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HISTORICAL SKETCH
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THE BANK OF
MONTREAL

BY
J. CASTELL HOPKINS, F.S.S.

*Reprinted from Special Session in 'The
Canadian Annual Review of
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HISTORICAL SKETCH OF THE BANK OF MONTREAL

The Bank of Montreal has the double distinction of being the greatest single banking institution upon the Continent of America and the first to transact banking business in Canada. Early in 1817 a number of prominent men in what was then the small town of Montreal met, discussed, and organized an Association for the carrying on of a Banking business in the Province of Lower Canada. The Stock-book was opened on June 23rd and by Sept. 20 the last of the 5,000 shares, of £50 each, were subscribed. Meanwhile, on Aug. 17th, the first general meeting of shareholders took place and the following were elected Directors: John Gray, John Forsyth, George Garden, George Moffatt, Horatio Gates, Thomas A. Turner, F. W. Ermatinger, John McTavish, Austin Cuvillier, James Leslie, Hiram Nichols, George Platt and Zabdiel Thayer. Of these men Messrs. Moffatt, Cuvillier, Leslie and Gates were afterwards eminent in the public life of the community; all were well known and respected in business circles. The Bank opened for business on Nov. 3rd in premises on St. Paul Street with a paid-up capital of £87,500, in the Halifax currency of the day, or \$350,000.* The first Articles of Association and the early documents in the Bank's history indicate the use of the name "Montreal Bank" and it was not until 1826 that the modern designation came into continuous use.

There were preliminary difficulties as to incorporation owing, in part probably, to the existing confusion in currency with its British sovereign and coinage, the Mexican and Spanish dollars, the United States and so-called Halifax currency, the few Army bills still unabsorbed from the War of 1812 and in part, no doubt, to fears by the British Government that conditions were hardly ready for the establishment of such institutions. At all events, though incorporation was approved by the Legislature in 1817, it was held over for the Royal Assent and this was not finally given until 1822 after the Charter had again passed the Legislature. This Charter was, in many important respects, the same as those of all Canadian banks in this 20th Century and it illustrates the stability of Canadian finance and, also, the instinctive business

*Foot-Note.—The figures in this record up to Jan. 1, 1858, when the Bank discarded the Halifax currency system of \$4.00 to the pound and adopted the decimal system, are given in the former currency.

capacity of the men who organized the Bank of Montreal. The following is a summary of the clauses:

1. The Charter was granted for 10 years.
2. The Directors were to be British subjects; the qualification was four shares of £50 (currency) each, or a total of \$800 par value; any compensation given was to be granted by shareholders in annual meeting; and they were not to engage in private banking.
3. Directors were to appoint all officers of the Bank, to take surety bonds for faithful performance of duties, to declare dividends when earned, to keep proper stock-books and submit an annual statement to the shareholders.
4. The Bank was authorized to receive deposits, to deal in bills of exchange, to discount notes and buy gold and silver coin and bullion. It was forbidden to engage in business other than banking.
5. The Bank was not to lend directly upon real property though this could be taken as additional security for loans already made, and it was not permitted to lend money to a Foreign country or Government.
6. The issue of notes as money was authorized up to the general limit for all such obligations.
7. The Government might, at any time, for the protection of the public, call for and obtain a statement under oath of the Bank's position.
8. Transfers of shares were not to be valid unless registered in the Stock-book of the Bank and the institution was given a prior lien on this stock for ordinary debts due by the holder.
9. The total liabilities were not to exceed three times the paid-up stock and Directors were made personally liable if they permitted such excess.
10. Shareholders were exempt from any liability except that of paying for their subscribed stock under a penalty of 5 per cent. after installments matured.
11. Voting by shareholders was limited—the number of votes diminishing by a scale, as the holdings of stock increased, up to 20 votes. One share gave one vote, 10 shares only 5 votes, 30 shares ten votes, and so on.

