

# 1875.

## BANK OF MONTREAL.

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### Board of Directors.

DAVID TORRANCE, Esq., PRESIDENT. GEORGE STEPHEN, Esq., VICE-PRESIDENT.  HON. T. RYAN. P. REDPATH, Esq., G. W. CAMPBELL, Esq., M.D., HON. D. A. SMITH, R. B. ANGUS, Esq., GENERAL MANAGER.	T. W. FITCHIE, Esq., Q.C. SIR A. T. GALT, K.C.M.G., EDWARD MACKAY, Esq.,
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# REPORT

OF THE

## DIRECTORS TO THE SHAREHOLDERS.

AT THEIR

### *57<sup>TH</sup> ANNUAL GENERAL MEETING,*

### HELD 7th JUNE, 1875.

The Directors beg to present to the Shareholders the 57th Annual Report, together with a general statement of affairs, showing the assets and liabilities of the Bank at the close of its financial year, on 30th April last:—

The balance at credit of Profit and Loss Account on 30th April, 1874, amounted to....	\$584,203 17
And the profits for the year ended 30th April, 1875, after deducting charges of management and making full provision for all bad and doubtful debts, are.....	1,994,406 58
Making.....	<u>\$2,578,609 75</u>
From which have to be deducted Dividend of 7 per cent., paid December,	
1874.....	\$836,437 46
Dividend 7 per cent., payable June, 1875.....	836,793 00
	<u>\$1,673,230 46</u>
Leaving.....	\$905,379 29

Of this sum the Board has transferred to Rest Account \$500,000, thereby raising that fund to \$5,500,000, and there remains \$405,379.29 to be carried forward at the credit of Profit and Loss Account.

Ample provision has, as usual, been made for bad and doubtful debts.

It will be observed that the net profits, although falling short of the amount earned last year, would have enabled the Directors to pay a dividend and bonus at the rate which has prevailed for some time past. Your Directors, however, considered it would be more prudent, under the existing circumstances of the Bank and the country, to restrict the distribution to 14 per cent., and to hold the balance in reserve.

The impossibility of profitably employing money in the neighbouring States and the extremely low rates of interest which prevailed in Canada throughout the first half of the year, seriously affected the revenue of the Bank during that period, and it was feared that an attempt to maintain the Dividend and Bonus at the rate of 16 per cent. per annum might lead to an encroachment upon previous accumulations. To obviate a result so undesirable, and the more speedily to build up the Rest to the proportion it bore to the paid-up capital previous to the recent increase of the latter, your Directors resolved to cut down the dividend for the year as already stated.

In view of the actual result of the year's operations, this precaution may now appear to be excessive, but it must be borne in mind that the state of affairs which suggested it was followed by an active demand for money which enabled the Bank to use its funds to better advantage, and, at the same time, to render good service to the commercial community by relieving, to some extent, the monetary pressure.

The Directors will not attempt to discuss the probable extent of future dividends, as these must necessarily depend upon the prosperity of the country and the fortunes of the Bank, but they may indicate their opinion that the creation of a reserve fund to the extent of fifty per cent. of the capital would appear to be ample for all practical purposes, and that end has now been all but attained.

The present aspect of commercial affairs, however, forbids the indulgence of sanguine anticipations of the immediate future. The commerce and currency of the United States continue in an unsatisfactory condition; the prostration of our lumber trade and the reluctance of our farmers to send their grain to market, have naturally been followed by a general depression in business, and the results of overtrading in most departments are very apparent. It is to be hoped that the mercantile community generally will join in persistent efforts to bring business operations within legitimate limits, and that the commerce of the country will before long be restored to a sound condition. Meantime, your Directors regard a conservative policy on the part of the Bank, even to the temporary sacrifice of profits, as that most calculated to promote the best interests of the institution, and they trust the shareholders will give that course their cordial approval.

D. TORRANCE,  
*President.*

# GENERAL STATEMENT.

30th APRIL, 1875.

