

Bank of Montreal

Annual General Meeting Held 5th

December, 1927.

The 110th Annual General Meeting of the shareholders of the Bank of Montreal was held in the Board Room at the Bank's headquarters.

On motion of Sir Charles Gordon, Bart., G.B.E., Sir Vincent Meredith, Bart., was requested to take the chair.

Mr. H. R. Drummond moved, seconded by Mr. H. E. Rawlings, that Mr. Hartland B. MacDougall and Mr. W. R. Miller be appointed to act as scrutineers, and that Mr. C. H. Cronyn be the secretary of the meeting.

The President's Address

Before moving the adoption of the report, it is customary for me to make a few remarks.

I feel I cannot pass on to the general business of the meeting without first referring to the loss of the Bank recently sustained by the death of Mr. C. R. Hosmer, our valued colleague and friend, who, for the past nineteen years, had been a Director of the Bank.

The courteous kindness of his character endeared him to all his friends and acquaintances and inspired a real affection in his colleagues.

By reason of his public and commercial activities, Mr. Hosmer possessed a special knowledge of affairs and rendered valuable services to the Bank over a long term of years.

A Satisfactory Year

It is a pleasure to report that your Bank has had another satisfactory year. The increase in our commercial loans has been gratifying, notwithstanding the fact that many of our important borrowers have taken advantage of present money market conditions to fund their indebtedness by issuing to the public long-term obligations at a low rate of interest.

The Banks of Canada have a combined Capital and Reserves of \$253,608,000, which is more than ample to take care of the demands of our present population of 9,389,390. The amount of capital over and above the business requirements is so great that we are obliged to employ in New York and abroad large sums that would otherwise be idle. It is not your Directors' intention, therefore, to increase the Capital Stock of the Bank at the present time but rather to strengthen our Reserves and, with this in view, we are transferring \$1,300,000 from Profit and Loss Account, bringing the Reserves Account up to \$30,916,700.

Your Directors have donated the sum of \$200,000, spread over four years, to the fund recently so generously subscribed by the people of Montreal for those most deserving charities, the Royal Victoria Hospital, Royal Victoria-Montreal General Hospital, and the General Hospital.

In order to provide for loss in operation over a period of years and make provision for necessary facilities to meet the growing demands of the city, the assistance promised by the Province of Quebec, will be hoped to provide for these recurring deficits in the future.

General Business Conditions

Trade conditions in Canada during the year have been active and while there is still a balance sheet generally showing satisfactory profits, Manifold evidence supports this statement. Bank debits, bank clearings, bank deposits, car loadings, railway gross earnings, imports, note circulation and lower mercantile mortality all reveal that the trade business has risen during the year.

Speaking generally, manufacturing industries thrive; textile mills are fully employed; iron and steel operators continue to face strong competition from abroad, as an increase in volume of imports attests; the lumber trade shows a slight improvement; newspaper output increases; production of footwear is larger and the industry is in a better state; the manufacture of motor cars has slightly diminished, but the first nine months of the year 161,583 cars were turned out, having a value of \$105,179,000, or practically the same as in the like period of last year, though the number of cars was 700 less.

I see no reason why an abatement of confidence in the continuance of these prosperous conditions need be apprehended.

A comparatively new feature in the business of banking, owing to the large amount of securities, both foreign and domestic, that are being distributed to investors, Department of Securities, both here and abroad.

Corporations Department facilitates the operation of our Board and Investment House in excess of 400,000 bonds to the public. Loans to Bond Houses have reached considerable proportions, but as they are properly safeguarded, they represent desirable business.

The state of agriculture is the backbone of business. In a country of wide area such as Canada, meteorological conditions vary, as in the past season, yet despite a cool wet spring, which delayed seedings a good harvest was reaped. The wheat crop of the Western provinces was considerably in excess of 400,000 bushels to a seeded acre, half a million acres less than in 1926. In quantity this yield has been exceeded only once—in 1923. Alberta, sown with abundant rainfall, produced a great crop of wheat and oats, and the whole of the increase in cereal for all Canada.

and unless railways are permitted to impose carriage charges adequate to maintain efficiency of operation and to yield a reasonable recompense to their proprietors, commerce will be impeded in movement, to the prejudice of producers.

Business in the United States.

