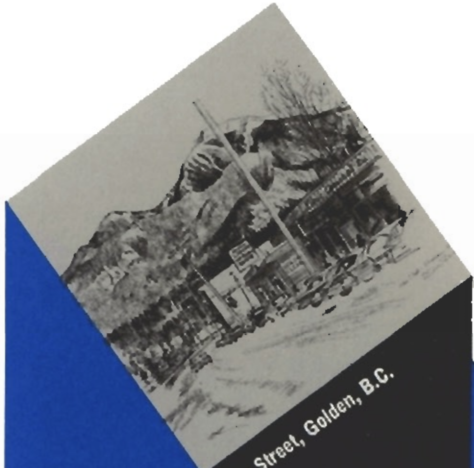
Bank of Montreal / 151st Annual Report / Canada's First Bank



Main Street, Golden, B.C.

Calgary Stampede, Calgary, Alta.

Grain Elevators, Fleming, Sask.

Annual Report of
Bank of Montreal

Annual General Meeting/December 2nd 1968 at the Head Office Montreal

Dryden Paper Mill, Dryden, Ont.

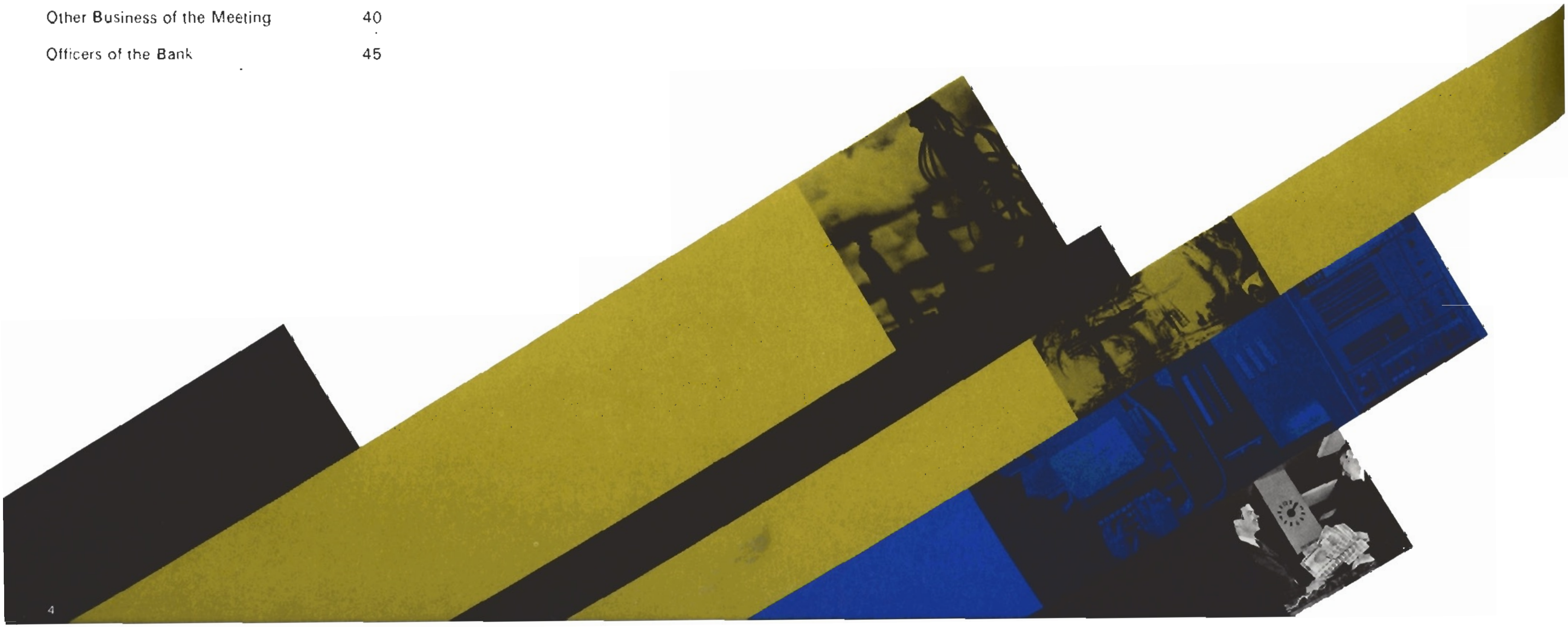
Marché Bonsecours, Montreal, P.Q.

Palais de glace — Quebec Winter Carnival

Port-aux-Basques, Nfld.

Table of Contents

In its 151st year your bank . . .



Highlights of the year

. . . increased Balance of Revenue, commonly called net operating earnings, by 30.3 per cent or $15,760,000 to a record $67,699,000. These earnings represent $2.23 per share compared to $1.71 last year.

. . . reported total assets of $6,818,000,000, an increase of $686,000,000, or 11.2 per cent, over 1967.

. . . passed the $6-billion mark in deposits for the first time in its history, with a rise of $621,000,000, or 11.1 per cent, to $6,230,000,000.

. . . recorded a new high level of loans totalling $4,097,000,000, up $268,000,000, or 7 per cent, from a year ago.

. . . welcomed 280,848 new business and personal depositors, bringing the total number of customers making regular use of the Bank's services to 3,925,644.

. . . provided $17,618,000 in regular and extra dividends to shareholders at a rate of 58 cents per share, an increase of 11.5 per cent over the previous year.

. . . increased the number of its shareholders by 4,800, bringing the total to 33,600.

. . . opened 31 new offices, bringing the total to 1051 in Canada, the United States, the United Kingdom and Continental Europe, Mexico and Japan.

. . . continued the expansion of its International Banking operations by the acquisition of interests in Joh. Berenberg, Gossler & Co., Hamburg, and in Banque Transatlantique, Paris; by the opening of an office in Milan, the first office in Italy of any Canadian bank; and by the addition of five new offices by its affiliate, Bank of London & Montreal Limited, bringing to 44 the number of offices serving the Caribbean and Latin America.

Capital: $60,750,000

Rest Account and Undivided Profits: $175,313,740

Total Assets: $6,818,514,409

***G. Arnold Hart**
Chairman and Chief Executive Officer

***J. Leonard Walker**
President

***R. D. Mulholland**
Vice-Chairman

Board of Directors

Sir Peter Allen
London, England
Chairman, Imperial Chemical Industries Limited

***W. A. Arbuckle**
Montreal
Chairman of the Canadian Board, The Standard Life Assurance Company

W. M. Vacy Ash
Toronto
Company Director

Paul Bienvenu
Montreal
Director, The Ogilvie Flour Mills Co. Ltd.

***George W. Bourke**
Montreal
Chairman of the Board Sun Life Assurance Company of Canada

Donald S. Harvie
Calgary
President, Canadian Fina Oil Limited

Leonard Hynes
Montreal
President, Canadian Industries Limited

Richard M. Ivey, Q.C.
London, Ont.
Partner, Messrs. Ivey & Dowler

***Arthur C. Jensen**
Montreal
Former Chairman of the Board, Bank of Montreal

J. H. Mowbray Jones
Montreal
Industrialist

David Kinnear
Toronto, Executive Vice-President and Chief Executive Officer, The T. Eaton Co. Limited

H. J. S. Pearson
Edmonton
President, Century Sales & Service Limited

Jack Pembroke, C.B.E.
Montreal
Chairman of the Board, The Royal Trust Company

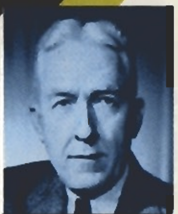
John G. Prentice
Vancouver
President, Canadian Forest Products Limited

Forrest Rogers
Vancouver
President, B. C. Sugar Refinery, Limited

***Lucien G. Rolland**
Montreal
President and General Manager, Rolland Paper Company Limited

V.W. Scully, C.M.G.
Hamilton
Chairman of the Board, The Steel Company of Canada, Limited

Vice-Presidents





***Harold S. Foley**
Vancouver
Industrialist

***Roger Létourneau, Q.C.**
Quebec
Partner, Messrs. Létourneau, Stein, Marseille, Bienvenue, Delisle & LaRue

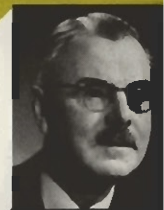
***Budd H. Rieger**
Toronto
Vice-President, Canadian Corporate Management Co. Ltd.

***The Hon. Leslie M. Frost, P.C., Q.C.**
Lindsay
Partner, Messrs. Frost, Irvig & Gorwill

***The Hon. Hartland deM. Molson, O.B.E.**
Montreal
Chairman, Board of Directors, Molson Industries Limited

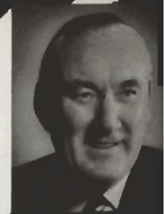
















Ralph B. Brenan
Saint John, N.B.
President and Managing Director, G. E. Barbour Company, Limited

Charles R. Bronfman
Montreal
President, The House of Seagram Ltd.

The Hon. Eric Cook, Q.C.
St. John's, Nfld.
Member of the Senate

H. Roy Crabtree
Montreal
Chairman and President, Wabasso Limited

N. R. Crump
Montreal
Chairman, Canadian Pacific Railway Company

F. Ryland Daniels
Montreal
Chairman of the Board, Dominion Textile Company Limited

Nathanael V. Davis
Montreal
President, Alcan Aluminium Limited

John H. Devlin
Toronto
President, Rothmans of Pall Mall Canada Limited

Donald Gordon, C.C., C.M.G.
Montreal, President and Chief Executive Officer, British Newfoundland Corporation Limited

W. S. Kirkpatrick
Montreal
Chairman and Chief Executive Officer, Cominco Limited

A. Searle Leach
Winnipeg
Chairman, Federal Grain Limited

Bernard M. Lechartier
Montreal
Vice-President and General Manager, Crédit Foncier Franco-Canadien

Arthur R. Lundrigan
Corner Brook, Nfld.
President, Lundrigans Limited

Donald A. McIntosh, Q.C.
Toronto
Partner, Messrs. Fraser & Beatty

***D. R. McMaster, Q.C.**
Montreal
Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau

H. C. F. Mockridge, Q.C.
Toronto
Partner, Messrs. Osler, Hoskin & Harcourt

J. Bartlett Morgan
Montreal
Chairman of the Board, The Morgan Trust Company

The Hon. Victor deB. Oland
Halifax
Lieutenant-Governor of Nova Scotia

George H. Sellers
Winnipeg
President, Federal Grain Limited

G. H. Sheppard
Toronto
Chief Commissioner, Liquor Control Board of Ontario

The Hon. James Sinclair, P.C.
Vancouver, Chairman of the Board, Lafarge Cement of North America Ltd.

***H. Greville Smith, C.B.E.**
Montreal
Industrialist

George C. Solomon
Regina
President, Western Tractor Limited

Noé A. Timmins, Jr.
Nassau
Chairman, Timmins Investments Limited

The Hon. Madame Georges P. Vanier, C.C., P.C.
Montreal

Marcel Vincent
Montreal
Chairman and Chief Executive Officer, Bell Canada.

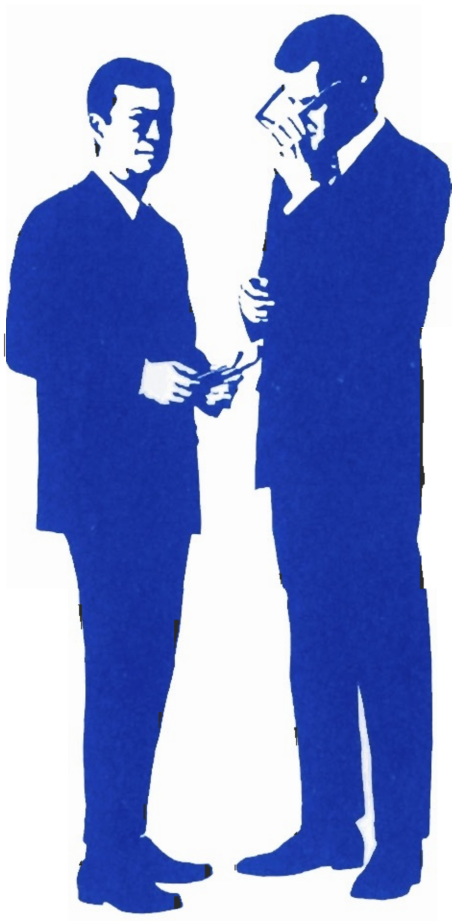
Henry S. Wingate
New York
Chairman, The International Nickel Company of Canada, Ltd.

**Member Executive Committee*

The 151st Annual Meeting of the Shareholders of the Bank of Montreal was held on December 2nd, 1968 at the head office of the Bank.