## LIABILITIES.

Capital Stock paid up (Subscribed \$12,000,000 00) .....		\$11,960,700	00
Rest. ....	\$5,500,000		00
Balance of Profits carried forward.....	405,379		29
	\$5,905,379		29
Unclaimed Dividends.....	9,808		67
Half yearly Dividend, payable June, 1875.....	836,793		00
	6,751,980		96
		\$18,712,680	96
Amount of Notes of the Bank in circulation.....	3,280,522		00
Deposits not bearing interest.....	5,457,779		89
Deposits bearing interest.....	9,861,244		10
Balances due to other Banks and Institutions.....	1,026,913		26
	19,626,459		25
		\$38,339,140	21

## ASSETS.

Gold and Silver Coin current.....	2,014,852		32
Government Demand Notes .....	2,089,381		00
Balances due from other Banks and Institutions.....	4,477,052		44
Notes and Cheques of other Banks.....	764,809		84
	\$9,346,095		60
Bank Premises at Montreal and Branches.....		425,000	00
Bills of Exchange and Discounted Notes.....	28,409,127		95
Debts Secured by Mortgages and other Securities.....	53,266		45
Debts due to the Bank, over-due and not paid (Estimated loss provided for) .....	105,650		21
	28,568,044		61
		\$38,339,140	21

BANK OF MONTREAL. }  
 MONTREAL, 30th April, 1875. }

R. B. ANGUS,  
*General Manager.*



GENERAL STATEMENT.

		LIABILITIES.	
Capital Stock paid up.....		£2,457,978 1 8	\$11,960,700 00
Subsd. £2,465,753 8 6.....			
Rest. \$2,000,000 00.....	1,130,136 19 9		\$3,500,000 00
Balance of Profits carried forward.....	83,297 2 4		405,379 29
Unclaimed Dividends.....	£1,213,431 2 1		\$5,905,379 29
Half-yearly Dividend, payable June, 1875.....	2,015 9 7		9,808 67
	171,943 15 4	1,387,393 7 0	836,793 00
			6,751,980 96
		£3,845,071 8 8	\$18,712,680 96
Amount of Notes of the Bank in circulation.....	674,079 17 3		3,280,522 00
Deposits not bearing interest.....	1,121,461 12 5		5,457,779 89
Deposits bearing interest.....	2,026,283 0 8		9,861,214 10
Balance due to other Banks and Institutions.....	211,009 11 6		1,026,913 26
		4,032,834 1 10	19,626,459 25
		£7,877,905 10 6	\$38,339,140 21
		ASSETS.	
		£ Sterling.	Currency at 9½ p. c.
Gold and Silver Coin current.....	£ 414,010 15 0		2,014,852 52
Government Demand Notes.....	429,324 17 3		2,089,381 00
Balances due from other Banks and Institutions.....	919,942 5 8		4,477,052 41
Notes and Cheques of other Banks.....	157,152 14 2	1,920,430 12 1	764,809 81
			9,346,095 60
Bank Premises at Montreal and Branches.....		87,328 15 4	425,000 60
Bills of Exchange and Discounted Notes.....	5,837,492 0 11		28,109,127 95
Debt Secured by Mortgages and other Securities.....	10,915 3 3		53,266 45
Debts due to the Bank, over-due and not paid (Estimated loss provided for).....	21,708 18 11		105,650 21
		5,870,116 3 1	28,568,011 61
		£7,877,905 10 6	\$38,339,140 21

R. B. ANGUS,  
General Manager.

BANK OF MONTREAL.  
MONTREAL, 30th April, 1875. }

The CHAIRMAN—Gentlemen, in accordance with the practice that has now become general, it is my intention to move the adoption of the Report; but before putting the motion to the meeting, abundant opportunity will be afforded to shareholders to make such remarks upon the subject of the Report as well as of the general business of the Bank as they see fit. Fortunately, it is not necessary that I should make any extended remarks, especially as I shall probably be followed by Mr. Angus. With regard to the business of the Bank for the past year, the results, though not quite up to the previous year, are, I think, very satisfactory, considering all the circumstances under which they have been produced. The net profits for the year amount to \$1,994,496, which is equal to 16½ per cent on the capital, against \$2,072,540, or 17½ per cent, last year, which I think you will agree with me is not an unfavorable exhibit. We refrain in our Report from expressing anything like sanguine views of the immediate future, but we see no reason why the business of the country should not soon become active and prosperous. The present stagnation cannot long continue. Until it passes away our import business ought to be confined within the narrowest possible limits. I don't think it necessary to make any further remark at present, as the Report itself covers the whole ground.

Mr. JOHN CRAWFORD—It would be difficult, Mr. Chairman, to select any person in the room who could not take pleasure in seconding the adoption of the report. I, therefore, have much pleasure in doing it. The resolution is

"That the report of the Directors now read be adopted, and printed for distribution among the Shareholders."

