hear, hear, and applause.) With regard to the Rest, some of the shareholders thought it too large. Of course that was a matter of opinion. It was about 41 per cent of the capital. He would, however, inform them with reference to that, that the London and Westminster Bank which had lately been re-organized a company under the limited liability act, thought it necessary in re-organizing to bring its reserve up to 50 per cent, and yet everybody knew that the assets of a bank like that—a London Bank—were widely different from those of any bank in Canada. If it required 50 per cent reserve, our reserve was not too large. The Rest strengthened the credit of the bank, added to its prestige and was itself an earning power. (Applause.) If they went on reducing the Rest, the reduction of the dividend was just as certain to follow as that day followed night. (Hear, hear.) He had no more doubt of the wisdom of having reduced the dividend rather than the Rest, than he had of his own existence. (Applause.) On that subject, although Mr. Angus advised the board last year to take half a million dollars from the Rest, Mr. Angus remarked at the meeting:—"I do not think it would be advisable to reduce the Rest much further," and he (Mr. Smithers) thought Mr. Angus was right. (Applause.) He would like to say a few words about our business in the United States, because as he had already stated, they were obliged to employ a good deal of their funds in the United States, and a large amount of their profits had been made there this year. It was well the shareholders should know something of the nature of that business. He might say first that the funds used in the United States were practically all available. Nobody need suppose that the specie and Dominion notes, although very large, represented the bank's reserve. They had an amount just as available as that. The funds in the United States were for the most part on call, and that portion which was not on call was at very short dates, and prompt payment could be safely calculated upon. It was worthy of mention that the Bank had lately an opportunity of testing the available nature of their New York reserves, in a very practical way. There had been a great deal of excitement lately, as the shareholders were aware, about a bill before the Legislature at Albany for the purpose of taxing foreign capital. He (Mr. Smithers) took occasion to visit New York at that time, and in order to illustrate to the Legislature at Albany what the effect of that bill would be, he called in about four and a half million dollars in the course of a few days. He did not think it would be easy to get an equal amount out of a Canadian district in the same time. (Laughter.) It was very commonly supposed that the New York business was speculative and extra risky, whereas exactly the contrary was the case. It was really the safest and the most available business they had. Why was it the safest? Because the advances were made altogether upon good collaterals, with ample margins, and to a very limited extent upon mere names, as was the case in Canada. When any advances were made on names, the names were of the highest class. To be more exact still, he would say that the losses which had been referred to, amounting to \$700,000, were all made in Canada, hardly a dollar having been lost in the United States. (Hear, hear.) The Chicago loans—the Bank had a branch in Chicago—were not perhaps quite so available as the New York loans, but they were only second to them in that respect. Chicago loans were seldom made for more than thirty days and lately within a few weeks they had reduced their loans in Chicago from five million to three million dollars. So that it was evident the money there was almost as available as if it was in their vaults here. With reference to the question of inspection which Mr. Crawford had raised, that question had been fully discussed at Ottawa as well as the alternative of auditors to be appointed by the shareholders. He (Mr. Smithers) had been at Ottawa during the whole of this discussion. Some leaned to one and some to the other alternative; but all were pretty much of the opinion that either of them would amount to very little, and principally for this reason, that the system which existed in the United States, under the National Banking law, was not suited to banks in Canada, to which it was almost impossible to apply it, because they had so many branches. It was almost an impossibility to inspect by Government inspectors or auditors, a bank that had, say thirty branches, spread throughout the country. The law in the United States had not prevented the failure of an immense number of national banks. He had known them to fail almost immediately after they were inspected. (Laughter.) He did not believe that safety could ever be secured by Act of Parliament. (Hear, hear.) Our own inspection by trained officers of large experience who devoted their whole time to the one bank, was far more effective than any other system of audit. They had men whose sole business it was to travel the year round from one branch to another and report to the Board. These men had nothing to gain by keeping anything back, but made a thorough report. Any system that could be devised would, however, never take the place of ceaseless vigilance on the part of the general manager, and constant watchfulness and intelligent oversight by the Board. Whoever had to run this Bank required to sleep with one eye open. He had to think about it by day and dream of it by night, if he wanted it to succeed. No auditor could value the bank's bills. In fact, the directors and managers found it very difficult to do that themselves. Another difficulty was that of getting suitable men, and that was a very serious difficulty, especially if the auditors were to be Government men. He would mention one thing which would perhaps meet Mr. Crawford's point, that it is proposed to enact another law next year for the creation of new banks, the intention being that those new banks should be under a system analogous to the National Banking Law of the United States. In that case they would have no branches. He