Meanwhile, at the first meeting of the Board, John Gray had been elected President of the Bank and T. A. Turner Vice-President. Robert Griffin was immediately appointed Cashier at a salary of £300 or \$1,200 with a staff of three assistants. In January, 1818, the Bank appointed Agents in New York and, a little later, an Agency was opened in Quebec styled an "Office of Discount and Deposit." Agents were also appointed in York and Kingston, Upper Canada, mainly for the circulation of the Bank's bills. At the annual meeting on June 1st, 1818, the first half-yearly dividend of 3 per cent. was paid. On Oct. 22nd the first development in a long series of varied relationships with the governing forces of British America began in an application to the Duke of Richmond, then Governor-General—and in control of the British moneys which so largely came in those days to supplement the small resources of the country—for the right to "supply the Government with such moneys as may be wanted for different Departments in Upper and Lower Canada." About this time also there came into existence the first elements of competition in the organization of the Quebec Bank. On November 6th an increased half-yearly dividend of 4½ per cent. was declared. It

may be well here to give in tabulated form the chief officials of the institution from the beginning up to the present time (1910)—Presidents, Vice-Presidents and Cashiers or General-Managers.

Presidents.

1817.....John Gray.	1869.....Edwin H. King.
1820.....Samuel Gerrard.	1873.....David Torrance.
1826.....Hon. Horatio Gates.	1876.....Lord Mount Stephen.
1826.....Hon. John Molson.	1881.....C. F. Smithers.
1834.....Hon. Peter McGill.	1887.....Lord Strathcona.
1860.....T. B. Anderson.	1905.....Sir G. A. Drummond.
1910.....Richard B. Angus.	

Vice-Presidents.

1817.....Thomas A. Turner.	1847.....T. B. Anderson.
1818.....Charles Bancroft.	1860.....John Redpath.
1819.....George Garden.	1869.....Hon. Thomas Ryan.
1822.....Thomas Thair.	1873.....George Stephen.
1825.....John Forsyth.	1876.....George W. Campbell.
1826.....John Fleming.	1882.....Hon. Donald A. Smith.
1830.....Hon. Peter McGill.	1887.....Hon. G. A. Drummond.
1834.....Hon. Joseph Masson.	1905.....E. S. Clouston.

Cashiers.

1817.....Robert Griffin.	1846.....Alexander Simpson.
1827.....Benjamin Holmes.	1855.....David Davidson.

General-Managers.

1862.....David Davidson.	1879.....C. F. Smithers.
1863.....Edwin H. King.	1881.....W. J. Buchanan.
1869.....Richard B. Angus.	1890.....E. S. Clouston.

From 1817 to 1841, when Upper and Lower Canada were united under one Legislature, the Bank of Montreal's record was in some things a mirror of the troubles, business ups and downs, financial limitations and slow, chequered growth of what is now known as the Province of Quebec. Through good management it escaped some of the trials of the time and overcame others; through inevitable mistakes or misfortunes it experienced losses. Upon the whole the cautious policy of its Directorate and management was well illustrated by its condition during these trying years. Half-yearly dividends were paid continuously, after the yearly total of $7\frac{1}{2}$ per cent. in 1818, as follows: 1819, $3\frac{1}{2}$ and 3 per cent.; 1820, $3\frac{1}{2}$ and 3 per cent.; 1821, 6 per cent. altogether; in 1822 and 1823 and 1824 6 per cent. In 1825 the Banking disasters which occurred in England affected very closely conditions in Canada and the Bank was only able to pay one 3 per cent. dividend and had to use more than half of its Reserve. A very cautious policy was pursued in succeeding years and no dividend was paid in 1827 and 1828 though a Reserve of £25,000 was accumulated. In 1829 $2\frac{1}{2}$ per cent. was paid the shareholders and a larger one in the next three years. A period of great temporary prosperity came at this point and in 1832 12 per cent.

was paid; in 1833, 1834 and 1835 14 per cent.; and in 1836 the figure was 12 per cent. The year 1837 saw the increasing racial and political troubles in the Province and the figure was reduced to $7\frac{1}{2}$ per cent. In 1838 it was six per cent., in 1839 seven per cent., in 1840 six per cent. According to a statement made by the President, Hon. Peter McGill, on June 3rd, 1844, the Bank divided between Dec. 1, 1829, and Dec. 1, 1837, 102 per cent. amongst its shareholders or an average of $12\frac{3}{4}$ per cent. per annum. From Dec. 1, 1837, to June 1, 1844, greatly troubled national and international conditions had intervened yet the division of profits had totalled 42 per cent. or $6\frac{1}{2}$ per cent. per annum besides the creation of a Reserve of £53,700.