Mr. Leonard Hynes moved, seconded by Mr. Lucien G. Rolland, that Messrs. R. Rees and H. W. Shields be appointed to act as Scrutineers, and that Mr. C. W. Harris be the Secretary of the meeting. The motion was carried unanimously.

The Chairman then called upon the Secretary to read the Report of the Directors to the Shareholders.



Directors' Report

The directors take pleasure in submitting to the Shareholders the 151st Annual Report on the result of the Bank's operations for the year ended October 31st, 1968. (*See page 10 for Statement of Revenue, Expenses and Undivided Profits*.)

Your directors record with deep regret the death of their late valued colleague, Sir Nutcombe Hume, K.B.E., M.C., a member of the Board since 1960. In July, Sir Peter Allen of London, England and Mr. John H. Devlin of Toronto were appointed directors.

In the financial year, thirty-one offices were opened and thirteen were closed. As of October 31st, 1968 there were 1,051 offices of the Bank in operation.

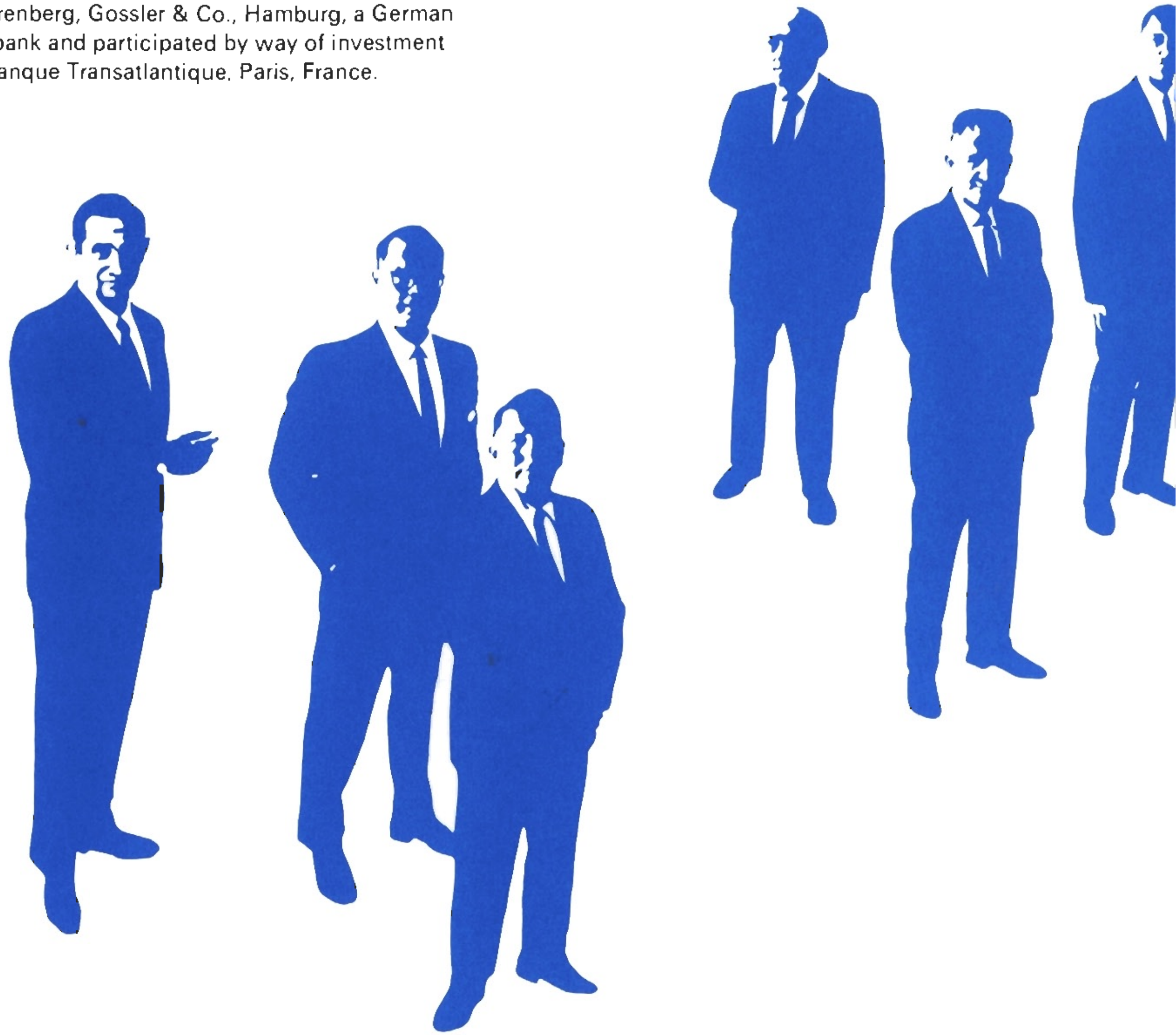
To Accumulated Appropriations for Losses as shown by the statement, there has been added an appropriation of $31,507,000 from the year's operations, thus improving the relationship between risk assets and reserves within the existing limitation prescribed by the Minister of Finance. The actual loss experience on loans for the year was $2,018,313 less than the related amount provided in other operating expenses based on the five-year average, thus enabling this amount to be added to reserves. Arising from the decision taken to build up the Bank's contingency reserve position, a transfer of $2,000,000 has been made from Undivided Profits to Rest Account which now stands at $175,000,000.

During the year the Bank acquired an interest in Joh. Berenberg, Gossler & Co., Hamburg, a German private bank and participated by way of investment in the Banque Transatlantique, Paris, France.

The directors record their sincere appreciation of the loyalty of the personnel of the Bank and of the capable manner in which they have fulfilled their varied duties during the year.

(*Signed*) G. Arnold Hart,
Chairman.

Bank of Montreal, December 2nd, 1968.



	For The Year Ended October 31st	1968	1967
Revenue	Income from loans	$ 305,823,206	$ 238,145,468
	Income from securities	71,727,293	55,855,134
	Other operating revenue	53,430,721	48,066,515
	Total revenue	430,981,220	342,067,117
Expenses	Interest on deposits	199,391,520	148,368,946
	Salaries, pension contributions and other staff benefits	100,784,067	86,689,780
	Property expenses, including depreciation	26,264,822	23,382,248
	Other operating expenses, including provision for losses on loans based on five-year average loss experience	36,841,384	31,687,169
	Total expenses	363,281,793	290,128,143
Balance of Revenue	(Net operating earnings)	67,699,427	51,938,974
	Appropriation for losses (Transfer to reserves for contingencies)	31,507,000	10,760,095
	Balance of profits before income taxes	36,192,427	41,178,879
	Provision for income taxes relating thereto	18,131,432	20,458,435
	Balance of profits for the year	18,060,995	20,720,444
	Dividends at 58¢ (1968) and 52¢ (1967) per share	17,617,500	15,795,000
Undivided Profits	Amount carried forward	443,495	4,925,444
	Undivided profits at beginning of year	1,870,245	1,944,801
		2,313,740	6,870,245
	Transferred to Rest account	2,000,000	5,000,000
	Undivided profits at end of year	$ 313,740	$ 1,870,245

(Bracketed amounts are deductions)

For The Year Ended October 31st	1968	1967
Accumulated appropriations at beginning of year		
General	$ 67,531,580	$ 59,430,226
Tax-paid	7,319,604	8,193,490
Total	74,851,184	67,623,716
Appropriation from current year's operations	31,507,000	10,760,095
Excess of provision for losses on loans based on five-year average loss experience (included in other operating expenses) over loss experience on loans for the year	2,018,313	(373,945)
Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market	246,248	(3,255,299)
Other profits, losses and non-recurring items, net	(52,970)	96,617
Accumulated appropriations at end of year	108,569,775	74,851,184
Accumulated appropriations at end of year		
General	100,637,622	67,531,580
Tax-paid	7,932,153	7,319,604
Total	$108,569,775	$ 74,851,184

R. D. MULHOLLAND,
President.

J. L. WALKER,
Senior Executive Vice-President and General Manager.

Rest account at beginning of year	$173,000,000	$168,000,000
Transferred from undivided profits	2,000,000	5,000,000
Rest account at end of year	$175,000,000	$173,000,000

Assets		1968	1967
Cash Resources	Cash and due from banks	$ 820,234,826	$ 655,793,896
	Cheques and other items in transit, net	117,129,549	162,625,477
		937,364,375	818,419,373
Securities	Securities issued or guaranteed by Canada, at amortized value	1,179,835,933	941,973,501
	Securities issued or guaranteed by provinces, at amortized value	68,076,905	63,693,126
	Other securities, not exceeding market value	199,362,880	179,807,004
		1,447,275,718	1,185,473,631
Call Loans	Day, call and short loans to investment dealers and brokers, secured	286,891,265	232,361,656
		2,671,531,358	2,236,254,660
Other Loans	Other loans including mortgages, less provision for losses	3,810,292,022	3,596,897,037
		6,481,823,380	5,833,151,697
Sundry Other Assets	Bank premises at cost, less amounts written off	84,081,670	79,058,544
	Securities of and loans to corporations controlled by the bank	16,474,888	16,477,558
	Customers' liability under acceptances, guarantees and letters of credit, as per contra	229,590,026	198,812,757
	Other assets	6,544,445	4,952,282
		$6,818,514,409	$6,132,452,838

Liabilities		1968	1967
Deposits	By Canada	$ 73,895,960	$ 22,236,922
	By provinces	80,764,883	109,077,539
	By banks	358,095,630	337,492,231
	Personal savings payable after notice, in Canada, in Canadian currency	2,900,907,616	2,552,720,864
	Other	2,816,191,424	2,586,962,034
		6,229,855,513	5,608,489,590
Sundry Other Liabilities	Acceptances, guarantees and letters of credit	229,590,026	198,812,757
	Other liabilities	14,435,355	14,679,062
		6,473,880,894	5,821,981,409
Accumulated Appropriations	Accumulated appropriations for losses	108,569,775	74,851,184
		6,582,450,669	5,896,832,593
Shareholders' Equity	Capital stock — Authorized — 50,000,000 shares of $2 each $100,000,000		
	Issued and fully paid — 30,375,000 shares	60,750,000	60,750,000
	Rest account	175,000,000	173,000,000
	Undivided profits	313,740	1,870,245
		$6,818,514,409	$6,132,452,838

NOTE: The above statement includes the assets and liabilities of the Bank of Montreal (California), a subsidiary of this Bank.

R. D. MULHOLLAND,
President.

J. L. WALKER,
Senior Executive Vice-President and General Manager.

Auditors' Report to the Shareholders of the Bank of Montreal

We have examined the Statement of Assets and Liabilities of the Bank of Montreal as at October 31st, 1968 and the Statement of Revenue, Expenses and Undivided Profits and Statement of Accumulated Appropriations for Losses for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at October 31st, 1968 and its revenue, expenses and undivided profits and accumulated appropriations for losses for the year then ended.

Montreal, November 18th, 1968

C. W. LEACH, C.A.,
of the firm of McDonald, Currie & Co.

L. P. KENT, C.A.,
of the firm of Riddell, Stead, Graham & Hutchison

Auditors

Bank of Montreal Trust Company

Statement of Assets and Liabilities as at December 31st, 1967 (U.S. Currency)

Assets	Due from banks:		
	Approved reserve depositaries	$ 615,248	
	Other banks and bankers	149,593	$ 764,841
	Investments:		
	United States government securities	2,690,164	
	Other	694,589	
	(Quoted market value $3,278,881)		3,384,753
	Other assets		62,833
			$4,212,427
Liabilities	Deposits:		
	Demand	$1,818,166	
	Time	6,502	
	Due to banks	1,389	$1,826,057
	Income taxes		46,508
	Other liabilities		5,513
			1,878,078
Shareholders' Equity	Capital stock —		
	Authorized, issued and fully paid — 10,000 shares of $100 each	1,000,000	
	Surplus	1,000,000	
	Undivided profits	334,349	2,334,349
			$4,212,427

NOTE: The charter was acquired in March, 1937, for the purpose of more satisfactorily performing certain functions in New York on behalf of the bank's clients. The capital stock, with the exception of the directors' qualifying shares, is entirely owned by the bank, and is carried in the bank's statement at a value of $1,489,551.

Bankmont Realty Company Limited and its wholly-owned subsidiary companies
Consolidated Statement of Assets and Liabilities as at October 31st, 1968.