believed it was proposed to have a system of inspection under the new law, and it was just possible that the provisions for the inspection of those new banks would be made to extend to existing banks, so that there was still a hope Mr. Crawford might have his views carried out. Now as to the proxy question. That was also fully discussed at Ottawa. The opinion was unanimous that it was best to make no change beyond one that was made at his (Mr. Smithers') suggestion, namely, to limit to three years existence the life of a proxy, so that a man could not vote for twenty years on a proxy which people had forgotten all about. Supposing the present system were changed, and that the present meeting held sufficient votes to turn out the whole Board, what would be gained by that? He was very much inclined to think that they had better bear the ills they had than to fly to those they knew not of. (Hear, hear and applause.) It was not for him to endorse the Board, or he might say something about that. As to the remark about the Banking Act being satisfactory, as the Chairman had said but faint praise was given it. He (Mr. Smithers) said that in the main it was satisfactory, but did not pretend to say that altogether it was satisfactory. With regard to the St. Paul, Minneapolis & Manitoba Railway, he could say this much, that since he had been at the head of the bank that road had not owed the bank a dollar, but had a large sum to its credit in New York all the time, and when the last return came in it had \$315,858 to its credit. (Applause.) He believed the bank did lend some money, but did not know whether it was to the road or parties connected with it that the advances were made. Although he was not here these things passed under his notice to some extent while in New York, and he had to say this about them. In the first place they were enormously exaggerated. The amount did not reach anything like what was supposed and stated in the papers, and in the next place the advances were always well secured and no amount was ever in jeopardy. The Bank has made as large advances frequently to mercantile firms.

Mr. BURTIN—State the amount?

Mr. SMITHERS said he was not at liberty to do so. It had always been the rule that private accounts should not be gone into. He could tell them, however, these advances were always enormously exaggerated, that the bank was never in jeopardy, that they had all been paid, that the Bank had made a great deal of money out of them, that throughout the last six months the road had a large balance to its credit, and to-day had \$315,000 to its credit. He thought that he had answered all the questions, and had only to add that the number of shareholders was 2,333, that the average amount of shares held by each shareholder was 25, and that the offices had all been inspected with the exception of that in London, England. (Prolonged applause.)

Mr. CRAWFORD said he thought the General Manager had turned the laugh entirely on his own side with reference to the question of proxies. He put a question to the shareholders at the close of his remarks as to what they would gain provided they had the whole election in their own hands and elected a new board. This question was just as easily answered as it was asked. It was simply this, that the directors, instead of believing that their election to the board would be perpetual, they would understand they were subject to an annual election, and hence the same indifference would not likely be shown in the administration of the affairs of the Bank, as under the present system. As regarded the composition of the present Board, he believed the shareholders did not desire to make any change, or if any change was required it must be very slight. He (Mr. Crawford) did not see any necessity for a change. On the Board of Directors were men eminent for their professional skill, others for their commercial experience and ability, others for their legislative and senatorial achievements, and others who could not be surpassed for their sterling honesty and integrity. It was not likely that the shareholders could do better than re-elect these men, but he (Mr. Crawford) contended if these men were elected under a new system, if they felt they were not subject to the election of one man, be he whatever president he might indicate, and he (Mr. Crawford) made no reference to any president, the general feeling of interest and confidence in a bank would be greatly improved. He had never heard the question asked by any intelligent shareholder, who are we going to elect, but the question was always who are you, Mr. President, going to put in to-day for election?

The CHAIRMAN—But the proxy system has been altered.