In seconding the adoption of the report, I need only say that an examination into its contents will more fully explain the satisfactory position of the Bank than any words which I could employ. In the face of the general commercial depression to which allusion has been made, affecting more or less the entire continent, I think it is most satisfactory, that the Bank of Montreal can lay before their shareholders an exhibit showing a net profit of nearly two millions upon the year's transactions, or something more than 16½ per cent on the capital. Such a result, I conceive, could only have been achieved under the guidance of a master mind, controlling the operations of the Bank with wisdom and judgment, and merits, I think, the admiration of the shareholders. (Applause.) There was certainly some disappointment expressed at the reduction of the usual 8 per cent dividend. It was extremely cruel to cut down the returns of the shareholders. (Laughter.) Speaking seriously, however, the Rest has now attain-

ed the respectable figure of close upon 50 per cent of the capital, and I think it is reasonable that the shareholders should expect in the future to participate in the entire profits of the year, and that the minimum dividend should be 16 per cent, leaving the maximum to be considered at some subsequent meeting. (Laughter.) This looks a large rate, but it is after all only 11 per cent, when distributed over the capital and rest, amounting together to 18 millions. I have always thought that between America and England, in view of the exceptionally strong position of the Bank of Montreal, unequalled on this continent, and seldom surpassed in Europe, the important items of circulation and deposits might be largely augmented in the future with profit to the Bank. However, this is only my individual opinion. If I might add one word before sitting down, I would say, if it meets with the concurrence of the Board and general management, that I should be glad to see the policy adopted of giving the shareholders the benefit of a statement of the entire expenses of the institution as well as of the net profits, and also of the interest reserved. It would have this effect—it would enable the shareholders to form some conclusion as to the percentage of expenses attendant upon the management, and to compare one year with another, and with other institutions. I only throw this out as a suggestion. I think it would be advisable in the interest of all concerned. I have much pleasure in seconding this resolution.

The CHAIRMAN—Is there any other gentleman present who desires to ask a question?

Mr. JOHN CRAWFORD (after a pause)—As no one seems desirous of asking any other question, I would beg to refer to one other matter which has just occurred to me. I have had information from friends at Prescott, Ontario, that the Bank owns a valuable property at Ottawa other than the Bank premises in that place. I should like to be informed whether that property is included in the asset of \$125,000, or whether the asset has been realized. If not, I would suggest whether it would not be desirable to make it a productive asset.

The CHAIRMAN—By selling it.

Mr. CRAWFORD—Yes.

The CHAIRMAN—If no one wishes to make any remark I will call upon Mr. Angus to reply to the questions of Mr. Crawford, and to give such explanations as may be proper.

Mr. ANGUS—Gentlemen, Mr. Crawford seldom speaks without throwing some light upon the situation, and I am glad that he has alluded to some matters to-day, that I may give you the information required. With reference to the increase of deposits, that is a matter to which I have given great attention during the past year, and I regret to say without much success. The deposits are not all shown in the reports that are placed before you. Owing to the peculiar nature of the returns furnished to the Government of Canada, it is necessary to keep certain lines, and we have consequently deposits that do not appear in the statement before you. They do not, however, amount to a very great deal. In Chicago we have the working balances of our customers that are not shown by our Canadian deposits, and I know of no way except by adding a foot note to our returns that would give the information. However, the success of the Bank cannot be considered assured until we have these items greatly augmented in Canada and elsewhere, and you may rely upon it the executive will give this matter their best attention.