Assets	Cash		$ 153,357
	Accounts receivable		26,780
	Prepaid expenses		98,684
	Real estate and buildings — at cost less accumulated depreciation		14,957,439
			$15,236,260
Liabilities	Accounts payable and accrued expenses		$ 176,702
	Income and other taxes		73,807
	Loan from Bank of Montreal		3,985,337
	4½% debentures of a subsidiary company due May 1st, 1982 (U.S. $6,000,000)		6,000,000
			10,235,846
Shareholders' Equity	Capital stock —		
	Authorized —		
	100,000 shares without nominal or par value		
	Issued and fully paid —		
	100,000 shares	$ 5,000,000	
	Earned surplus	414	5,000,414
			$15,236,260

NOTES: (1) The capital stock is entirely owned by the bank and is carried in the bank's statement at a value of $5,000,000. Debentures of a subsidiary company are also entirely owned by the bank and are carried in the bank's statement at par value.
(2) Bankmont Realty Company Limited owns the entire capital stock of its two subsidiary companies, Hochelaga Realty and Development Company and The St. James Land Company Limited.

Auditors' Report to the Shareholders of the Bank of Montreal

We have examined the statements of assets and liabilities of the above controlled companies as at the dates indicated. Our examinations included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statements of assets and liabilities present fairly the financial position of the companies as at the dates indicated.

Montreal, November 18th, 1968

C. W. LEACH, C.A.
of the firm of McDonald, Currie & Co.

L. P. KENT, C.A.,
of the firm of Riddell, Stead, Graham & Hutchison

Auditors

Address of the Chairman and Chief Executive Officer

Ladies and Gentlemen,

Since our last Annual Meeting the Bank suffered the loss by death of Sir Nutcombe Hume, K.B.E., M.C. At the time of his appointment in May 1960 Sir Nutcombe was the first businessman resident in the United Kingdom to join the Board. He made a significant contribution to the welfare of the Bank and we shall miss his wise counsel.

During the year two directors have been appointed to the Board. They are Sir Peter Allen, Chairman, Imperial Chemical Industries Limited, London, England, who is well known in Canada, and Mr. John H. Devlin, President of Rothmans of Pall Mall Canada Limited, Toronto and also Chairman of Canadian Breweries Limited. We welcome their participation in the deliberations of our Board and I am sure you will approve their election when their names are formally submitted to you today.

Mr. T. W. Eadie has asked that his name be not submitted for re-election in keeping with his personal desire to lessen his business responsibilities. Mr. Eadie was first elected to the Board in December 1954 and during his period as a director has made a valuable contribution to the Bank's affairs. On your behalf I would like to express our warm appreciation of his services and extend to him our good wishes for the future.

You will be asked today to elect two additional directors, Mr. Marcel Vincent and my colleague, Mr. J. Leonard Walker. Mr. Vincent, as you will know, is Chairman of the Board and Chief Executive Officer of Bell Canada, and is actively associated with many community undertakings, and Mr. Walker is the Senior Executive Vice-President and General Manager of the Bank.

At this time last year the international monetary system was reeling under the impact of the devaluation of sterling which was followed by a series of shock waves, affecting other currencies, that were only stilled after the establishment of a two-price system for gold and an agreement providing for the

creation of Special Drawing Rights in the International Monetary Fund. In recent weeks we have been in the midst of yet another crisis, centered around major European currencies, the full ramifications of which cannot be foreseen at this stage.

Although my remarks today are not directed towards the monetary situation in the world at large, but rather to conditions in the Canadian economy, they are not without relevance to these wider issues, since recent difficulties point up once again the fact that the smooth working of international monetary arrangements depends on each country keeping its own house in order.

Exports and economic growth

From time to time in recent years, in reviewing the state of the Canadian economy, speakers have commented on the fact that this country was achieving successive records for uninterrupted growth – first the longest expansion since the period of the Korean War, then the longest since the Second World War, then the longest in peacetime and finally the longest in Canada's history.

Now we are approaching the end of yet another year of expansion, the eighth since the current upswing began. The balance among the various sources of growth has, of course, shifted over time but it is notable that taking the period as a whole the export sector, which has always played such an important role in Canada's economic development, has displayed remarkable strength. In fact, so far during the 1960's, the value of commodity exports has increased by more than 150%, almost twice the rate of growth of total national output.

At an earlier stage in the cycle the dynamic growth of merchandise exports was undoubtedly aided by the devaluation of the Canadian dollar and the return to a fixed rate of exchange in 1962. With this initial stimulus other factors have gradually come into play – notably increasing success in penetrating external markets for manufactured goods, which have on balance accounted for a larger and larger share of our rapidly expanding total exports.

Inflation our central problem

In view of this record of success the speculative attack that was mounted against the Canadian dollar last winter certainly seemed irrational at the time and in retrospect seems even more unwarranted in the light of what we have since learned about the continuing buoyancy of our exports. And yet there is no doubt that there was a degree of uneasiness about some of the underlying forces at work in the economy that could cause a weakening of our position in due course if allowed to go unchecked.

One of the root causes of this concern was the inflationary pressures that had been building up in Canada for over three years, together with other related evidence that, while we may have tamed the business cycle – or so it seemed – we had certainly not learned to live comfortably with prosperity. Nothing that has happened in the interval has served to dispel these doubts and it is to the related issues of inflation, fiscal policy and conditions in the market for long-term funds that I wish to turn my attention.

I have commented on these matters on earlier occasions but I make no apology for discussing them again for they have become even more important and urgent with the passage of time. In recent months these issues have acquired a new dimension in that, while governmental leaders may have the desire to exercise restraint in spending, we now have to entertain doubts as to their ability to bring expenditures under control in an orderly fashion. This is a disturbing prospect and before examining its potential consequences for stability and economic growth I should like to say a few words about inflation itself.

Some will no doubt say that my concern is misplaced and that the worst is behind us. It is true that there have been some signs of a lessening of the upward movement of prices. However, they are still rising at a rate of close to 4% per annum and this represents a deterioration in the value of money that is difficult to contemplate with equanimity.

Furthermore, while there were signs a few months ago that the extraordinarily large increases in wage settlements that had become common during 1966 and 1967 – averaging between 8% and 10% per annum – had begun to level off, the outlook is not very encouraging in this area either, when one considers the contract demands that are now being made by some major groups. In some cases these are so high – 30% over two years in a recent example – that they could not possibly be met without grave economic consequences.

Excessive wage demands of this sort are, of course, both a symptom and a cause of the inflationary environment in which we now live. Another aspect of this environment is the inordinate amount of time lost and output foregone through labour disputes. In the first eight months of 1968 more time was lost in this way than in the whole of 1967 and more than in any full year in the post-war period other than the unusually bad years of 1946 and 1966. This is a sobering development.

Excessive government spending

Causes and effects are admittedly very difficult to unravel in analyzing the phenomenon of inflation and I certainly do not intend to attempt to treat this subject in detail today. However, when all other considerations are taken fully into account, it seems clear that a substantial share of the blame for the excessive upward push on prices and costs experienced in Canada for the past three years or more must be assigned to our governments at all three levels of responsibility.

The record speaks for itself. Government expenditures on goods and services have been growing at such a rapid pace during the past decade that they are now absorbing almost 20% of the total output of the economy, a figure that is higher than at any other period in our peacetime history. The figure becomes even more staggering when one includes expenditures on transfer payments to individuals; on that basis government spending now comes to an amount equivalent to almost 35% of gross national expenditure.

Here, surely, is one of the underlying causes of our current inflationary troubles, especially since the escalation of government spending has been accompanied by budgetary deficits which, at the federal level, have continued uninterrupted ever since 1958. The cumulative effect of these deficits has been such that, in the circumstances of the past three years, the financing requirements of government have undoubtedly stood in the way of the pursuit of a monetary policy tailored to the needs of an economy characterized by mounting inflationary forces. There have been times in this period when government borrowing requirements could only be met, in a market already saturated with government issues, by an adjustment in the monetary environment to permit the banking system to take up the slack.

As a matter of fact, over the period from October 1965 to October of this year, when total federal debt held outside government accounts rose by over two billion dollars, the general public has not, on balance, increased its holdings at all. On the contrary, net holdings by the general public actually declined during the period and the whole of the increase was taken up by the banking system.

Government bonds bought by the chartered banks are usually of short maturity and are therefore regarded as a second line of liquidity. In other words, they are short-term dollar assets held against short-term deposit liabilities. The matter of the long-term purchasing power of the dollar therefore does not enter into the equation. But investors for the long term, who are concerned with the purchasing power of the securities they acquire, are in a different situation.

Public disenchantment with long-term fixed interest securities has not, of course, been confined to Government of Canada issues and, in the circumstances, this is not surprising. With no end in sight to the excessive governmental encroachment on the economy and with the expectation of both further inflation and further government borrowing requirements, bond prices in general have continued to slip and the rallies that have taken place from time to time have proven to be short-lived. Interest rates have risen to successively higher peaks and yields on long-term government issues have recently been as high as, and in some cases even higher than, anything previously recorded since an organized bond market came into existence in this country. Interest costs for other long-term borrowers have risen accordingly. Indeed, over the past three years mortgage rates, which are of such importance to so many people, and yields on long-term debt securities of provinces, municipalities and corporations have all risen more than those on federal government issues.

And notwithstanding such high interest rates investors, whether they be individuals, corporations or institutions, have become increasingly reluctant to commit their funds to long-term bonds because of the combined fear of further deterioration in the value of money and the possibility that the market value of such investments will fall.

The problems raised by the emergence of this attitude are very disturbing. In practical terms, they can by no means wholly be resolved by a massive switch to equity financing which, in any event, is denied to non-corporate borrowers. An orderly flow of funds for long-term commitment in bonds remains, in my view, an essential element in the productive process. And if this flow dries up the dynamic growth of real output is hampered at its source.

This is one of the basic dangers of inflation and when I say this I do not, in any sense, detract from the importance that must be attached to the social inequities that result from deterioration of the purchasing power of money in the hands of people who, for one reason or another, are not in a position to increase their incomes to offset a rise in the cost of living. On the contrary, the achievement of social equity demands that growth of the relatively more productive sectors of the economy not be inhibited, for the gains of economic progress clearly cannot be distributed in any true sense until they are produced. And real gains commensurate with the vast potential of the Canadian economy cannot be achieved as long as inflation is gnawing away at its roots and as long as the problem of governmental finance continues as a destabilizing force.

There is no need to recount the story of miscalculation that forced the Minister of Finance in Ottawa to announce in October that within the short period of seven months since the previous budget was adopted the near-balance projected for the current fiscal year had turned itself into a projected deficit of almost three-quarters of a billion dollars. What is even more astonishing, after the failure to control expenditures in accordance with commitments made to the Canadian people to bring the budget into balance this year, is the revelation that government "restraint" in the coming fiscal year entails an increase in federal spending of nearly $900 million.

Runaway shared-cost programmes

Of course, this figure includes an estimate for the cost of an expensive new programme – Medicare – and I am bound to say that the government's avowed intention of bringing its expenditures under control would be more convincing if it had not decided to ignore the objections of many of the provinces to its Medical Care Act and had not drawn up its budget on the assumption that it could induce all of the provinces to participate in the scheme.

I am sure that few people in this country would quarrel with the objective of ensuring that adequate medical and health services are available to all Canadians. However, many Canadians – and indeed, in some parts of the country, most Canadians – already have the means at their disposal to ensure that they do have access to such services on reasonable terms ; the problem remaining therefore is largely one of providing for those who are inadequately covered and should more appropriately be assisted on the basis of need. Certainly the universal and compulsory approach of the federal scheme is bound to be a very expensive and wasteful way of achieving the desired objective. While the Act providing for this scheme is already on the statute books, it surely is not too much to ask of the government that it have another hard look at the legislation to see whether a more acceptable and realistic alternative cannot be worked out.

Medicare, of course, is but one of the shared-cost programmes that have been the object of so much wringing of hands recently. One can readily admit that there are complex technical, administrative and constitutional problems to be faced by our eleven governments in bringing these programmes under control. But two essential facts stand out quite clearly to me. In the first place, no amount of pruning on the periphery of these runaway programmes will achieve the desired result as long as they continue to be open-ended and therefore to have built-in growth factors that appear to be incalculable as to size. In the second place, it is no answer at all for the federal government simply to withdraw from programmes it inaugurated — often with only the most reluctant acquiescence on the part of the provinces — and turn over a certain number of percentage points of the income tax designed to yield revenue equivalent to the amount the federal government has heretofore been contributing.

The harsh reality appears to be that the costs of these programmes in their present form are rising at a rate that cannot be supported without either larger deficits or higher taxes — neither of which is an acceptable alternative — and it does not help in the least for the responsibility for collecting these funds simply to be shifted to the provinces, for they must seek to meet their cash needs from the same taxpayers, taking the economy as a whole, or the same capital markets.