Mr. CRAWFORD replied that in England proxies were changed from year to year. The system even then was open to great abuse, and under our system the means of avoiding the letter of the law would be more practicable. The general manager stated that the question of audit was discussed at Ottawa and it was decided that the system would have no practical effect, that it would be better to leave it in the hands of the administration. He granted all that, provided the administration was elected by the shareholders, but what he had always contended for was that the shareholders had not a particle of influence in the election of the Board. Hence any supervision, any examination into assets of the head office and different branches was done at the instance of the general manager, of course by the direction of the Board, but the latter not being dependent practically on the shareholders for their position their interests were so far directly antagonistic, and he appealed to every man in this room whether the dearly bought experience of the past years did not bear out his assertion. The investigations had never been of any use in enabling the public to deduce any reasonable argument from them, consequently he held that when the banking law was passed, it would have been fair and reasonable on the part of the Finance Minister to make a provision to appoint an auditor to investigate the affairs of the bank. The election of auditors should take place annually, and the office should be a permanent one. There could be then no conflict whatever between the opinions of the shareholders and the opinions of the directors; they would both work in concord, and until that system be obtained men who invested their money in banking institutions could have no guarantee that their position would be as represented.

Mr. SMITHERS—You seem to forget no man is under an obligation to give his proxy to another.

Mr. CRAWFORD said he knew that if men would only exercise their duties there could be no objection to the system. There was nothing better in theory than the proxy system, but its universal abuse destroyed its efficacy. As an illustration he would mention a case in which he himself went to a shareholder, and asked if he would have any objections to trust him with his proxy. The shareholder replied, "Not the slightest," and gave him the proxy, but the next day he wished to withdraw it, because he had given it to a bank manager. He (Mr. Crawford) told him he had made a mistake, because an executive officer had no right to use a proxy. Well, he replied; I remember now I gave it to a gentleman in the Bank. This was only one case of the great abuse of proxies. He (Mr. Crawford) held that the election of directors should be by numerical vote. He

did not press for this, but thought it was not too much to ask for the right to appoint auditors by this numerical process, and then everything would go as merry as a marriage bell.

Mr. RAMSAY said the general manager had made a very careful address, which every shareholder present was glad to hear; in fact, never before at a meeting of this bank nor at the meeting of any other bank, had he heard an address so full, ample and satisfactory; but as in reference to the point he had taken the liberty to mention, the manager was careful to say he was not general manager at the time the advances referred to were made, and as the question had been addressed more particularly to the Chairman, it would be more satisfactory to the shareholders, both those present and those absent, who would read the reports in to-morrow's papers, to receive from the Chairman, directly, a statement full and satisfactory relative to the relations of himself and some of the other directors of the Bank, and the railway company with the Bank, during the last year. Numerous statements had been going the rounds of the newspapers, bearing a semi-official appearance, concerning the amounts advanced. He had not seen any official statement of the amount advanced. The general manager objected to mention any amount. A full and detailed account would be satisfactory both in the interests of the Bank and the public.

The CHAIRMAN said it was not quite regular to bring up at a meeting of this kind private accounts, but considering his own relations to the Bank, he had no objection to say all that he thought was fair and necessary on this question. The amount first loaned by the Bank of Montreal to himself and associates, for which they had ample independent security was \$280,000. That loan was discussed at the Board. He was not present at the time it was made with the sanction of the Board of Directors. At no time did the Bank either here or in New York advance as much to himself and associates as they had at various times advanced to the late firm of George Stephen & Co. No advance was made in New York on which the Bank did not hold independent security. It never had a transaction in which it was safer or better secured, and the advance did not exceed something under \$700,000.

Mr. SMITHERS said that one explanation he might have made in addition to what he had already said, was that a good part of the advance was secured by receivers' certificates, which are considered the very best security obtainable, because they take preference of everything else. Another part of the money was secured by a firm of New York bankers, a house of well-known standing. (Cheers.)

Hon. D. A. SMITH said, with regard to the former manager of this institution, Mr. Angus, now connected with the St. Paul, Minneapolis & Manitoba Railway, he was not in the slightest degree interested in the railway at the time the advance was made. He had no expectation whatsoever of being interested in any way in it, nor had he been approached with regard to it until months later. (Applause.)

The report was then put and carried unanimously.

Moved by Capt. R. W. SHEPHERD, seconded by Mr. ANDREW ROBERTSON, that the thanks of the meeting be presented to the president, vice-president and directors, for their attention to the interests of the bank. Carried.