In the general statement of affairs placed in your hands to-day there are several items that perhaps call for remark. In the first place, you will observe a decline of \$512,742 in the Bank note circulation, shewing that we have to that extent suffered in common with other Banks, owing to the depressed condition of trade existing at the close of our financial year. There has been a temporary increase of \$890,000 in deposits bearing interest, which is more than accounted for by the additional sums of credit of the Provincial and Dominion Governments under that heading, while you will observe a decrease of over \$1,800,000 in non-interest bearing deposits, which, in its turn, arises from reduction of balances at disposal of the Dominion Government. The increase of \$1,283,000 in our bills discounted and loans in Canada is the result of temporary measures adopted with the view of more profitably employing our funds here for a time, and partly to relieve the monetary pressure which has existed for some months. The result of the year's operations, although not quite equal to that of 1874, takes fair rank with those of previous years, and considering the conditions under which it was achieved presents at least one encouraging feature. The larger portion of the season's operations were, as stated in the Directors' report, conducted under conditions of the money market highly unfavourable to profitable working. Our losses were somewhat heavier than those experienced in 1874, while one source of revenue, viz., that of our New York business, almost entirely failed us. That under these circumstances we have been able to exhibit a net profit of about 16 $\frac{3}{4}$  per cent on the capital, may be received as an indication that the business and prosperity of the Bank rest upon a broad and solid foundation. When the advisability of reducing the dividend from 16 to 14 per cent came to be considered, I had occasion to examine our past records to discover whether any pledge had been given or any expectations held out to the shareholders as to the returns that might be looked for on the augmented capital, and I found that both the Board and your late distinguished President had been careful not to commit themselves in this respect. Indeed the President at the June meeting in 1872 referred to the increase from 6 to 8 millions that had then taken place in the capital as an experiment, the result of which could only be ascertained by practical working. He knew, and nobody had a better appreciation of the fact, that although you could force up your rest by contributions of the shareholders, or by undivided profits, you could not greatly extend your circulation without engaging in hazardous operations; that in the face of the competition of Government Savings Banks, Building Societies and the numerous Banks throughout the country, no great increase of deposits was to be expected in Canada for some years, and he knew, besides, that you could not expect to duplicate at short notice the valuable business connection which the Bank possessed as the heritage of honorable trade during half a century. I do not wish to insist upon this too much, but I desire the shareholders to bear in mind, in comparing the percentage of profits as to capital, that the conditions under which we now work are greatly modified from what they were, in consequence of the capital being raised from six to twelve millions. We have some conditions also in our favor, notably the greater economy and freedom with which the larger capital can be handled, and the higher reputation it should secure for the Bank, both at home and abroad. There is,

therefore, room for the hope that the issue of this experiment, if so it may be called, will be such as to justify the promoters, and to satisfy the reasonable expectations of the shareholders. No efforts, I assure you, on the part of the Executive, will be spared to achieve that end, and to maintain the reputation and prestige of the Bank. (Applause.) Mr. Crawford has alluded to the expenses of this Bank not being exhibited in our annual reports. That is a matter which can receive the attention of the next Board and I will not anticipate their decision. It is a question how far the shareholders would be in a position to judge from such a statement of the comparative expenses of conducting institutions like these. Our expenses must necessarily be much larger than those of other institutions not because of the greater number of agencies, but because of our expensive establishments abroad—I refer to our establishments in London and the United States. Other banks show these charges under the head of commissions paid to foreign agents, which they deduct from their profits. The property at Ottawa to which Mr. Crawford alluded, is represented under a different head from that of Bank premises, and all I have to say about it is that it is valuable, and the Bank is now in treaty for its sale. The price offered has been accepted if the terms of payment are satisfactory, and it is possible that it may be realized during the year. I may mention, before sitting down, one gratifying circumstance in regard to the shareholders of the Bank. We have now the very large number of 1,831 shareholders, against 1,583 last year, or an increase of 248 with the same capital. This circumstance indicates that the stock is passing from the hands of speculators into the hands of real investors. At the close of 1874 there stood in the names of bankers and brokers in the city 11,760 shares. This year there are only 6,975 shares. The amount in the hands of speculators has therefore decreased by half, which may account in some measure for the steadiness of the stock in the market. (Applause.)

The motion for the adoption of the report was then passed unanimously.

MR. THOMAS WORMAN—A resolution has just been placed in my hands which is to this effect:

"That the thanks of the meeting be presented to the President, Vice-President and Directors for their attention to the interests of the Bank."

I am sure you will all join with me in giving your hearty assent to this resolution, because the statement submitted this day is proof of the great ability and energy with which the affairs of this institution have been managed, and every stockholder present or absent will feel that the vote is a proper expression of opinion under the circumstances. The very fact that an institution of this magnitude, controlling such an enormous amount of money, has been managed for the past, as well as previous years, with such universal success, entitles the gentlemen connected with it to our warmest and best thanks. Last year, when I was bold enough to allude to a probable reduction in our dividends, I knew both before and subsequently that I was met with a great deal of opposition, and certain gentlemen were loud in their expressions of dissatisfaction and disgust with the remark. Yet circumstances arose which justified the Directors in taking the step which I hinted was possible. If I anticipate to-day that next year's business will enable the Directors to resume the higher rate of dividend, I imagine there will not

be the same dissatisfaction with the result. I think such an event not improbable, and that the profits of next year will enable a larger dividend to be paid. If the merchants and trading community will control their business and keep it within proper limits, I have no doubt a very healthy tone will be given to our position. The present depression does not arise from any poverty in the country, but from circumstances that will soon be removed. The dullness in the lumber trade and the depression in the States has depressed transactions here. But there is one thing that I observed—during the whole winter when the pressure for money was very great, the customers of the Bank of Montreal, that is, the merchants and the men who are really entitled to accommodation, could always depend upon getting money at a reasonable rate. I think it is owing to that fact that the depression here has not been as great as it otherwise would have been. Had the Bank exacted large rates, many houses would probably have been forced to go into liquidation or the Insolvent Court. For that wise policy the shareholders should thank the Directors. We had good crops last year and we shall probably have the same good fortune this year, and under such favorable circumstances a 16 per cent dividend may be expected.