The need for reassessment

I feel strongly that these extraordinarily expensive programmes must be reassessed jointly and brought under strict control by a common effort. Otherwise the undoubted progress that has been made in recent years towards establishing reasonably equal standards of social services across the country may well be jeopardized. When the programmes are brought under control it will be time enough to tackle the other question, which from the individual's point of view is secondary, namely the level of government which should have the responsibility for raising the money.

The public is fast learning that universal giveaway programmes are not giveaways at all. A price has to be paid and that price is clearly too high when it entails inflation and its attendant interference with the savings and investment process, both of which are inimical to orderly, sustained and dynamic growth.

I am encouraged to believe that our governments as well are beginning to recognize that open-ended programmes of universal application are fiscal monsters that devour such a high proportion of the nation's resources that progress in other areas cannot help being inhibited. As a result, governments themselves are not left with sufficient fiscal elbow room to undertake other tasks to which the community might wish them to assign a high priority. I am thinking, for example, of programmes to deal with the mounting problem of pollution, and of improvements in transit facilities that are badly needed in our rapidly growing urban centres.

The time has surely come — indeed, it is long overdue — when all government programmes, shared-cost or not, should be subjected to careful and objective scrutiny to see whether their continuance in their present form is appropriate in today's circumstances, however useful they may have been at an earlier stage. Certainly the urgency of attacking the whole question of government expenditure and of working out a new order of priorities has become increasingly apparent and one can hope that, with growing public awareness of the issues, governments will be encouraged to take the necessary corrective action.

I know that in speaking as I have I may be accused of having overstated our problems, or even of being an alarmist. But what I have said grows out of deep concern, and the conviction that no constructive purpose is served by blandly avoiding unpleasant realities in the hope that they will quietly go away.

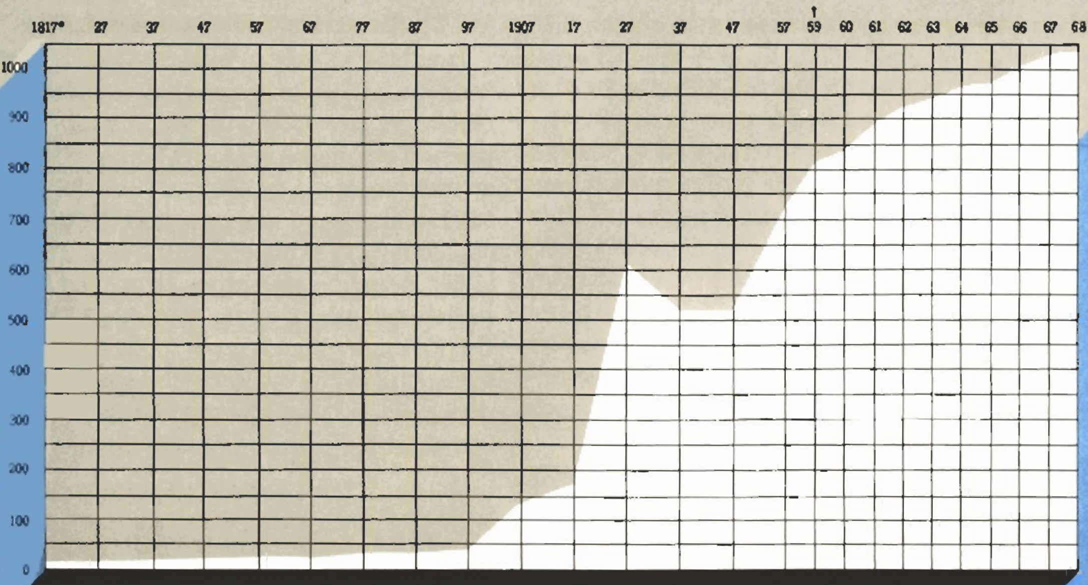
My belief in the potential of this richly-endowed country is profound. So also is my confidence that this potential can be transformed into further solid accomplishment if, in the conduct of our affairs, we have enough common sense to avoid the specious appeal of "something for nothing". And my confidence is strengthened by what I believe to be a widespread and growing realization that control of inflation is the essential prerequisite of the economic growth on which real gains in material well-being must depend.

Statistical Summary

(Thousands of Dollars)

	Loans and Discounts	Securities	Deposits
1968	$4,097,183	$1,447,276	$6,229,856
1967	3,829,259	1,185,474	5,608,490
1966	3,344,353	1,047,930	4,995,368
1965	3,167,990	975,309	4,605,387
1964	2,728,862	1,142,648	4,340,435
1963	2,419,627	1,099,052	3,961,675
1962	2,268,875	969,030	3,712,565
1961	1,933,791	1,107,453	3,646,622
1960	1,772,613	983,256	3,200,419
1959	1,772,625	886,238	2,998,208
1957	1,437,636	872,675	2,632,251
1947	458,511	1,054,755	1,783,442
1937	231,497	437,668	717,799
1927	500,589	125,068	709,180
1917	220,050	74,600	335,439
1907	128,713	10,886	126,272
1897	36,950	4,736	40,037
1887	27,793	—	17,418
1877	31,110	—	16,916
1867	11,022	3,359	11,199
1857	10,408	563	2,677
1847	5,874	263	1,094
1837	2,748	10	939
1827	1,363	—	496
1817*	—	—	—

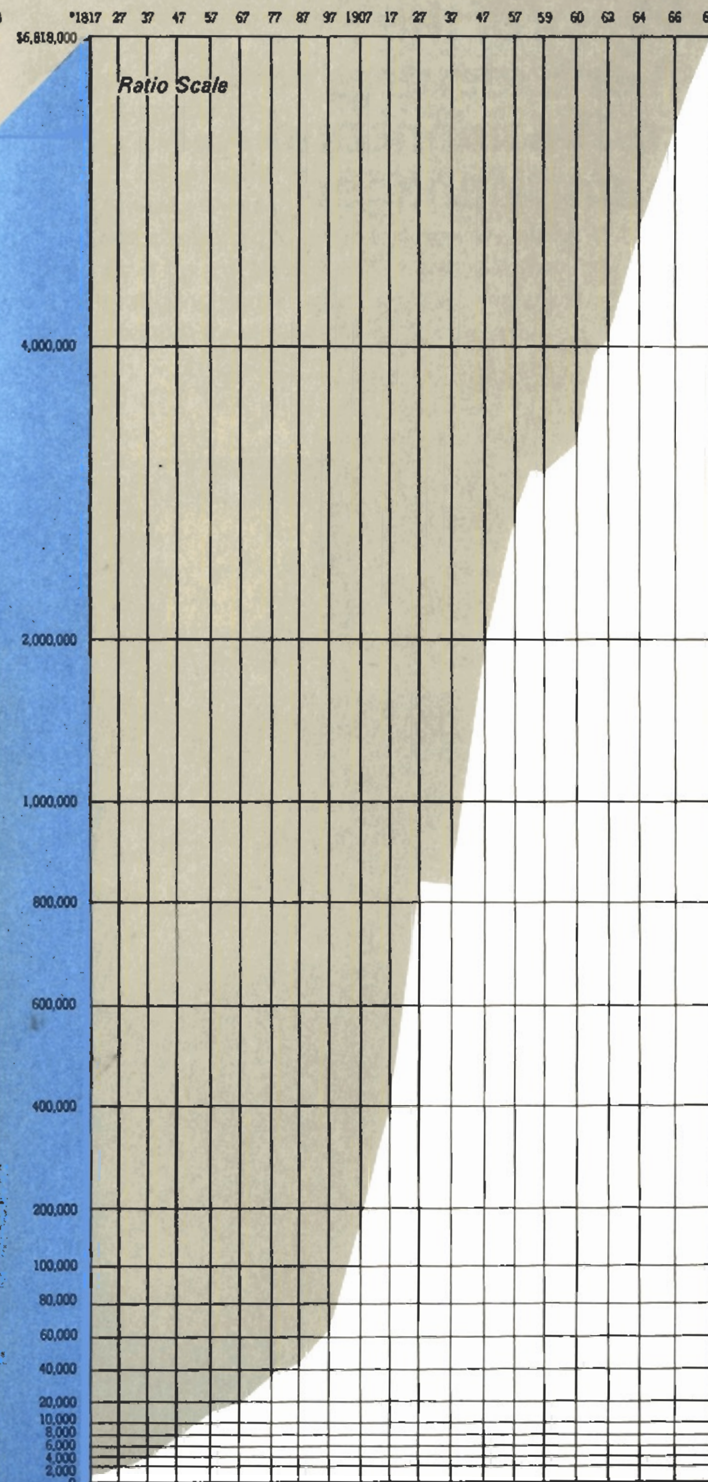
Offices of the Bank



*On November 3, 1817
n.a. = not available
†Since 1958 the Bank of Montreal has been represented in the Caribbean area through its affiliate, the Bank of London and Montreal, branches of which are not included in this total.

Balance of Revenue	Accumulated Appropriations for Losses	Shareholders' Equity (Capital, Rest Account and Undivided Profits)	Balance of Profits
$67,699	$108,570	$236,064	$18,061
51,939	74,851	235,620	20,720
51,298	67,624	230,695	19,906
—	—	225,217	18,730
—	—	220,308	17,855
—	—	215,818	16,747
—	—	212,132	16,014
—	—	207,876	14,579
—	—	203,751	14,227
—	—	201,351	12,191
—	—	173,174	9,650
—	—	81,080	5,423
—	—	76,165	3,008
—	—	60,988	4,576
—	—	33,665	2,170
—	—	26,100	1,980
—	—	18,887	1,231
—	—	18,606	1,520
—	—	17,697	1,189
—	—	7,269	906
—	—	6,250	566
—	—	3,300	242
—	—	1,198	n.a.
—	—	803	n.a.
—	—	150	—

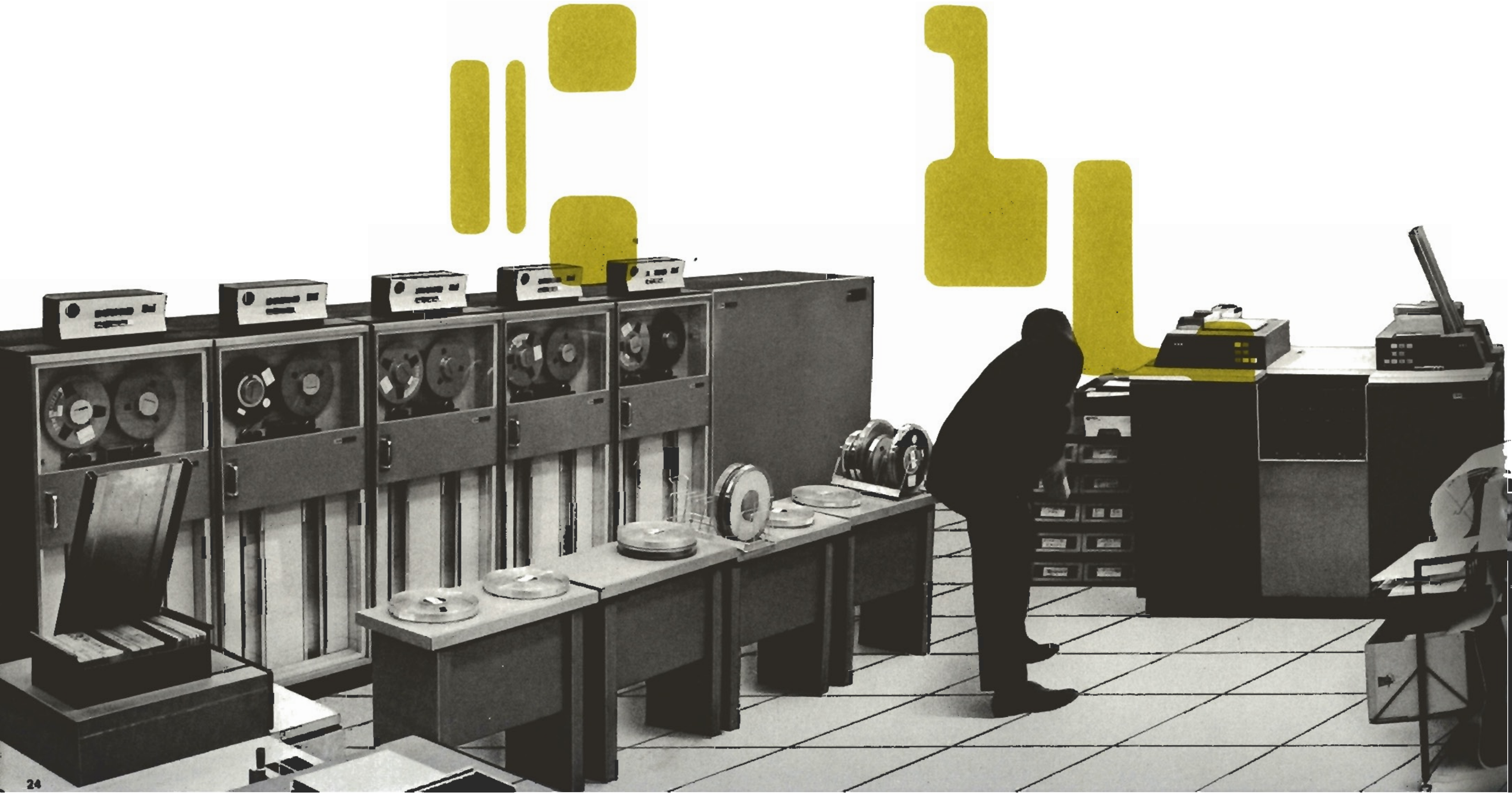
Total Assets



Address of the Senior Executive Vice-President and General Manager

Mr. Chairman, Ladies and Gentlemen,

The Bank's 151st Annual Statement, which I have the honour to present to you today, reflects continued growth in all areas, and total assets reached the record year-end figure of $6,818 million, an increase of nearly $700 million. The growth of $621 million in our deposits brought the total to $6,230 million at the end of the year. The Bank's loans, including mortgages, expanded by $268 million, bringing the total to nearly $4,100 million. Our investment holdings at $1,447 million registered a growth of $262 million with increases occurring principally in Government of Canada treasury bills and short-term Government of Canada bonds.