The present prosperity of the United States seems based on a sound foundation, and although the marked upward trend of business prevailing the last two years has eased off, there are definite indications that the reasonably satisfactory conditions that now obtain will be maintained and that further moderate growth may be expected. It is not a prosperity as ebullient as that witnessed last year, when industrial activity was at its peak but it is a more widespread prosperity, a significant point that profits of large business concerns are for the most part on a more moderate scale than those enjoyed in 1926.

The banking situation, it is agreed, is sound; agricultural conditions are favorable; the farmer has much improved his position; labor is as well or better off than it has been at any time in the country's history, and business activity though it has declined in the interim has been replaced by advances more widely spread—an indication of greater business confidence.

Certain elements in the present situation are rather less favorable than they might be, in that autumn business has not measured up to earlier expectations, but there has been no recession, evidence of an improved situation. An ample supply of investment funds, due in part at least to a slackening in business activity, combined with a rise in commodity prices, has resulted in a marked rise in the prices of stocks and bonds. At the same time the country, in addition to providing a substantial leader abroad, the credit situation maintains a comfortable position, over which the Federal Reserve System has exercised a strong influence. Gratifying increases are shown in the savings deposits of the banks of the country and the national income has increased 40 per cent. over 1914.

Conditions in Europe.

In speaking of European affairs a year ago, I recorded a general favorable advance towards more normal conditions, and this advance is progressing steadily. The aid rendered to impoverished countries by means of foreign credits is restoring their economic life, which must in the course of time make for improvement in world trade. There still remain to be solved many problems of vital importance to the economic and financial well-being of nations, the most important being the question of trade barriers, which subject has been receiving the attention of an international conference at Geneva.

In Great Britain, one outstanding feature is the strength of the pound sterling in terms of the American dollar at this time, a period of the year when the reverse is usually the case. One reason for this is that the United States is itself financing to a considerable extent its exports of grain and cotton, while the withdrawal of new proceeds of foreign borrowings in New York and London has been restricted. London, because of the more attractive rate prevailing in that centre are contributory factors.

There would appear to be clear indications of a persistent, if slow improvement in business conditions in Great Britain, and while overseas trade figures still show a heavy visible adverse balance, they have revealed a more hopeful trend in recent months. The basic industries of the countries, such as coal, cotton, and iron and steel, are still operating on an uneconomic basis, but other branches, such as shipbuilding and electrical trades, and artificial silk are making substantial progress.

Generally speaking, Great Britain has arranged commercial treaties with the devastating effects of the post-war strike last year. What is of paramount importance is continued freedom of international trade, and it is gratifying to find that there is growing evidence of an earnest disposition on the part of employers and employed towards co-operation to this end.

Conditions in France during the past year have been somewhat involved. The financial position of the Government has been materially improved by a balanced budget and the consolidation of a large part of the country's floating and short term indebtedness. On the other hand, commercial and industrial enterprises have shown less prosperity than in the immediately preceding years, foreign trade having been curtailed by the appreciation and comparative stability of the national currency. This situation is likely to obtain after the elections in May next. A happy outlook for better relations with Germany is found in the resumption of a general commercial treaty and the withdrawal of a large part of the Army of Occupation.

Foreign balances at the disposal of the French Government through the Bank of France, amounting to nearly one thousand million dollars, operate as a safeguard against speculative attack on the exchange.

Legal stabilization of the franc, being due to a great extent with settlement of war debts, imposes a very difficult solution.

The sixtieth anniversary of Confederation, and the hundred and fiftieth anniversary of the Bank, happily coincide with general prosperity. This anniversary of Confederation has been commemorated by a business and helped to confirm Canada's place in the world. My hope and trust is that the great inheritance to be given the Canadian people, a worthy employed and that our country, growing in unity and strength, will attain a yet more lofty place in the British Commonwealth of Nations.

The General Manager's Address

Mr. Chairman and Gentlemen:— You have before you the one hundred and tenth annual balance sheet of the Bank.

In accordance with custom, let me comment briefly on the principal changes therein and the more important factors in the trade and economic situation bearing on our year's business.

At the close of our bank year, total assets stood at \$831,500,000, and of this amount \$481,900,000 was liquid form—cash, call loans, securities, or other items readily realizable. These quick assets equal 63.78 per cent. of the total liabilities, which is a position in which your Bank is maintained.