Moved by Mr. ALEX. MURRAY, seconded by Mr. EDWARD MACKAY, that the thanks of the meeting be given to the General Manager, the managers and other officers of the Bank for their services during the past year. Mr. Murray, in making this motion, paid a high compliment to the officers of the Bank.

Mr. MACKAY, in seconding the motion, said that although the shareholders and the directors suffered a loss in the departure of Mr. Angus, they had every assurance possible from the management of their present Manager that the interests of the Bank would be carefully guarded.

Mr. SMITHERS expressed his obligations to the mover and seconder for the kind manner in which they had proposed this resolution, and to the shareholders for the unanimity with which they had adopted it. As they all knew he had come here reluctantly, and the argument which had the greatest weight in inducing him to accept his present position was that his acceptance of it would give increased confidence to shareholders. That argument had greater weight with him than any other. He would like to add that should he by any possibility cease to enjoy the confidence of the Board and the stockholders, he would not want to hold the position for a single moment. He had to return thanks for the whole of the staff as well as for himself, and from the Manager down through the whole rank and file he was glad to say their officers, as a whole, were men of whom they might well be proud, and a great many of whom he was delighted to be able to call his own friends. Neither he nor any other man could run the Bank for a single day without them, any more than the captain of one of the splendid steamers of Allan's Line could take her across the Atlantic unaided and bring her into port. Without the stoker and the fireman, the screw would not make a single revolution. On the part of himself and staff he thanked the Directors and shareholders most cordially for this resolution, and also thanked them for having listened to him with so much patience.

Mr. T. W. RITCHIE, Q.C., seconded by Mr. G. W. SIMPSON, moved that the ballot now open for the election of Directors be kept open until three o'clock, unless fifteen minutes elapsed without a vote being cast, and for that purpose only the meeting be continued. Carried.

The ballot resulted in the re-election of the retiring Board, as follows:—Geo. Stephen, G. W. Campbell, M. D., Hon. T. Ryan, P. Redpath, Hon. D. A. Smith, Edward Mackay, Gilbert Scott, Alexander Murray, Alfred Brown.

At a subsequent meeting of Directors Mr. Geo. Stephen was elected President.

BANK OF MONTREAL.

(Established 1818.)

INCORPORATED BY ACT OF PARLIAMENT.

CAPITAL AUTHORIZED	- - - - -	\$12,000,000.
CAPITAL PAID UP	- - - - -	11,999,200.
RESERVED FUND	- - - - -	5,000,000.

HEAD OFFICE—MONTREAL.

BOARD OF DIRECTORS.

G. STEPHEN, ESQ., <i>President.</i>		G. W. CAMPBELL, ESQ., M.D., <i>Vice-President.</i>	
HON. T. RYAN.		HON. D. A. SMITH.	ALEX. MURRAY, ESQ.
P. REDPATH, ESQ.		EDWARD MACKAY, ESQ.	ALFRED BROWN, ESQ.
		GILBERT SCOTT, ESQ.	

C. F. SMITHERS, *General Manager.*

W. J. BUCHANAN, *Assistant General Manager.*

BRANCHES AND AGENCIES IN CANADA.

MONTREAL.....	{ W. J. BUCHANAN, <i>Manager.</i>
	{ E. S. CLOUSTON, <i>Assistant Manager.</i>

ALMONTE, Ont.	GODERICH, Ont.	MONCTON, N.B.	QUEBEC, Que. "
BELLEVILLE, "	GUELPH, "	NEWCASTLE. "	SARNIA, Ont.
BRANTFORD, "	HALIFAX, N.S.	OTTAWA, Ont.	STRATFORD, "
BROCKVILLE, "	HAMILTON, Ont.	PERTH, "	ST. JOHN, N.B.
CHATHAM, N. B.	KINGSTON, "	PETERBORO, "	ST. MARYS, Ont.
COBOURG, Ont.	LINDSAY, "	PICTON, "	TORONTO, "
CORNWALL, "	LONDON, "	PORT HOPE, "	WINNIPEG, Man.

A. MACNIDER, *Inspector.*

AGENTS IN GREAT BRITAIN.

LONDON, BANK OF MONTREAL, 9 Birchin Lane, Lombard Street.

C. ASHWORTH, *Manager.*

LONDON COMMITTEE.