Gradually, steadily, the business of the institution had grown. In 1819 the Capital Stock was increased to £162,500, in the following year to £187,500. In 1828 the paid-up Stock was £200,790, in 1831 it was £250,000, in 1841 it was £500,000. During these years the circulation varied greatly and while it totalled £142,365 in 1828 it was £286,595 in 1831 and £203,710 in 1841. Deposits were, respectively, £60,206, £216,661 and £237,646 while Discounts stood at £657,290 in 1831 and £878,022 in 1841. The total Assets in this latter year were £1,139,955 and the principal shareholders of the Bank—100 shares or more—were Villiers T. Hatton and Sir Gabriel Wood of London, J. J. Hutchison, Hon. Samuel Hatt, John Molson, Hon. Joseph Masson, John Redpath of Montreal, the Peter Smith Estate, the Montreal Savings Bank, and William Yule of Chambly. During these years business conditions were varied. In 1817 and for some considerable time profits were made out of the local purchase and sale in New York of Spanish dollars; the fur trade in the West was an element in the Bank's interests and policy; the lumber trade was, during all of this period, a vital factor in the finance and commerce of the Province. The few agencies in Upper Canada—including one opened at Queenstown in 1819, at Perth in 1821, at Brockville and Bytown in 1840—were mainly circulation offices; though some business was done directly from Montreal—such as a Loan of £20,000 in 1835 to the Commercial Bank and one to the Bank of Upper Canada, of £50,000 to the latter Bank in 1837, of £25,000 to William Hamilton Merritt, President of the Welland Canal Company in 1840.

These early loans, and one of £8,000 to the Commissioners of the Lachine Canal in 1823 and one of the same amount to the Harbour Commissioners of Montreal in 1840, are mentioned here as illustrating, even at this early period, two points in the Bank's policy which were maintained throughout its history—(1) to become a banker for the Banks of Canada and (2) to use its money for purposes which would not only pay a profit to its shareholders but help in developing the youthful community for which it was so long to be the greatest of financial institutions.

During these years the Rest or Reserve Fund of the Bank had fluctuated greatly. In 1819 a balance of £1,042, remaining in hand after the dividend of 8 per cent. had been paid, was put aside as a Rest. In 1825 this Reserve Fund was £7,570, in 1826 it was £3,016, in 1828 £26,771, in 1830 it stood at £7,840, in 1835 it was £20,165, in 1837 £49,582, in 1840 it was £22,370.

Meanwhile, in 1830, the Bank's Charter had been renewed but only for seven years. Some restrictions were made in its functions. No notes were to be issued of less denomination than 5 shillings (\$1) and the total of notes for smaller denominations than £1/5/0 or \$5.00 was not to exceed one-fifth of the capital stock; the Legislature retained the right to restrict or suppress the issue of these small notes at any time and the penalty of violating either restriction was a loss of Charter; improvements were made in the form of the Government returns and the somewhat drastic clause was inserted that if the Quebec Bank Charter were not renewed that of Montreal should also cease in order to prevent a Banking monopoly. There was no local competition at this time as the Quebec Bank had no branch in Montreal but, in 1833, the City Bank was chartered there. The year in which these Charters were to be renewed, or otherwise dealt with was, of course, a stormy period and the Province was governed by a Special Council. The Bank carried on business for a short time without a charter, obtained additional capital and then a renewal from the Council for another four years. The Directors of the Bank in this year were Hon. Peter McGill, Hon. Joseph Masson, Charles Brooke, John Redpath, William Walker, William Lunn, John Torrance, John McPherson, Hon. Louis Gagy and James Logan.

Besides political difficulties the financial situation in the United States at this time forced the Banks of that country to suspend specie payments and in the Canadas the Bank of Montreal, by request of the public and under authority from the Government, took similar action, in conjunction with the other Banks, to avoid an absolute drain of specie from this country to the United States. The situation was further complicated, locally, by two bad harvests, by unsound banking in certain institutions and by the dangerous Legislative experiments of the time. Resumption of specie payments took place during June, 1839, in Lower Canada and during November in Upper Canada. The Bank of Montreal in this year petitioned the Lower Canada Legislature to obtain for it the right to open branches in Upper Canada and asked that protection and recognition in either Province be given for the banking institutions of the other. Pending this it took steps to acquire control of a private concern in Toronto called the Bank of the People and by 1840 this Branch was practically in operation—though not formally constituted until 1842.