Our commercial loans in Canada have increased by \$3,000,000, and now stand at \$255,100,000. Many of our largest industrial customers, need less banking accommodation from us than heretofore; also, certain loans of a special nature which typically involves 15 years ago, have in the interim been paid, being replaced by advances more widely spread—an indication of greater business confidence.

The total commercial loans of all Canadian banks at the end of September, the latest figures available, aggregated \$1,035,800,000.

Our deposits total \$705,100,000, an increase of \$2,900,000 from the corresponding date last year. While the bulk of this represents deposits of a commercial and special nature, a goodly portion of the increase has occurred in our Savings Department, showing both widespread prosperity and continued public confidence in the Bank of Montreal.

As a sign of this country's growing capital resources—the deposits payable after notice in all banks exceed the total commercial loans by 369 million dollars, and the total deposits exceed such deposits by 219 million dollars.

It is interesting to note that the loans and advances by all Canadian banks today represent 46 per cent. of total assets.

Our note circulation, at \$45,700,000 is approximately the same as last year.

Our Bank Premises Account is lower by \$250,000 than a year ago. Alterations and new buildings have been paid for out of profits as usual.

Profits and Banking Service

Regarding profits, which, as before indicated, have been satisfactory, the view is sometimes expressed that bank profits are large, but they are not in proportion to the capital employed. To cite our own case, we employ a reserve fund of one million dollars greater than that of the Bank in 1817, and substantial dividends, ranging as high as 87 per cent. share, at which our stock has risen from time to time been issued. Our profits represent earnings of 3.71 per cent. on the total assets, and our reserve, incidentally, never in the history of Canadian banking has served the customer better cheaper than it does today.

I may add that in Canada the margin between the rate of interest paid on bank deposits and that obtained by the Bank in the employment of quick assets has been steadily declining for several years.

To epitomize—the strength of the Bank has been maintained while the country has been prospering, and our profits have been comfortably earned. Over and above these, however, we continue to fulfill two primary functions, safeguarding depositors' money, and before us the preservation of Canada's financial prestige in this most important period of her development. In these matters we have a growing appreciation of our obligations to the Canadian public.

Our offices in London, New York and Paris continue to function satisfactorily and provide a profitable, and indeed an indispensable, adjunct of the Bank's general operations. The extensive branch network of revisitors a service which many of our friends have been kind enough to commend most highly.

Monetary Situation Abroad.

has found an outlet in public loans to domestic and foreign industries and governmental bodies. A persistent upward trend of security markets to new peaks, reflected in the extent of the gradual easing of interest rates and the growing pressure of surplus funds seeking profitable investment. The call loan rate for the year averaged 4.19 per cent., as against 4.52 per cent. in 1926.

In Mexico our important business is under capable supervision and conditions are favorable, but a summer climate of excessive rains which destroyed a large portion of the crops in various districts, business has faced a difficult year and trade is dull throughout the Republic.

Commercial failures in Canada for the year numbered 2,156, with liabilities of \$40,432,000. This compares with 2,285 failures with liabilities of \$33,871,000 in 1926.

Bank clearings, which are usually taken as a barometer of business, have been higher by 8 per cent. than in 1926. Speculation, like fever, is not a disease but a symptom and, like many a fever, will probably cure itself. Experience suggests the wisdom of guarding against possible outbreaks, whereas over-optimism carries with it the ever-present danger of a rude awakening.

Nevertheless, allowing for the swing of the pendulum and for the fact that we are living down our mistakes, Canada can with assurance look forward to a future undreamed of by the Fathers of Confederation. Not in any spirit of boastfulness, but merely in calm appraisal of our country and its resources, may we not claim that we have all the attributes which go to make a mighty nation? We are blessed in our sturdy population, free from discord, far removed from the alarms of a summer climate unsurpassed in the universe, a winter climate that makes of us a hardy people, and lavish natural resources.

This appraisal being correct, we can give prudent management of our public affairs, proceed upon our destined way with courage and enthusiasm.

Provincial Reports.

The customary reports on conditions in the various provinces have been prepared and are available on request to any persons desiring them.

Report Adopted.