ROBERT GILLESPIE, ESQ.	E. H. KING, ESQ., - - <i>Chairman.</i>	SIR JOHN ROSE, BART, K.C.M.G.
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BANKERS IN GREAT BRITAIN.

LONDON, THE BANK OF ENGLAND.	LIVERPOOL, THE BANK OF LIVERPOOL.
" THE UNION BANK OF LONDON.	SCOTLAND. { THE BRITISH LINEN COMPANY AND BRANCHES.
" THE LONDON AND WESTMINSTER BANK.	

AGENTS IN THE UNITED STATES.

NEW YORK, WALTER WATSON and ALEX. LANG, 59 Wall Street.

CHICAGO, BANK OF MONTREAL, 154 Madison Street.

BANKERS IN THE UNITED STATES.

NEW YORK, THE BANK OF NEW YORK, N. B. A.	BUFFALO, THE FARMERS & MECHANICS NATIONAL BANK.
" THE MERCHANTS NATIONAL BANK.	SAN FRANCISCO, THE BANK OF BRITISH COLUMBIA.
BOSTON, THE MERCHANTS NATIONAL BANK.	

COLONIAL AND FOREIGN CORRESPONDENTS.

ST. JOHNS, NFD., THE UNION BANK OF NEWFOUNDLAND.	INDIA.	} ORIENTAL BANK CORPORATION.
BRITISH COLUMBIA, THE BANK OF BRITISH COLUMBIA.	CHINA,	
NEW ZEALAND, THE BANK OF NEW ZEALAND.	JAPAN,	
	AUSTRALIA,	

MONTREAL, June 1880.

1880.

BANK OF MONTREAL.

Board of Directors.

GEORGE STEPHEN, Esq., PRESIDENT.	
G. W. CAMPBELL, Esq., VICE-PRESIDENT.	
HON. THOS. RYAN.	EDWARD MACKAY, Esq.
PETER REDPATH, Esq.	GILBERT SCOTT, Esq.
HON. D. A. SMITH.	ALEXANDER MURRAY, Esq.
ALFRED BROWN, Esq.	

C. F. SMITHERS, Esq., GENERAL MANAGER.

REPORT

OF THE

DIRECTORS TO THE SHAREHOLDERS

AT THEIR

62nd ANNUAL GENERAL MEETING,

Held 7th JUNE, 1880.

In presenting the Sixty-Second Annual Report, the Directors invite your attention to the usual statement of the Assets and Liabilities of the Bank at the close of the financial year. These statements were distributed among the Shareholders several weeks ago, and are now upon the table.

The balance at credit of Profit and Loss Account, 30th April, 1879, was	-	\$ 101,784 55
The Profits for the year ended 30th April, 1880, after deducting charges of management, and making full provision for all bad and doubtful debts, amount to	-	1,049,340 97
		<u>\$1,151,125 52</u>
Dividend 5 per cent., 1st December, 1879,	- - - -	\$599,960 00
Dividend 4 per cent., 1st June, 1880	- - - -	479,968 00
		<u>\$1,079,928 00</u>
Leaving the balance of Profit and Loss Account to be carried forward,	- -	\$ 71,197 52

The gross profits of the year just closed were very little less than for the previous year. The net profits, after deducting losses are, as the figures show, very much larger, and the Board has been enabled to make large provision for bad and doubtful debts by reducing the dividend only one per cent. for the second half of the year, and without encroaching upon the Rest, which remains at \$5,000,000. Your Directors are more than ever impressed with the importance of maintaining a large reserve, and therefore made the reduction in the dividend alluded to rather than resort to a further diminution of that Fund. In the effort to maintain profits many adverse circumstances had to be contended with. It will be noticed by reference to the statement that there is a very large reduction of the discounts in Canada, amounting to upwards of \$7,000,000, and a corresponding or even greater increase in deposits, upon which interest is paid. The

depression in business has continued, and the process of liquidation going on has caused an extraordinary accumulation of money, which has been seeking investment at unprecedentedly low rates for Canada. This has resulted in the Bank having a very large average amount of unemployed funds—low rates having also prevailed in England—and the only outlet for our surplus has been found in the United States, where, owing to the great revival of business, temporary employment has been found, if not at high, at least at moderately remunerative rates, for a much larger sum than we have for many years been accustomed to employ out of Canada, and, but for which fortuitous circumstance, the result presented to you to-day would have been still less favourable.