Revenue, expenses and balance of profits

With generally higher interest rates and an expanding volume of business, both interest revenue and interest expenses increased sharply. More important from the point of view of profitability is the spread between the overall cost of funds and the return realized on their employment in a competitive market. I am happy to say that during the past year we were able to achieve an improved and more realistic margin between these two factors.

Balance of revenue, generally considered the best measure of a bank's performance, amounted to $67.7 million, more than 30% higher than the previous year. From this we have transferred $31.5 million to our accumulated appropriations for losses account — in effect the contingency reserves of the Bank set up to provide for unforeseen losses that may possibly occur in the future in either our domestic or foreign business. The amount transferred is substantially increased from last year, and I shall have more to say about this in a moment. Solely as a result of this transfer to reserves, our net profits of $18 million after provision for income taxes were slightly lower than the previous year, and our addition to rest account, at $2 million, compares with an addition of $5 million in 1967. The rest account now stands at $175 million.

We increased our quarterly dividend three separate times during 1968 and total declarations including an extra amounted to $17,617,500, or 58¢ a share in comparison with 52¢ a share in the previous year. This represents an increase in dividends of over 11½% on top of an increase of 9½% in our 150th anniversary year. The total number of shareholders has continued to grow and now stands at 33,600, a net gain of some 4,800 in the past year. It is gratifying to note that Canadian shareholders account for virtually all of this growth.

Accumulated appropriations for losses

Referring to the substantial transfer to appropriations for losses account this year, I would like to make the following comments.

Allowable non-taxed reserves of chartered banks are carried under two categories – specific reserves and general accumulated appropriations for losses. Provisions for specific losses, as in any other type of business, are an operating expense. As might be expected, losses on loans vary considerably from year to year. In order to cushion the impact of these wide fluctuations on earnings, Canadian chartered banks are permitted to charge to operating expenses an amount equivalent to their average five-year loss experience and to make an adjusting entry for any difference from this average in accumulated appropriations for losses account. For example, in 1967 the specific losses on loans for which we made provision in this manner *exceeded* our five-year average loss experience, and you will notice from our statement that we charged an additional amount of $373,945 to our general contingency reserve. For the year under review, on the other hand, our annual account-by-account analysis turned up a loss experience *better* than the five-year average and we were able to credit $2,018,313 to the general contingency reserve. Specific provisions created in this manner are, in total, applied in reduction of our loans as indicated on our balance sheet.

While specific reserves are set up against identifiable losses, the chartered banks also carry a general contingency reserve for unforeseen losses that may occur in the future. The latter appears in our statement under the official heading "accumulated appropriations for losses account".

From the very beginning, banking in Canada has been a cyclical business with, from time to time, wide variations in profits earned and in losses incurred on loans. Throughout much of our history banks carried "inner reserves", part of which consisted of an amount set aside for general contingencies, and the fluctuations that occurred were largely smoothed out through entries in the inner account. The fact that the banks' accumulated appropriations for losses are now published in detail does not, of course, change the reality of the fluctuations, and the purpose of the general reserve is still to provide for future contingencies.

The level of the banks' reserves has, for many years, been subject to government regulation. The Royal Commission on Banking and Finance, after lengthy study of the several considerations involved, concluded that "the maximum applying to the combined reserves should be set at not less than 3¾% . . . and perhaps at 4%" of related risk assets, *i.e.,* loans and securities other than those of the Federal or a provincial government or guaranteed by them. Under the regulations the permitted maximum for the combined specific provisions and general contingency reserves for 1968 was 3.8% of risk assets.

It has been our longer term objective to increase our contingency reserves in keeping with the Bank of Montreal's rapidly expanding risk assets so that a balance closer to the maximum at present allowed by the Minister of Finance would be maintained. However, in his budget address in October, the Minister served notice that commencing with the 1969 taxation year he intended to lower the ceiling to a fixed rate of 1½%, with the adjustment to this rate to be effected over a maximum period of ten years. In view of the foregoing we accelerated our programme in 1968 by transferring $31.5 million to accumulated appropriations for losses account, realizing that, should the Minister's proposal become effective, further transfers to non-taxed reserves would not be possible for several years.

Loans

While prevailing circumstances dictated some temporary restraints early in the year, it has long been our policy to meet the normal loan requirements of our customers, particularly personal and small business borrowers whose needs receive special consideration. The financing of exports was actively promoted throughout the year and our overall participation in the agricultural field also continued to expand, with appreciable increases in both the amount advanced and the number of borrowers.

In the period of rising interest rates, the Bank's prime rate was held to an increase of 1½ percentage points at a time when the Bank Rate set by the Bank of Canada rose 2½ percentage points, and when the average yield on treasury bills climbed in excess of 2 percentage points, and the cost of acquiring deposits in a highly competitive market moved sharply upwards. The subsequent easing of monetary conditions was promptly recognized by the Bank of Montreal which not only reduced its prime rate, but accompanied this by appropriate reductions in the general loan interest rate structure.

Our share of the total mortgage funds made available by the chartered banks was well maintained and was largely directed into new housing. More than 80% of the amount and number of applications authorized was for new residential construction. As a result, we provided the financing for some 25% of all housing units in Canada erected with the assistance of chartered bank mortgages.

International business

A number of significant steps have been taken by the Bank towards expansion of its operations in the international field within the past twelve months. In chronological order, an office of the Bank of Montreal (California) was opened in Sacramento, the State capital. We acquired a share interest in Joh. Berenberg, Gossler & Co., a leading private bank in West Germany active in many fields, whose history goes back nearly four centuries. An interest was also acquired in Banque Transatlantique which is an important member of the influential Crédit Industriel et Commercial banking group, the largest non-nationalized banking organization in France. We have recently opened a representative office in Milan, the first to be established by any Canadian bank in Italy, thus forging closer ties with business and banking entities in that country.

I might just add that we regard the comprehensive services offered by our new associates as complementing the already excellent correspondent relationships maintained abroad. The extensive and varied nature of our representation abroad, encompassing branches, agencies, subsidiary corporations, representatives and affiliated banks, enables the Bank of Montreal to provide an increasingly sophisticated service to meet the growing demands of its clients having trade or other interests in all parts of the world.

The Bank of London & Montreal Limited, our Latin American and Caribbean affiliate, has continued its profitable growth and expansion in the ten countries in which it is represented, with 5 new offices opened in the past year bringing the total to 44.

Bank premises

As at October 31st last, the balance of bank premises account, after allowance for depreciation, was just over $84 million, an increase of some $5 million.

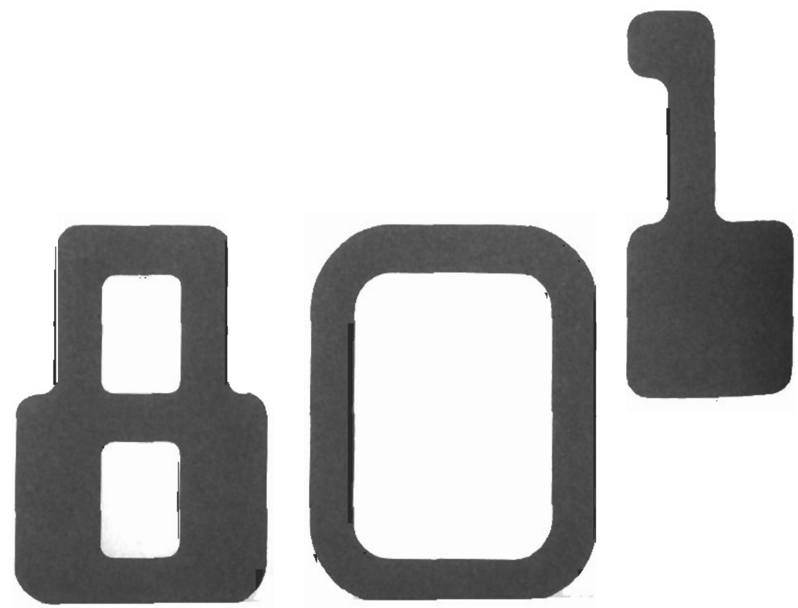
During the year we opened 23 branches and 8 sub-agencies, while 4 branches and 9 sub-agencies were closed. In the case of the sub-agencies much of the turnover resulted from our servicing of construction projects.

An entirely new kind of banking office – Mini Bank – was introduced at Vancouver International Airport and at Les Galeries d'Anjou, a prestige 85-store shopping centre in suburban Montreal. The concept of Mini Bank (a name copyrighted by the Bank of Montreal) calls for the establishment of compact offices at busy, strategic locations, with a selected number of services available at longer than usual hours.

Bancardchek

Bancardchek recorded exceptional growth during its first year, with the number of customers using the service exceeding targets by 70%. The main reason for this success was a tremendous team effort by Bank personnel in handling the immense task of arranging for many thousands of merchants from coast to coast to accept Bancardcheks in cities and towns of all sizes.

With the introduction during the year of our own U.S. dollar Bancardcheks, they became even more attractive to customers who had already welcomed Bancardchek's combination of the best features of travellers' cheques and credit cards. A late development in the year was the announcement that La Banque Provinciale du Canada had elected to join the 150 other banks in North America issuing Bancardcheks. We are glad to have their customers introduced to this service as this will further expand and strengthen distribution, use and acceptance of Bancardcheks in Canada.



Personnel

In closing, I should like to say just a few words about the men and women who work for the Bank. For the past three years we have all been extremely busy in a re-evaluation and, where necessary, a reorganization of our concepts, procedures and philosophy. These developments coming on top of rapidly expanding business have meant many long hours, especially for those in supervisory positions.