From 1841, when the two Provinces were united and the Bank

of Montreal acquired full and free rights in Upper Canada, or Canada West as it was now termed, until 1867 when the further unifying influence of a wider federation was felt, the story of the institution is a record of slow progress without striking features though with many interesting incidents and financial struggles; the meeting of difficulties in the way of legislation, periods of panic or depression, unsound banking experiments in various quarters, and a political condition which was a constant groping, often in the dark, after something better. In this year, 1841, the Board of Directors took the unusual step of approving the candidacy of its Cashier, Benjamin Holmes, for the Legislature of the now United Provinces in view of the fact that currency, banking and financial legislation would necessarily have a prominent place in its first Session.

Mr. Holmes, who had since his appointment in 1827 gradually assumed the practical management of the Bank—a function at first divided with the President—was elected for one of the Montreal districts and took his part in the important modification and changes in Charters which followed. In accordance with the terms of Lord John Russell's notable despatch of May 4, 1840, it was enacted (1) that the debts or engagements of the Bank were not to exceed at any time thrice the amount of the paid-up capital plus the amount of deposits held in specie or Government paper; (2) that it was not to hold shares in its own stock or to advance money on security of lands, houses, ships or pledge of merchandise; (3) that the issue and circulation of its notes be forbidden over the amount of paid-up capital; (4) that shareholders be bound by a double liability in event of the Bank's failure. This latter clause was the most vital change. In connection with Mr. Holmes' work in the Legislature it may be added that the Directors made him a presentation of £500 in 1842 and that on Jan. 25th, 1844, the Board decided to ask him to resign his seat on account of the increasing business of the Bank. He retired, accordingly, but political recriminations seem to have followed him even into political retirement and, in 1846, his letter (Feb. 21) resigning his position of Cashier gave as its reason "the political hostility of the press." Alexander Simpson, for many years the valued Agent of the Bank at Quebec, was his successor.

Meantime, and in succeeding years, the Bank was more or less associated with the institutions in Canada West. In 1841 the Gore Bank had opened an account with the Bank of Montreal and in the same year the latter's relations with the Commercial Bank of the Midland District became strained while in December, 1842, an agreement which had existed for some years was closed. With the Bank of Upper Canada the association was always more or less close and the latter as, practically, the Government Bank in the other Province frequently requested and obtained loans from the Lower Canada institution. As illustrating the Bank of Montreal's

early relations with the Government it may be stated that in 1842 it discounted the notes of the Receiver-General—the Finance Minister of that day—for £45,000. In this year, also, the Bank's capital was increased by £250,000; a Contingent Fund of £50,000 established which was found very useful during ensuing years of severe depression; and the Bank's Charter was extended to 1862. The total paid-up Capital on Sept. 23rd, 1842, was £576,285, the Circulation £250,736, the Deposits £211,725 and the Discounts £1,035,042. Four years later, Aug. 31, 1846, the paid-up Capital was £750,000 (held by 558 persons), the Circulation £466,080, the Deposits £238,031 and the Discounts £1,278,323.

During the two years following Provincial Union the Bank took advantage of new conditions to expand into Canada West and, following the complete organization of the Toronto branch with William Wilson as Cashier, other branches or agencies were immediately organized at Kingston and Bytown—the Ottawa of later days—Amherstburg, St. Thomas, Belleville, St. Catharines, Cobourg, Brockville, Hamilton and London, while Quebec was formally constituted a branch under a new code of arrangements, instructions and duties. In 1843 instructions were issued by the Directors that the Cashier or Assistant Cashier should inspect these branches yearly. At the annual meeting on June 3, 1844, Mr. McGill mentioned the continued depression and added: "The business of the Bank—though not by any means so extensive as we could have carried on from the abundance of disposable funds at our command—has nevertheless continued steady and on the increase. No means, however, out of the ordinary course has been adopted to force business; no new principles of conducting it have been introduced; and no losses of any amount have been sustained." The policy of extending by means of branches and agencies was stated to be for the better "encouragement of agriculture and commerce."

In the years immediately following this the United Provinces had to face a succession of bad harvests and varied political convulsions. On Dec. 26, 1845, the annual Report of the President included the statement that "in view of the danger of trouble between Great Britain and the United States (the Oregon question) it was necessary to provide for possible hostilities." Reduction was, therefore, ordered in the operations of nine Western (Canada West) branches from a limit of £387,500 for loans, and an actual discount of £382,346, to £305,000. On Apl. 21, 1846, a further reduction of £35,000 was ordered.