Although the falling off in the profits in Canada has been large, it was in a great measure compensated by increased profits elsewhere, making the actual deficiency comparatively trifling; the reduction in the dividend was not, therefore, occasioned so much by lack of profits, as by the necessity for making large provision for bad and doubtful debts, though it must be admitted that the uncertain outlook in the immediate future had its influence on the Board in determining the course to be pursued. In explanation of the provision for bad and doubtful debts, the Directors have to state that the losses arising out of the current business of the year were comparatively unimportant; but that considerable and unlooked-for losses, connected with the business of former years, had to be provided for. This may give rise to some surprise, and not a little disappointment, in view of the statements made at the last annual meeting; but it is not an uncommon experience, after a series of bad years and a period of great depression, a process of shrinkage goes on which baffles all calculation, and it is found that appropriations are required far beyond the most carefully considered estimates—this has proved to be the case on this occasion. Supplementary provision was made in the autumn to a considerable amount, but even this was found insufficient, and a still further and larger sum had again been set aside at the close of the fiscal year, for the same purpose.

The year just closed has been rather an eventful one for Canadian Banks in general, and in the case of the Bank of Montreal it has been exceptionally so. Since the last Annual Meeting a vacancy occurred on the Board by the resignation of Sir A. T. Galt, which they filled as required by the By-laws, by the appointment of Mr. Alfred Brown.

During the year, the Bank has also undergone a change of management, and it is a matter of congratulation that not only was this effected without interruption to the harmonious working of the Institution, but that the Board was able to fill the vacancy from the Bank's own staff, by the appointment of the Senior Agent at New York, who has been long connected with the Banking interests of Canada.

The renewal of the Bank Charters for ten years, from July, 1881, has occupied much of the attention of the Board. This measure, if not in all respects exactly what might be desired, is, in the main, satisfactory. It takes from us the right to issue any notes of a smaller denomination than \$5, and makes all our issues a first charge upon the assets of the Banks in case of insolvency.

The legislation authorizing an increase of Dominion notes from twelve millions to twenty millions, on a very slender coin basis, is a matter of grave importance, not only to the Banks, but to the country at large, and your Directors take this opportunity of recording an opinion unfavourable to Government issues of notes payable on demand, as fraught with danger to the best interests of the country.

Perhaps the less said about the future the better—it is not always wise to forecast, especially so early in the season—when it is too soon to form an intelligent opinion about the crops, either on this side of the Atlantic or in Europe, both of which are important elements in the consideration. Apart from this, however, much has been said about the signs of returning prosperity, and there are undoubtedly some evidences of improvement—the realization of these hopes is not, however, as well assured as we could wish. There is happily a substantial improvement in lumber, which it is hoped will continue, and from which favourable results are expected. The demand for money continues light, and far below the ability of the Banks to supply. The employment of funds in the United States, which has contributed so largely to the income of the past year, is somewhat uncertain, and cannot be safely depended upon, though it is a valuable outlet for surplus reserves, which must be employed in such a manner as to be always available. On the whole, therefore, while the Directors do not wish to encourage hopes which may not be realized, neither do they regard the future with anything of dismay; some sources of profit may fail, but others will probably arise, and they see no reason to doubt that the Bank will continue to prosper and maintain the prestige which it has so long enjoyed.

GEORGE STEPHEN,
President

BANK OF MONTREAL, }
MONTREAL, 30th April, 1880. }

GENERAL STATEMENT,

30th April, 1880.

LIABILITIES.

Capital Stock paid up (Subscribed \$12,000,000 00).....	\$11,999,200 00
Rest	\$ 5,000,000 00
Balance of Profits carried forward.....	71,197 52
	<hr/>
	\$ 5,071,197 52
Unclaimed Dividends.....	18,775 22
Half-yearly Dividend, payable June, 1880.....	479,968 00
	<hr/>
	\$ 5,569,940 74
	<hr/>
	\$17,569,140 74
Amount of Notes of the Bank in circulation.....	\$ 3,601,655 00
Deposits not bearing interest.....	5,432,890 94
Deposits bearing interest.....	16,889,347 16
Balances due to other Banks in Canada	1,168,647 55
	<hr/>
	\$27,092,540 65
	<hr/>
	\$44,661,681 39

ASSETS.