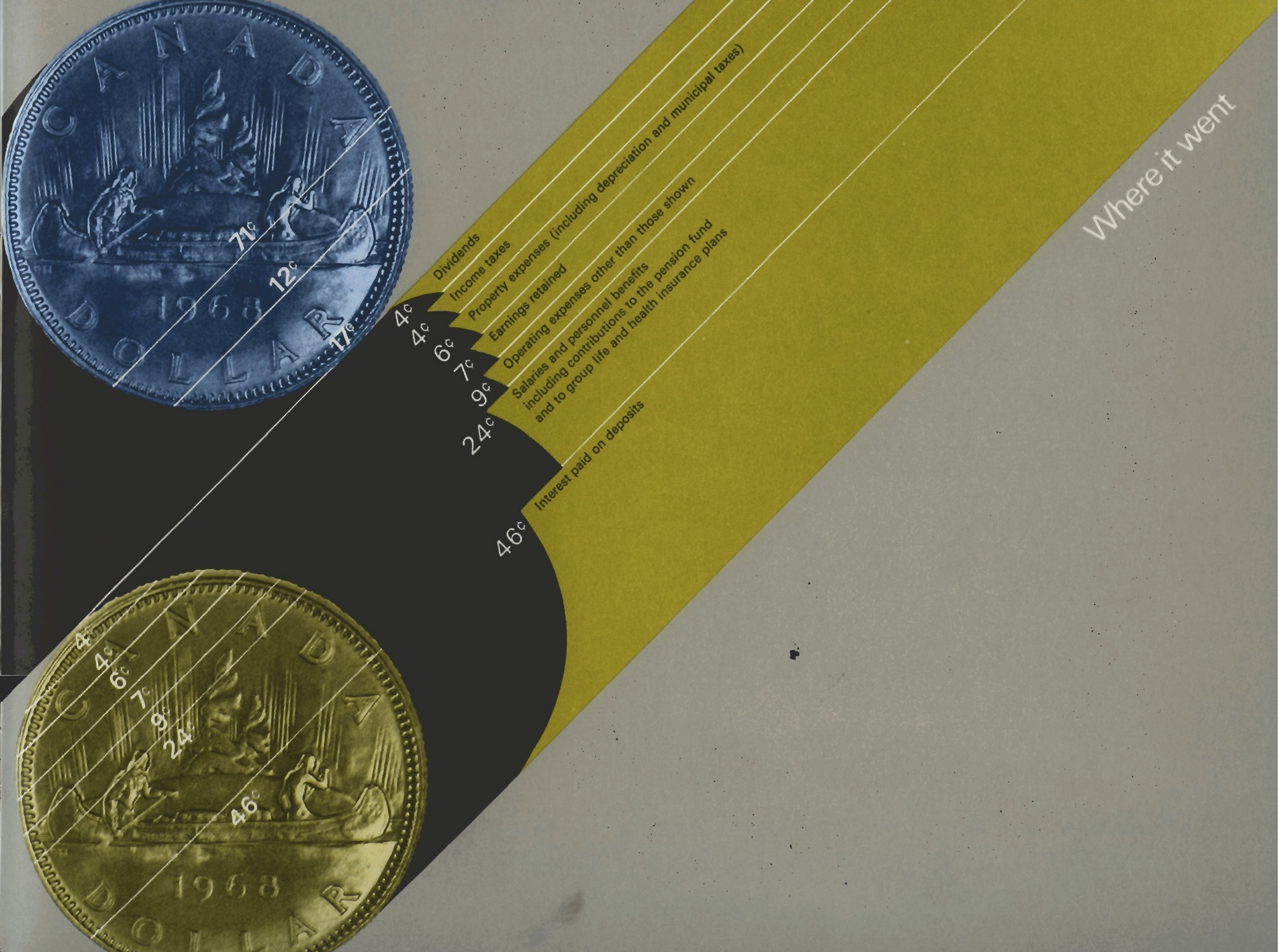
One of the great strengths of the Bank which has been apparent, especially in this period of rapid change, is the loyalty of our personnel and the hard work they are quite prepared to undertake, and at this point I want to say a sincere thank you to all the people working for the Bank of Montreal, both those who meet the public and those who provide supporting services.

It is chiefly because of the wholehearted dedication of our personnel that I am sure the good record shown by our statement this year will be surpassed by a wide margin in the future. My enthusiasm is also based on the fact that the reorganizational steps we have taken, and further refinements that will occur in the future, will have an increasing influence on the Bank's progress. I believe banking in Canada, and this Bank in particular, can look forward with confidence to the challenges we will be facing and to the accompanying opportunties to increase our usefulness to customers at home and abroad.

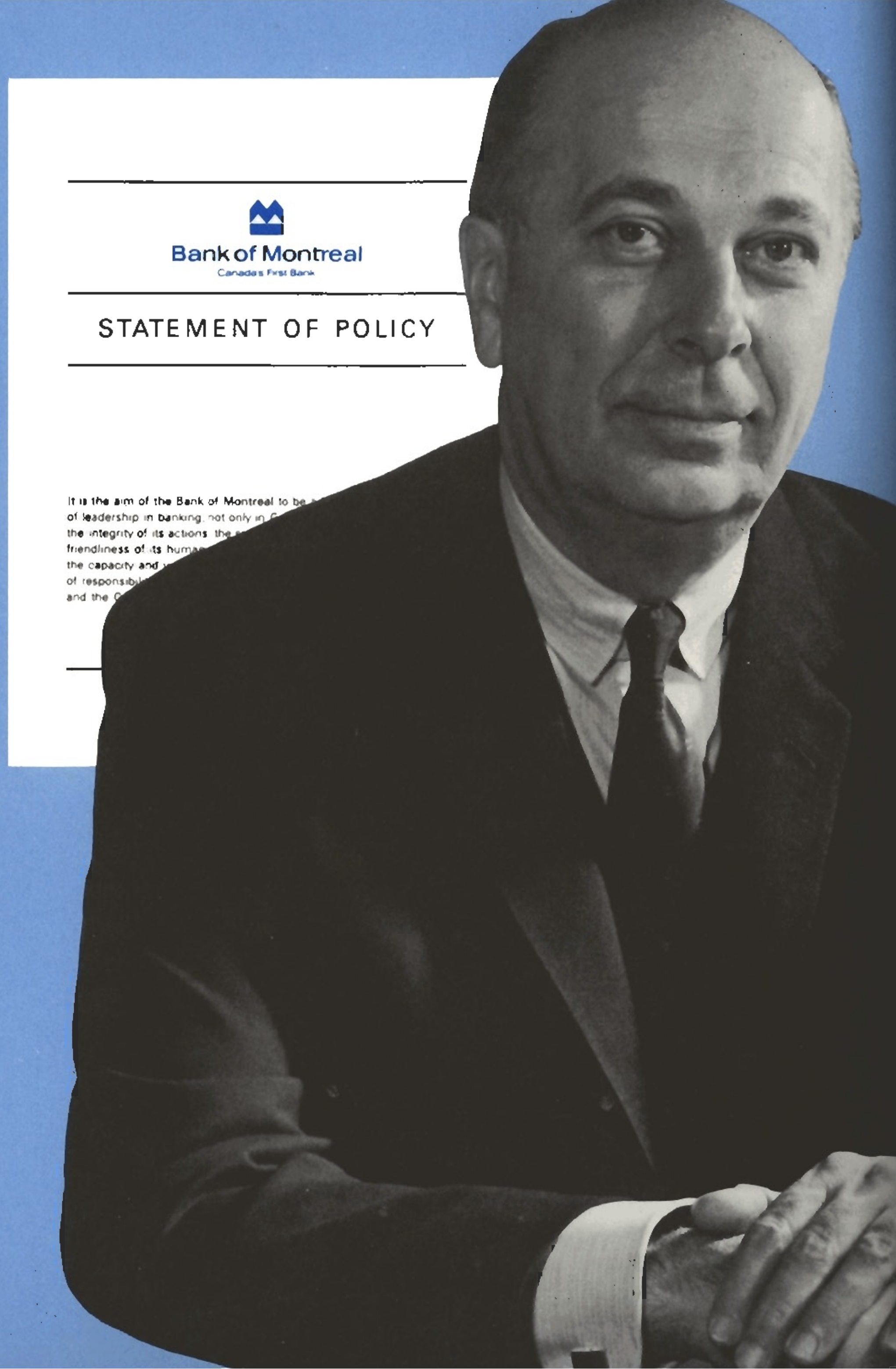
Annual Report 1968

The Bank of Montreal Income Dollar*

*After making transfers to inner reserves, out of which full provision has been made for diminution in value of investments and loans.


Where it went
Dividends
Income taxes
Property expenses (including depreciation and municipal taxes)
Earnings retained
Operating expenses other than those shown
Salaries and personnel benefits
including contributions to the pension fund
and to group life and health insurance plans
Interest paid on deposits
4¢
4¢
6¢
7¢
9¢
24¢
46¢
71¢
12¢
17¢
CANADA
1968
DOLLAR

Statement of Policy



It is the aim of the Bank of Montreal to be . . .

1 A dynamic bank providing a full range of quality banking services to all sections of the community, including individuals, business and governments. A bank that puts service to customers first and actively seeks new ways to meet their needs in the financial field. A bank that knows the Canadian economy and its individual industries thoroughly, is efficient in operation, economical in administration, resourceful in marketing and is constantly reappraising its existing services, operating methods and procedures.

2 A bank that is prepared to take a long view of its own development and has far-sighted plans for assisting and sharing in the expansion of the Canadian economy. At the same time a bank that recognizes its responsibility to depositors and behaves in such a way as to warrant their trust.

3 A bank aware of its role in the financial community and as a part of the national economy; dedicated not only to performing its own function well but to playing its full part in the smooth operation of Canada's financial system. A bank that behaves at all times as a good corporate citizen, keeping in mind the national needs of a growing Canada and the special requirements of its various regions.

4 A bank growing steadily, with growth not the primary aim but a fact emerging from its ability to provide superior banking services at prices that are competitive yet yield a fair profit on the capital and human skills employed, thus enabling the Bank to provide an adequate return to its shareholders.

5 A bank offering challenging and rewarding opportunities to men and women of character and ability at every level; a bank that encourages its employees to increase their knowledge and skills and provides a working environment designed to attract and hold people of proven capacity, ambition and drive.

6 In summary, a bank occupying a position of leadership in banking, not only in Canada but in the world, known for the integrity of its actions, the soundness of its policies, the fairness and friendliness of its human relations, the competence of its personnel and the capacity and vision of its management. A bank with high standards of responsibility towards its customers, its employees, its shareholders and the Canadian people.

Arnold Hart

Chairman and Chief Executive Officer

"A bank occupying a position of leadership in banking"

Since its foundation, the Bank has always striven to be "Canada's First Bank" in terms of quality. The aim has been to be an innovator — a progressive force — a leader for others to follow. In the course of the year just ended, this leadership has manifested itself in the Bank's ability to respond quickly and effectively to changing business conditions. Methods of doing business and lines of communication have been streamlined as a result of new systems and procedures becoming increasingly effective.

Canada's First Mini Bank

Opening new premises in Sault Ste. Marie

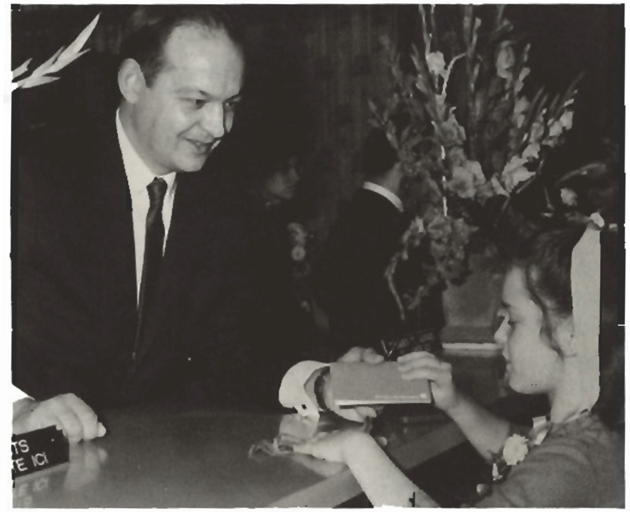
Computerization comes to Calgary

"Leadership... not only in Canada but in the world"

During 1968, major changes have taken place in the Bank's international operations. Interests were acquired in Joh. Berenberg, Gossler & Co., Hamburg, and in Banque Transatlantique of Paris . . . just recently the first Italian office of any Canadian bank was opened by the Bank of Montreal in the heart of the Milan business district . . . Bank of Montreal (California) has been expanded to include an office in Sacramento . . . and five new offices were opened by our affiliate in the Caribbean and Latin America, Bank of London & Montreal Limited. Supporting this broadened representation overseas and in the United States, the International Banking organization at Head Office and in the field is being expanded and re-deployed, directed by a new Executive Vice-President and backed by officers specializing in particular geographic regions. All these changes enable the Bank to offer Canadian and other businessmen unparallelled services for their international transactions.

"A dynamic bank providing a full range of quality banking services..."

The yardstick against which all the Bank's services — existing or new — are measured is the question: what do customers need and how can the Bank of Montreal best serve them? In the past year, Bancardcheks were issued for the first time in U.S. dollars for Canadian customers. Further support for the Bank's decision to adopt Bancardchek was demonstrated when the Provincial Bank of Canada chose Bancardchek for its customers, after studying all alternatives. Change of pace and outlook led to a more aggressive approach to personal loans, described as "Action Money." Continuing review of all Bank of Montreal services ensures that a wide range of top-quality banking services is available to keep Canada's First Bank a dynamic financial organization.



True Savings

Night Depository

Bancardchek

True Chequing

"Action Money" loans

"Known for the fairness and friendliness of its human relations, the competence of its personnel and the capacity and vision of its management"

Among today's demands on management is the need to develop able and competent people to take over the running of the Bank's affairs in the future. This is reflected in unprecedented emphasis on training and education. During the past year, more employees than in any previous year were given banking skills training, or were taking full or part-time university courses at the Bank's expense. Seventy-nine university graduates were recruited for the accelerated Special Development Programme, now in its second year. Reorganization placed more decision-making responsibility at the branch level, and three new programmes for management personnel were introduced. Employee relations programmes are also under constant scrutiny to ensure that the Bank can continue to attract and keep the kind of employees needed to maintain its tradition of fairness and friendliness in its human relations.