In 1845 and 1846 a new building was erected, where the Bank now stands, with John Try and John Redpath as the Directors in charge of arrangements and oversight of construction. During the latter year an increase in the capital stock by £500,000 was authorized but not issued owing to the increasing depression in the country. New branches since 1842 had, meanwhile, been estab-

lished in Upper Canada at Brantford, Peterborough, Guelph, Port Hope, Port Stanley, Windsor and Cornwall. Then followed a period of the deepest depression but by 1851 conditions had righted themselves and the stock of the Bank in that year was in demand at a premium of 11 per cent.; in 1852 the country was described as quiet and generally prosperous; in 1853 a lot of new Stock was taken up and in the succeeding year growing trade and improved conditions induced a request to the Legislature for £500,000 more of a Stock issue. Then came adverse conditions and this stock was only taken up in a slow and steady way. The expansion of 1856-7 was temporary—owing chiefly to a heavy expenditure on Public Works and high prices for agricultural products which ceased by the end of 1857—and was followed by the financial panic in the United States when an almost complete suspension of specie payments took place. Canadian Banks, generally, maintained their position and no Canadian issues were discredited while the Bank of Montreal only had a slight decrease in its profits—from £176,936 in 1857 to £139,786 in 1858.

Meanwhile David Davidson had become Cashier in 1855 and a reduction in the Board by Legislative consent took place in 1858 when the Directors elected were Hon. Peter McGill, T. B. Anderson, John Redpath, Thomas Ryan, Benjamin Holmes—the late Cashier—James Logan, Henry Thomas, D. Torrance and D. Finlayson. It may be added that in, and following, 1841 the dividends had been maintained at a rate of 6, 7 and $7\frac{1}{2}$ per cent. In 1849 the name of Hugh Allan appeared as a Director; in 1859 that of Hon. John Rose, Commissioner of Public Works; and in the ensuing year that of Sir George Simpson, the head of the Hudson's Bay Company. At the 1859 annual meeting, when the Rest stood at £185,000, the Directors' Report laid down a principle which was afterwards consistently followed: "Recent events (continued deficiency in harvests and general depression) have more than ever impressed the Directors with the importance of holding a large reserve from the accumulated profits so as to meet the difficulties occurring in periods of depression without curtailing the return of the shareholders."

In 1860 Hon. Peter McGill, after serving on the Board since 1819, with four years as Vice-President and 26 years as President, retired on account of ill-health and was succeeded by T. B. Anderson. Then came political difficulties, followed by the Civil War in the States, with a period of profitable lumber-trading and resumption of the wholesale and personal credit system of earlier days. In 1862 an office of the Bank of Montreal was opened in Chicago, with a view to obtaining a portion of the produce trade of the Western States. The following table of statistics illustrates the position of the Bank from 1847 to 1863, and up to the time when it entered upon a period of extraordinary expansion:

Year.	Capital. £	Rest. £	Circulation. £	Deposits. £	Discounts. £	Divi- dends.	Total Assets. £
1847....	750,000	75,000	524,748	273,608	1,468,471	7½	1,777,031
1848....	750,000	15,250	348,518	288,790	1,072,126	7	1,426,267
1849....	750,000	19,064	355,619	266,767	1,146,999	6	1,446,437
1850....	750,000	30,048	448,053	357,310	1,231,474	6	1,610,732
1851....	750,000	54,088	611,530	414,541	1,549,546	6	1,871,688
1852....	750,000	80,598	594,990	501,732	1,582,934	6½	1,984,228
1853....	885,990	106,217	780,804	598,397	1,777,055	7	2,408,170
1854....	992,670	171,320	1,243,154	678,125	2,571,204	7	3,133,038
1855....	1,000,000	212,500	988,884	492,603	2,208,567	7	2,757,362
1856....	1,257,625	175,000	900,270	571,167	2,459,720	7	2,956,964
1857....	1,377,435	185,000	831,279	669,130	2,602,070	8	3,121,102
	\$	\$	\$	\$	\$		\$
1858....	5,759,320	740,000	2,338,777	2,506,863	9,612,055	7	11,589,390
1859....	5,928,800	740,000	2,382,374	2,767,633	9,928,763	8	12,072,695
1860....	6,000,000	740,000	2,257,529	3,131,252	9,059,023	8	12,413,923
1861....	6,000,000	740,000	2,861,467	3,747,251	10,023,281	8	13,658,195
1862....	6,000,000	800,000	2,739,456	4,777,099	9,779,977	8	14,623,854
1863....	6,000,000	700,000	2,217,945	6,061,272	11,184,397	8	15,252,471