Gold and Silver Coin Current.....	\$ 1,863,052 21
Government Demand Notes.....	3,519,192 00
Balances due from other Banks in Canada.....	\$ 226,062 76
Due from Agencies of this Bank, and other Banks in the United States.....	14,417,097 38
Due from Agencies of this Bank, and other Banks in Great Britain.....	2,350,220 96
	<hr/>
	\$16,993,381 10
Notes and Cheques of other Banks.....	674,258 12
	<hr/>
	\$23,049,883 43
Bank Premises at Montreal and Branches.....	467,078 00
Loans and Bills Discounted.....	\$20,561,528 07
Debts secured by Mortgages and other Securities.....	298,845 03
Overdue debts not specially secured (estimated loss provided for)	284,346 86
	<hr/>
	\$21,144,719 96
	<hr/>
	\$44,661,681 39

BANK OF MONTREAL,

MONTREAL, 30th April, 1880. }

C. F. SMITHERS,

General Manager.

31st OCTOBER, 1880.

BANK OF MONTREAL.

Statement of the result of the Business of the Bank for the Half-year ended 31st Oct., 1880.

Balance of Profit and Loss Account, 30th April, 1880.....	\$ 71,197 52
Profits for the half year ended 31st October, 1880, after deducting charges of management, and making full provision for all bad and doubtful debts.....	555,782 92
	<hr/>
	\$626,980 44
Dividend 4 per cent., payable December, 1880.....	\$479,968 00
	<hr/>
Balance of Profit and Loss carried forward.....	\$147,012 44

NOTE.--Market price of Bank of Montreal Stock 30th October, 1880. 155 @ 156.

GENERAL STATEMENT.

31st OCTOBER, 1880.

LIABILITIES.

Capital Stock paid up (Subscribed \$12,000,000 00)		\$11,999,200 00
Rest	\$ 5,000,000 00	
Balance of Profits carried forward	147,012 44	
	<u>\$ 5,147,012 44</u>	
Unclaimed Dividends.....	13,275 22	
Half-yearly Dividend, payable Dec. 1880.....	479,968 00	
	<u>\$ 5,640,255 66</u>	
		<u>\$17,639,455 66</u>
Amount of Notes of the Bank in circulation	\$ 4,456,905 00	
Deposits not bearing interest	8,470,113 04	
Deposits bearing interest	12,742,715 61	
Balances due to other Banks in Canada	952,113 70	
	<u>\$26,621,847 35</u>	
		<u>\$44,261,303 01</u>

ASSETS.

Gold and Silver Coin Current	\$ 2,586,276 58	
Government Demand Notes.....	2,585,990 00	
Balances due from other Banks in Canada.....	\$ 112,409 17	
Due from Agencies of this Bank, and other Banks		
in the United States.....	14,843,598 58	
Due from Agencies of this Bank, and other Banks		
in Great Britain.	1,001,702 46	
	<u>\$15,957,710 21</u>	
Notes and Cheques of other Banks.....	1,020,237 15	
	<u>\$22,150,213 94</u>	
Bank Premises at Montreal and Branches		467,078 00
Loans and Bills Discounted.....	\$21,014,686 99	
Debts secured by Mortgages and other Securities	442,128 41	
Overdue debts not specially secured (estimated loss provided for)....	187,195 67	
	<u>\$21,644,011 07</u>	
		<u>\$44,261,303 01</u>

BANK OF MONTREAL.)

MONTREAL, 31st October, 1880.)

C. F. SMITHERS,

General Manager.

GENERAL STATEMENT

20th April 1933

MEMORANDUM

1. The object of this memorandum is to provide a general statement of the results of the investigation conducted by the Committee on the subject of the alleged frauds committed by the late Sir John Lubbock, Bart., in connection with the purchase of the collection of antiquities known as the 'Lubbock Collection'.

2. The results of the investigation are as follows:—

3. The collection of antiquities known as the 'Lubbock Collection' was purchased by Sir John Lubbock, Bart., in 1891, from a certain person or persons, who are now deceased.

4. The results of the investigation conducted by the Committee are as follows:—

5. The results of the investigation conducted by the Committee are as follows:—