Accountants' training course

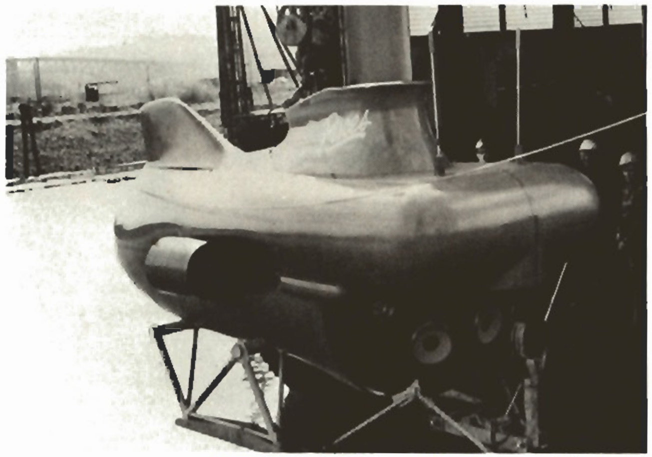
Management education seminar

Bank recruits from Canadian universities

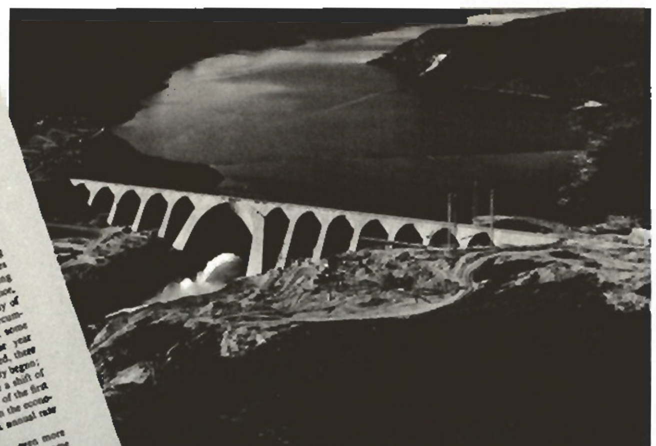
Conversational French instruction for personnel

"A bank that knows the Canadian economy and its individual industries thoroughly..."

First-hand knowledge about financing a commercial customer's business is essential in order to provide efficient banking service to industry. This is the reasoning behind a restructuring of the Bank's National Credit Department, with specialists having expert knowledge of particular industries or groups of industries. Today's banker may be called on to view a stand of timber on a remote logging concession or to visit a Bank-financed jet aircraft under construction. Each month, the Bank's economists prepare the *Business Review*, giving detailed analysis of the Canadian economy or an in depth study of a particular aspect: it has a wide readership in Canada and abroad. A good example of the Bank's specialized attention to one particular Canadian industry is the Oil and Gas Department, recently installed in new offices in the Chevron Standard Building in Calgary.



From submarines to oil-rigs the Bank's involvement in Canadian industry takes many forms



"A bank... resourceful in marketing"

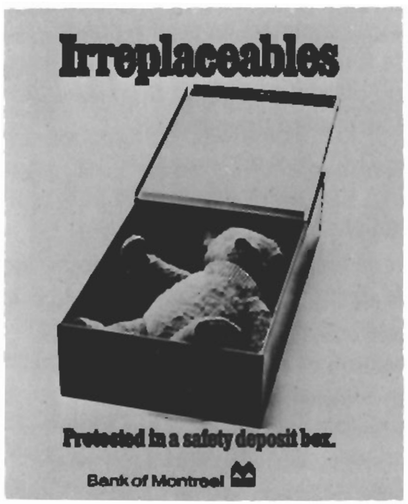
In today's competitive environment all bankers must be marketing men and all services geared to customer needs. Intensive activity continued throughout the year to implement the Bank's consumer-oriented programme in its external and internal applications. Advertising – for the first time – leaned heavily on electronic media with television getting the heaviest play. Solid newspaper support was also maintained.

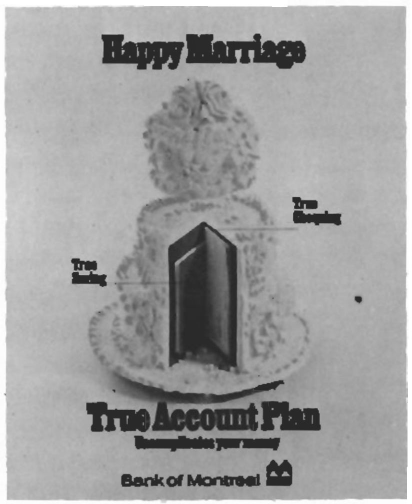
A continuous programme of internal communications was maintained to inform bank personnel on marketing developments and to assist them to achieve marketing objectives through improved selling. A highlight of this programme was a film which gave Head Office and branch personnel a preview of the television campaign and carried pertinent messages from Head Office executives.

Bank display at Canadian National Exhibition, Toronto

Producing movie for personnel on Bank's TV advertising

Reproductions from full-Colour branch posters





"A bank that behaves at all times as a good corporate citizen"

In hundreds of communities across Canada, the local branch *is* the Bank of Montreal as far as citizens of that community are concerned. For this reason the key people in the Bank's public relations efforts are branch personnel. In addition to presenting a good public image of the Bank, day-to-day, on the job, they are called on to address meetings, present prizes, attend civic functions, help out with service club activities, give talks to graduating high-school students on career days – in any of a hundred ways putting into practice the policy of being a good corporate citizen.

Manager addressing high school students

International air cadets on head office tour

Bank people participate in community organizations

Prize-giving at Bank-sponsored 4-H Club event

Bank trophy goes to champion Charolais bull

Other Business of the Meeting

Adoption of Directors' Report

Enactment of Revised Shareholders' By-laws

Appointment of Auditors

Appointment of Proxies for Controlled Companies

Vote of Thanks — Election of Directors and Officers

Directors' report adopted

Following the addresses, Mr. R. D. Mulholland then moved, seconded by Mr. George W. Bourke, that the report of the Directors, as read, be adopted and that the Report, together with the Statement of Assets and Liabilities as at October 31st, the Statement of Revenue, Expenses and Undivided Profits and the Statement of Accumulated Appropriations for Losses, both for the financial year ended in October, be printed and distributed to the Shareholders. The motion was carried unanimously.

Mr. D. R. McMaster, Q.C., moved, seconded by Mr. J. Pembroke, C.B.E., that the following be and they are hereby enacted as the by-laws of the Bank of Montreal:

Revised by-laws

'1. The annual general meeting of the shareholders of the Bank, for the election of directors and for the transaction of such other business as may properly be brought before the meeting, shall be held on the first Monday in the month of December in each year at such hour and at such place as may be fixed in the public notice of such meeting. If the day appointed for the annual general meeting or for any special general meeting of the shareholders shall fall on a legal holiday, the meeting shall be held on the next following day which is not a legal holiday at the hour and at the place fixed in the public notice of the meeting.

'II. In the event of failure to elect directors at any annual general meeting of shareholders, such election shall take place at a subsequent special general meeting of shareholders duly called for that purpose.

'III. Ten or more shareholders of the Bank, present in person, shall constitute a quorum at any annual or special general meeting of the shareholders of the Bank.

'IV. The number of directors and the quorum thereof shall be regulated as follows, namely:

(a) the number of the directors shall be not less than 28 and not more than 53;

(b) until and subject to the extent to which the provisions of clause (c) hereof shall become effective, the number of directors shall be 52;

(c) from time to time, upon the passing of a resolution of the board of directors declaring that it is expedient that this clause (c) should take effect to the extent of so many additional directors as the resolution may specify, the number of the board shall be and it is hereby increased by the number so specified, and the vacancy or vacancies in the board thereby created may be filled in accordance with the provisions of by-law No. V of the by-laws enacted by the shareholders, provided that in no event shall the total number of the directors exceed 53;

(d) five of the directors shall constitute a quorum.

'V. Whenever a vacancy occurs in the board of directors during the year, it may be filled by a qualified appointee of the continuing directors; and such appointee shall hold office until the next annual general meeting of the shareholders or thereafter until his successor is duly elected.

'VI. The directors are hereby authorized to appoint from among their number an executive committee of not less than five nor more than fifteen of whom a majority shall be directors who are not officers of the Bank serving it on a full-time basis, and to delegate to such committee all powers of the directors, to be exercised only when the board of directors is not in session, except:

(a) the power to elect or remove any person to or from any office within the elective power of the directors;

(b) the power to fill vacancies in the executive committee or in any office within the elective power of the directors;

(c) the power to enact, repeal or amend any by-law which the directors may make; and

(d) any power with respect to which the directors themselves may make any rule or restriction.

'VII. In addition to the requirements of the Bank Act as to the eligibility of a person to be elected or appointed a director of the Bank, a person shall not be eligible to be a director of the Bank unless, on the day of his election or appointment, he is, and in the case of election has been for not less than thirty days prior to such election, the registered holder and the absolute and sole owner in his individual right, and not as trustee or in the right of another, of capital stock of the Bank on which not less than five thousand dollars have been paid up. If a director of the Bank shall cease to be the registered holder and the absolute and sole owner in his individual right and not as trustee or in the right of another of capital stock of the Bank on which not less than five thousand dollars have been paid up, or if a director of the Bank shall become bankrupt, or insolvent, or shall make an assignment for the benefit of his creditors, his office as a director of the Bank shall *ipso facto* be vacated.

'**VIII.** In each year any sum of money not exceeding two hundred and twenty-five thousand dollars may be taken by the board of directors from the funds of the Bank as remuneration for the services of the directors; and the directors may annually apportion the same among themselves in such manner as they shall think fit. The directors may also further provide for the payment to the members of the executive committee of the board of directors such additional remuneration as the directors think fit, but not exceeding in all a sum equal to five thousand dollars each year for each member of the executive committee, and the sum provided for the remuneration of the executive committee shall be apportioned among the members of that committee as that committee may deem appropriate. The remuneration of the chairman of the board, any vice-chairman thereof, the president and vice-presidents, as such, shall be fixed from time to time by or under the authority of the board of directors.

'**IX.** The directors shall cause a record to be kept at the head office of the Bank of all appointments of proxies to vote at any meeting of the shareholders of the Bank, showing the name of the shareholder appointing such proxy, the name of the shareholder so appointed, and the date of the appointment; and the holder of any such appointment of proxy shall not be entitled to vote thereon at a meeting of the shareholders unless the instrument making such appointment of proxy has been produced and recorded at the head office of the Bank at least seven clear days prior to the time of the holding of the meeting.

'**X.** The directors are hereby authorized to establish and maintain guarantee and pension funds for the officers and employees of the Bank (and corporations of which the Bank owns all the issued and outstanding capital stock except the qualifying shares of directors) and their families, and to contribute thereto annually out of the funds of the Bank such sums as they may by resolution of the board appropriate for that purpose. In addition to or in substitution for any allowance made under the by-laws, rules and regulations of any such guarantee or pension fund, the directors may grant, payable out of the profits of the Bank, to any person in the employ of the Bank or any surviving dependent of such person, such retiring or other allowance as they may decide.

'**XI.** All by-laws of the Bank enacted by the shareholders prior to the second day of December, 1968 and all amendments thereto, except by-laws increasing the capital stock of the Bank or subdividing the shares thereof, are hereby repealed, but such repeal shall not affect any act done or any right acquired, accrued or accruing under such repealed by-laws or amendments or any of them.

Mr. McMaster further moved that, pursuant to the Bank Act, a ballot be taken forthwith. The ballot was then proceeded with, and following the Scrutineers' report, the Chairman declared that the revised by-laws had been duly enacted.

Appointment of auditors

Mr. W. S. Kirkpatrick moved, seconded by Mr. George H. Sellers, that Messrs. Campbell W. Leach, C.A., and Lionel P. Kent, C.A., be appointed auditors of the Bank for the ensuing year, and that a ballot for the auditors be taken at the same time as the ballot for directors is taken. The motion was carried.

Proxies for controlled corporations

Mr. D. A. McIntosh, Q.C., moved, seconded by Mr. F. Ryland Daniels the resolutions appointing the necessary proxies for the Bank at meetings of controlled companies. These were unanimously adopted.

Vote of thanks

Mr. Budd H. Rieger moved, seconded by Mr. Bernard M. Lechartier, "that the thanks of the Meeting are hereby tendered to the Senior Executive Vice-President, the management Vice-Presidents and all other officers and employees for their services during the past year."