The chairman then said:—"With your permission, we will go on to the resolution, after which I shall move the adoption of the report."

The Hon. Rodolphe Lemieux, K.C., then moved, seconded by Mr. W. M. Stewart:

"That the action of the directors in voting the sum of \$200,000, payable in four annual instalments, of the four million dollar Joint Hospital Campaign fund in Montreal, on April last, meeting with the approval of such meeting of shareholders, such action being in the opinion of the shareholders, and in the opinion of the Bank, and such action is hereby ratified and confirmed."

In speaking to this resolution, Mr. Lemieux said:

"In support of the motion I wish to add just a few brief remarks which are all aware by the report of the auditors in the press, and have been published in the press. The Hon. Mr. Lemieux in that regard has been clear and concise, and his remarks are, I think, undisputed. The high general level of employment, and the enhanced spending power of the people, are due to a great succession of good harvests and to a great broadening of the basis of production. Until a few years ago Canada was a purely agricultural country, and agricultural capital sought investment here chiefly in government and municipal issues, and in railway bonds; but now, with the development of the agricultural area, and the increasing agricultural area, today most of the largely increased capital coming in for investment is for industrial and commercial purposes. I have recognized that Canada has the natural resources for the building up of a vast variety of indigenous industries, and that the population to take advantage of these resources is increasing rapidly. The great expansion in recent years of the manufacturing industry with their field now extending into agricultural Manitoba, and of the manufacture of pulp and paper, and the development of the iron and steel industry, are instances referred to artificial silk, are spectacular instances. Scarcely less impressive is the great progress in a variety of other industries, for which the people are doing more and more. Hydro-electrical energy is providing the cheapest and most convenient of all motive powers. It is obvious, therefore, that whereas in earlier days we dwelt almost wholly upon agricultural, fishery and forest resources when appraising our national wealth, we must now also take into account the country's untold wealth in water powers and in minerals.

Importance of Agriculture.

We should not lose sight of the fact, however, that agriculture is still our greatest national industry; its importance is only intensified by the increase in urban industries. Nor should we lose sight of the fact that wheat is the most valuable single item not only of our production but also of our export trade.

And, important as our agricultural industry is now, it is certain to have a vastly greater future, for we have many millions of fertile acres still untouched by the plough, and any awaiting settlers to occupy them. No such opportunity for settlers exists elsewhere in the world today. The people we want are sure to come, and the country's agricultural space will mean continual growth of agriculture for generations to come.

The total value of Canada's field crops this year is estimated at over \$1,000,000,000 and other farm products, based on the returns for previous years, are estimated at \$700,000,000. Therefore, the spending power of our farming classes, which may be put for this year at approximately \$1,700,000,000, is a factor of great importance in the economic life of the country.

This all has a direct bearing on the business of our bank, for while the institution is taking its full part

in the country's industrial awakening, its policy is now, as it always has been, to provide every possible assistance to agriculture.

I may add that the present year has witnessed the 50th anniversary of the establishment of the Bank of Montreal's first branch west of the Great Lakes. The confidence which the bank showed in the potentialities of the Prairies at that early date has been more than justified, and evidence of our continuing faith is to be found in our present chain of 163 branches throughout the three Prairie Provinces.

Summing up, it may be said that the business situation in Canada was never more hopeful, though I should like to add that no good can come of discounting the future too far in advance. That is a tendency to which we as a people are prone, and a symptom of the same overconfidence that got us into trouble in the past.

The speculation now so much in evidence, to which your President has referred, is a direct reflection of this tendency. Speculation, like fever, is not a disease but a symptom and, like many a fever, will probably cure itself. Experience suggests the wisdom of guarding against possible outbreaks, whereas over-optimism carries with it the ever-present danger of a rude awakening.

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HER LITTLE GIRL CAUGHT COLD PLAYING IN THE SNOW

Mrs. A. Coakley, 29 Yale St., Halifax, N.S., writes:—"My little girl caught a terrible cold through getting wet while playing in the snow. Everything I did for her did not seem to give her any relief."

"I then went to the drug store and asked the clerk if he knew of something good he could give me. He told me about

Dr. Wood's Norway Pine Syrup

"I decided to try it. After the bottle was nearly used I noticed that the cough was gone, and by the time the second bottle was used the cold had gone. Now I will never be without