MR. C. J. BRYDGES—I have great pleasure in seconding the resolution. I need add nothing to what has been said, but will merely express the hope that the same conservative policy will be followed in the future.

The resolution was then adopted.

MR. CRAWFORD—I have been asked by a gentleman who belongs to a profession noted for extreme modesty to move a substantive resolution that the Board pay a dividend of at least 16 per cent. I would comply with this request were I not restrained by the consideration that it might not always be convenient for them to do so. (Laughter.) But I feel satisfied from what has fallen from Mr. Angus, that if it comes within the limits of possibility it will be done hereafter. I would make one more remark—it is to point out the favorable contrast afforded by this Bank with other institutions, in publishing some weeks in advance the general statement to be submitted at the annual meeting. I wish that practice was more general. It certainly looks as if there was nothing to conceal, and it prevents the initiated from taking advantage of the uninitiated in the buying and selling of Bank stock. A Director of another institution recently advocated the withholding from shareholders even the barest skeleton of information, because he said it provoked discussion and useless questions. It seems to me that it is the business of a Bank to promote confidence.

THE CHAIRMAN—On behalf of the Board of Directors I beg to thank you for the resolution. With regard to the good advice of Mr. Crawford we shall try to act upon it. I must remark that we have not got yet to the 50 per cent. Rest which it is the traditional policy of the Bank to attain. If that is reached, I don't know what the Bank may do.

HON. THOMAS RYAN—A resolution has been placed in my hands by the Board,—the suggestion of such a vote properly comes from the Board,—and I have great pleasure in coming forward to move it. I may say that my connection with the Bank of Montreal is now of about thirty years' standing, and in looking back through the series of years during which I have served upon the Board I may say that never, upon any previous occasion, were the thanks of this meet-

ing better merited by those to whom I am now about to move a vote of thanks than on the present occasion. (Applause.) The resolution is to this effect,

"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."

I need not say that however efficient a Directorate may be, unless the staff of officers be efficient, the profits of the shareholders would not be as large as under other circumstances they would be. I may say that we have now a manager whose extreme modesty will not allow him to blazon forth what he has done. But I believe we have a man to whom, taking him all in all, we have never had a superior in the position he now fills. One of his most brilliant qualities, and most advantageous to the shareholders, is his discrimination and his judgment in selecting a staff of officers and assistants, which I believe stands in a higher position at this time than at any time before. I believe his assistants at the different points have been selected

with the greatest care, men fit to take higher positions when called upon to do so. It is very satisfactory to the Directors to know that we have such men at command and I can say it is greatly owing to the discrimination in selection shewn by our present manager. I am sure if we go below his immediate assistants, we shall find the same good selection of the officers of the Bank, and I believe there is amongst them an *esprit de corps*—a pride in the institution which I am sure will enure to the benefit of the shareholders, because there is a great deal in the fact that all, from the manager down to the lowest clerk, work with good-will and energy. Under these circumstances, I am sure the meeting will join with the Directors in giving to the Manager and other officers thanks for their services during the past year. (Loud applause.)

MR. EDWARD MACKAY—I have much pleasure in seconding the resolution. Mr. Ryan has said a good deal and has said it well, and though it is not everybody I would endorse

(laughter) I endorse everything that he has said.

The resolution was then adopted by acclamation.

MR. ANGUS—I thank you very sincerely, gentlemen, on behalf of the executive officers of the bank, for the kind expressions of confidence and appreciation that have been uttered, and also for the unanimous vote. I fully coincide with what Mr. Ryan has said with regard to the general efficiency of the officers of the bank. Never before to my knowledge were the various offices filled with better men, men more zealous for the interests of the bank or more capable of promoting its welfare than the present men (applause).

Dr. G. W. CAMPBELL moved, seconded by Mr. ROBERT ESDAILE,

"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." Adopted.