Speaking to the motion, Mr. Rieger said:

"In moving this vote of thanks to the Senior Executive and staff of our Bank for the splendid results they have achieved during the past year, I should like to refer briefly to the exciting and ever-changing conditions under which these people work. During the past year we have seen rapidly increasing and declining interest rates, so-called tight money, and not-so-tight money, as well as considerable changes in the Canadian political scene. In addition, we have seen crises develop in the international political scene and in international monetary and exchange fields.

"To put it mildly, the situation has been fluid in nature and difficult to predict. It is a commentary on the many abilities of our Bank's staff that they have adjusted to these ever-changing situations and have provided splendid service to the many and ever-growing customers, depositors and shareholders of our Bank.

"It is in this context, Mr. Chairman, that I move the meeting express its appreciation for a job well done to the entire staff of our Bank."

Mr. Lechartier, in seconding the vote of thanks, said:

"Monsieur le Président,

"En appuyant avec plaisir la résolution présentée par Monsieur B. H. Rieger, je n'ajouterai qu'une *brève remarque*.

"Le bilan qui nous a été soumis fait apparaître au cours d'une seule année une augmentation assez impressionnante du volume des dépôts. Un tel progrès implique un effort continu et méthodique à tous les échelons et dans chacune des branches de la société. Il n'est que juste de reconnaître ce travail, de remercier ceux qui l'ont fourni et de participer à la satisfaction légitime qu'ils doivent éprouver devant ces résultats.

"I am greatly pleased to second the motion of Mr. Rieger expressing the appreciation and gratitude of the shareholders of the Bank of Montreal to the Senior Executive Vice-President and General Manager, to the Vice-Presidents and to all the members of the staff for their valuable cooperation during the past year."

Mr. Walker responded:

"It is my very pleasant duty on behalf of the personnel of the Bank, as well as on my own behalf, to thank Mr. Rieger and Mr. Lechartier for their kind remarks in speaking to the motion and also the *shareholders present for the gracious manner in* which it has been received.

"As Mr. Rieger has pointed out, the conditions under which we have been called upon to operate during the past year have been unusually fluid, but the manner in which each member of the Bank's organization has responded to the challenges has been most gratifying. I am proud of the Bank's team and I know that the formal expression of the esteem and confidence of our shareholders will be deeply appreciated by all personnel."

Election of directors

The Chairman then said:

"The remaining business before the Meeting is the balloting for the appointment of auditors and for the election of directors for the ensuing year. The ballot is now open for these purposes and I will ask the Secretary to read the names of those proposed for election as directors."

The Secretary read the list of proposed directors as follows:

Sir Peter Allen; W. A. Arbuckle; W. M. Vacy Ash; Paul Bienvenu; George W. Bourke; Ralph B. Brenan; Charles R. Bronfman; The Honourable Eric Cook, Q.C.; H. Roy Crabtree; N. R. Crump; F. Ryland Daniels; Nathanael V. Davis; John H. Devlin; Harold S. Foley; The Honourable Leslie M. Frost, P.C., Q.C.; Donald Gordon, C.C., C.M.G.; G. Arnold Hart; Donald S. Harvie; Leonard Hynes; R. M. Ivey, Q.C.; A. C. Jensen; J. H. Mowbray Jones; David Kinnear; W. S. Kirkpatrick; A. Searle Leach; Bernard M. Lechartier; Roger Létourneau, Q.C.; Arthur R. Lundrigan; Donald A. McIntosh, Q.C.; D. R. McMaster, Q.C.; H. C. F. Mockridge, Q.C.; The Honourable Hartland deM. Molson, O.B.E.; J. Bartlett Morgan; R. D. Mulholland; The Honourable Victor deB. Oland; H. J. S. Pearson; J. Pembroke, C.B.E.; John G. Prentice; Budd H. Rieger; Forrest Rogers; Lucien G. Rolland; V. W. Scully, C.M.G.; George H. Sellers; G. H. Sheppard; The Honourable James Sinclair, P.C.; H. Greville Smith, C.B.E.; George C. Solomon; Noé A. Timmins, Jr.; The Honourable Madame Georges P. Vanier, C.C., P.C.; Marcel Vincent; J. Leonard Walker; and Henry S. Wingate.

Mr. Maurice Désy, Q.C. nominated the persons whose names had been read by the Secretary for election as Directors of the Bank for the ensuing year.

The balloting was then proceeded with. The Scrutineers submitted their reports on the balloting and the Chairman declared that Messrs. Campbell W. Leach, C.A., and Lionel P. Kent, C.A., were duly appointed auditors; and that the persons named in the list read by the Secretary, and duly nominated by Mr. Désy had been elected directors.

Election of Board officers

At a subsequent meeting, the Board of Directors re-elected G. Arnold Hart as Chairman of the Board; elected R. D. Mulholland, who has retired from active service with the Bank, as Vice-Chairman and J. Leonard Walker as President; and re-elected Harold S. Foley; The Honourable Leslie M. Frost, P.C., Q.C.; Roger Létourneau, Q.C.; The Honourable Hartland deM. Molson, O.B.E., and Budd H. Rieger as Vice-Presidents.

Officers at Head Office

Chairman and Chief Executive Officer
G. ARNOLD HART

President
J. LEONARD WALKER

Head Office Departments

Executive Vice-President and General Manager
R. L. SHEARD

Vice-President, Money Management
W. T. G. HACKETT

Vice-President, Securities
T. D. LEWIS

Vice-President, Marketing
L. F. MOORE

Administration

Executive Vice-President, Administration: **F. H. McNEIL**

Vice-President, Personnel
W. F. CHADWICK

Vice-President and Economic Adviser
N. E. CURRIE

Vice-President and Secretary
C. W. HARRIS

Vice-President, Special Duties
W. A. HOTSON

Vice-President, Organization, Research and Systems
R. A. McDOUGALL

Vice-President, Pension Plans
S. A. SHEPHERD

Vice-President, Premises and Inspection
W. D. SMALL

Vice-President, Planning and Economics
J. E. TOTEN

Assistant Comptroller
O. C. FROOD

Chief Accountant
J. F. CLIFF

Supervisor, Shareholder Services
L. M. BAYLY

Domestic Banking

Executive Vice-President, Domestic Banking: **M. A. MASSÉ**

Vice-President, Credit
G. N. SCOTT

Credit Managers
R. R. T. ADAMS
J. T. BECKERLEG
R. R. CURTIS
R. M. FORSTER
D. P. McNAUGHT
O. F. NIEBERGALL
W. E. OHBERG
J. A. WHITNEY

International Banking

Executive Vice-President, International Banking: **P. R. SHADDICK**

Senior Vice-President, Special Duties, International Banking
J. B. JONES

Senior Vice-President, International Banking
D. R. McCALLUM

Vice-President for USA, Caribbean and Latin America
S. T. STRATHY

Officers at Canadian divisional points

Atlantic Provinces Division

Cor. Hollis and George Streets,
Halifax, N.S.

Senior Vice-President:
T. R. FRANCIS

Quebec Division

116 St. Peter Street,
Quebec City, P.Q.

Senior Vice-President:
J. D. C. de JOCAS

Montreal Division

Suite 3200, C-I-L House,
630 Dorchester Blvd. West,
Montreal, P.Q.

Senior Vice-President:
D. B. PETERS

Vice-President:
G. A. RHÉAUME

Main Montreal Branch,
119 St. James Street West
Vice-President and Manager:
E. C. J. WILSON

Ontario Division

50 King Street West,
Toronto, Ont.

Senior Vice-President:
E. A. ROYCE

Vice-President,
Central Ontario Region:
F. P. BAINES

Vice-President, Credit:
D. W. CASEY

Vice-President,
Eastern Ontario Region:
E. J. KELLEHER

Vice-President,
Western Ontario Region:
R. W. MACKIE

Main Toronto Branch,
Vice-President and Manager:
J. R. McLEAN

Manitoba and Saskatchewan Division

335 Main Street,
Winnipeg, Man.

Senior Vice-President:
S. M. DAVISON

Vice-President Resident in Regina:
1800 Scarth Street
J. L. DICK

Alberta Division

140 Eighth Avenue West,
Calgary, Alta.

Senior Vice-President:
H. M. MacDOUGALL

British Columbia Division

640 Pender Street West,
Vancouver, B.C.

Senior Vice-President:
A. J. ELLIS

Main Vancouver Branch,
Vice-President and Manager.
W. FORSYTH

More than 1000 Offices in Canada, the United Kingdom and Continental Europe, the United States, Mexico and Japan.

Officers Outside Canada

United Kingdom

London - Main Office,
47 Threadneedle Street,
London, E.C. 2

Vice-President for the United Kingdom and Manager,
A. S. C. BLACK

Deputy Manager,
H. N. Little

Marketing Manager,
J. L. Graham

West End Office,
9 Waterloo Place, London, S.W.1

Manager,
E. M. West

Continental Europe

France

Paris - 10 Place Vendôme,
Paris 1er

Vice-President for Continental Europe,
C. E. NOBLET

Representative,
J. P. Robillard

Interests in
Banque Transatlantique
17, Boulevard Haussmann, Paris

Federal Republic of Germany

Düsseldorf - Königsallee 6

Representatives,
R. J. R. Bonneland,
B. E. Noer

Offices for the Armed Forces
Baden-Baden/Hemer/
Lahr/Soest/
Werl/Zweibrücken

Limited partners in
Joh. Berenberg, Gossler & Co.
Alter Wall 32, 2000 Hamburg II

Italy

Milan - 7 via San Paolo

Representative,
G. A. Mignacca

United States

New York, N.Y.
Agency, Bank of Montreal
Two Wall Street,
New York 10005

Vice-President and Chief Agent,
G. V. ADAMS

Vice-President, Operations,
J. B. LESSLIE

Agent, Finance,
R. J. Allen

Bank of Montreal
Trust Company,
Two Wall Street,
New York 10005

President,
G. V. Adams

Chicago, Ill.
Resident Representative's Office,
Suite 2700,
Board of Trade Building,
141 West Jackson Blvd.,
Chicago 60604

Representatives,
H. B. Francis,
T. A. O'Donnell

Houston, Texas
Resident Representative's Office,
Suite 413, 1021 Main Street,
Houston 77002

Bank of Montreal (California)

San Francisco
333 California Street,
San Francisco 94104

President,
F. R. Southee

Vice-President,
P. A. Browning

Los Angeles
508 South Spring Street,
Los Angeles 90013

Senior Vice-President,
D. B. Jewell

Vice-President,
G. E. Smith

Sacramento
812 J Street,
Sacramento 95814

Vice-President,
D. L. Tizzard

Directors:
Bank of Montreal (California)

Resident in San Francisco:
P. A. Browning,
R. D. Mackenzie,
F. R. Southee,
Donald Watson

Resident in Los Angeles:
D. B. Jewell,
John R. Mage,
Nathaniel Paschall

Resident in Vancouver:
Harold S. Foley

Mexico

Mexico City
Representative's Office
Avenida
Isabel la Catolica 43-704,
Mexico 1, D.F.

Chief Representative,
Dr. Luis A. Gonzalez

Representative,
H. E. Moquette

Japan

Far East
Representative's Office
Tokyo - New Tokyo Bldg.,
Room 419, No. 2, 3-chome,
Marunouchi, Chiyoda-ku

Representative,
R. J. P. Pierce

Assistant Representative,
D. A. Jorgensen

Caribbean Area

Affiliate:
BANK OF LONDON & MONTREAL LIMITED
Head Office, Nassau, Bahamas

(Owned jointly by Bank of Montreal, Bank of London & South America, Limited and Barclays Bank, D.C.O.)

44 Offices in The Bahamas, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama and Trinidad

In Venezuela the Bank is represented through its shareholdings in Banco La Guaira Internacional C.A.

Directors

Chairman:
Resident in Montreal:
R. D. Mulholland

Deputy Chairmen:
Resident in London:
Sir George L. F. Bolton, K.C.M.G.

Resident in Bridgetown, Barbados:
George G. Money

Resident in London, England:
Sir Julian S. Crossley,
J. Graham,
Brian F. Macdona, C.B.E.,
Hugh Saunders, O.B.E.,
Frederic Seebohm

Resident in Montreal:
W. A. Arbuckle,
G. Arnold Hart,
H. Greville Smith, C.B.E.

Resident in Lima, Peru:
Jack Ashworth, F.C.A.

Resident in Nassau, Bahamas:
Noé A. Timmins, Jr.

Resident in Spain:
Henry F. Tiarks

Executive Officers:

Head Office, Nassau,
Bahamas

General Manager:
W. E. Parker, O.B.E.

Assistant General Managers:
M. J. Young
L. V. Laxton
(resident in Central America)

Printed in Cana