Mr. Davidson retired from the Bank's management in 1863 to assume charge of important interests in the Bank of Scotland. His task had been a difficult one, in a difficult period, and he had done much to increase the strength and standing of the institution—including the establishment in 1857 of a Head Office and a Branch in Montreal. Of the latter E. H. King of the Bank of British North America had assumed charge on Jan. 1, 1858. Mr. King now (1863) became General-Manager and faced the critical times developed by the American War. Some losses followed upon the necessary conversion of the Bank's United States investments into gold and the almost entire cessation of business with that country. Deficient harvests in Canada, low prices for agricultural products and increasing bank competition also contributed to the perplexities of the local situation. Drastic steps were taken, \$100,000 was utilized from the Rest Account, loans were restricted and particularly strong ground was taken by the new management against the loans on accommodation or personal paper, which were then in such vogue in Upper Canada banking circles.

One element in the Bank's policy at this time was to increase its holdings of Government securities from \$1,138,799, in 1863—and much less in preceding years—to \$2,629,066 in 1864, \$2,989,673 in 1866 and \$4,116,693 in 1868. Mr. King advised the shareholders in 1864 that "the Directors, having entire confidence in the ability of Canada to meet all its engagements were glad to have it in their power to meet the views of the Provincial Government by purchasing their securities at a period when it was deemed inadvisable to resort to the London market." At this and succeeding annual meetings he emphasized the evils of accommodation advances and in 1865 announced the definite policy of declining such business—a line of action in which other Banks, to some extent, followed suit and which worked a not very popular revolu-

tion in financial methods. During these years of war the Bank benefited by receiving large United States deposits at interest—the total of its deposits rising by more than seven millions between 1861 and 1866.

In 1866 commenced a period of great prosperity for the Bank of Montreal which was marked, in 1869, by Mr. King's promotion to the Presidency and by his remaining partially in charge of the management with Mr. R. B. Angus as General Manager. Between that time and 1873 the capital almost doubled, deposits increased by a third, discounts more than doubled, net profits multiplied three times, dividends jumped, with bonuses, to 16 per cent., total assets leaped up from 21 to 35 millions. Conditions in the United States contributed largely to this development; Canada gained greatly by the termination of the Civil War and the Bank had a clever, courageous and yet careful management of large funds. Hence the successful business of this period. In 1863, also, this institution which had so long acted, informally, as the Banker of the Provincial Government was officially appointed to that position and in 1867 entered into an agreement with the Provincial authorities to surrender, temporarily, the right to issue currency notes while undertaking, instead, to circulate Provincial notes. This arrangement terminated in 1872. During 1867, also, a Special Meeting of the Directors issued a statement defending the Bank's refusal to go beyond certain limits in helping the Commercial Bank, Kingston, to avert suspension. It was a much-discussed matter at the time and involved a sum of \$300,000 or more. Mr. King's policy appears to have been fully approved by his Board. Meantime great opportunities for profit were developing in New York and London as well as at home. Expansion following the War was the cause in the former centre; high rates for money in the latter. The Bank of Montreal's balances due by other Banks—including Agents abroad—increased from \$4,576,347 in 1866 to \$9,560,391 in 1872. Everything combined to raise the net profits from \$773,050 in 1866 to \$1,820,813 in 1873 and the Dividend from 8 per cent. in 1864-5-6 to 10 per cent. in 1867 and 1868, to 11 per cent. in 1869 and 12 per cent. in 1870, to 12 per cent. with a 4 per cent. bonus in 1871, 1872 and 1873.

In 1870 an Office had been opened in London, England, with an influential Local Board and on June 6th, 1871, Mr. King told his shareholders that they could not expect the large profits to continue. Those of the current year he stated to be due in large measure to the Franco-Prussian War and a disturbed state of the money market which made it impossible to use their funds to the greatest advantage. More money, however, was required to meet demands and, at a Special Meeting of shareholders on Jan. 9th, 1872, it was decided to issue new stock to the extent of \$2,000,000 at 25 per cent. premium and at the rate of one new share to three

old ones. It was very soon taken up. The President referred at this meeting to the easy availability of a large part of the Bank's funds, the necessity of sometimes using a portion, temporarily, outside of Canada and declared that: "The past success of the Bank of Montreal has been attributable in a great measure to the power of concentrating its funds at particular points when such concentration was desirable."

The paid-up Capital of the Bank at this period was greater than that of any other Bank in the British Empire with the exception of the Colonial Bank and the Bank of Bengal, the Bank of England and three other British institutions. At the annual meeting on June 3, 1872, it was announced that the Rest had been increased by another million, partly out of surplus profits and partly out of premiums on new Stock. A Resolution was unanimously approved to set aside \$10,000 for the purchase of a suitable Testimonial to Mr. King as "a grateful appreciation of his eminent services to the Bank." The Board at this period of great success (1872) included Mr. King, George Stephen, T. E. Campbell, Dr. G. W. Campbell, J. G. Mackenzie, Peter Redpath, Hon. Thomas Ryan, Henry Thomas and D. Torrance. At the annual meeting on June 2, 1873, the capital stock was increased by \$5,000,000 and it was announced by Mr. King that he was retiring from the Presidency and the Board of the Bank. The Bank's business during this stirring period was as follows:

Year.	Capital.	Rest.	Circulation.	Deposits.	Discounts.	Net Profits.	Total Assets.
	\$	\$	\$	\$	\$	\$	\$
1864..	6,000,000	700,000	2,576,649	7,796,453	12,006,408	485,421	17,356,898
1865..	6,000,000	700,000	2,276,645	9,113,320	11,424,334	492,920	18,378,894
1866..	6,000,000	950,000	3,087,881	10,927,836	10,454,435	773,050	21,245,017
1867..	6,000,000	1,250,000	988,286	11,198,831	11,021,526	906,079	19,787,499
1868..	6,000,000	1,500,000	411,172	12,043,535	12,807,359	902,410	20,350,591
1869..	6,000,000	2,000,000	275,971	14,424,983	12,505,682	1,120,979	23,106,143
1870..	6,000,000	3,000,000	217,147	19,972,342	14,469,005	1,079,926	29,605,627
1871..	6,000,000	3,000,000	182,683	19,122,603	14,711,796	1,262,352	29,143,553
1872..	7,000,000	4,000,000	3,116,037	17,335,769	18,138,480	1,273,988	33,353,610
1873..	11,000,000	5,000,000	3,364,295	13,777,322	22,485,991	1,820,813	35,252,614

With the coming of Mr. Torrance to the Presidency and Mr. Stephen to the Vice-Presidency and Mr. Angus to the more complete business management of the institution a new situation had to be met which up to and for a brief season after 1879, was one of continuous depression in the country. Several new Directors also came on the scene in 1873—Sir A. T. Galt, T. W. Ritchie, K.C., Edward MacKay and Hon. Donald A. Smith. Speaking at the annual meeting on June 1, 1874, President Torrance declared that "considering the intimacy of our relations with the United States it is a matter for congratulation that the Bank did not sustain any direct injury by the monetary panic which has pre-

vailed in that country and affected our own community during the Autumn of last year." Practically, however, the Bank in a time of severe depression had still made 12 per cent. upon its \$17,000,000 of capital and reserve fund. Mr. Angus on this occasion stated that the opening of Branches would be restricted and this policy remained in force until the development of the West in after years. The great function of the Bank, Mr. Angus added, was that of directing facilities "for the larger commercial operations of the country and of being the Banker of other Banks." Its progress in past years had "greatly depended upon holding available large sums of money to meet the larger operations of trade." The additional capital lately obtained was, he explained, to take the place of certain Government deposits which the Bank had long enjoyed at a moderate rate of interest. Mr. C. F. Smithers, and his administration of the Bank's affairs in New York during the United States panic, were specially commended and the Board was urged to aim at a Rest of 50 per cent. of the capital.

In the succeeding year low rates of interest prevailed in Canada and there was no profit in employing money in New York, the Canadian Lumber trade was prostrated, over-trading in various directions was meeting with its usual reward and, though the profits of 1875 would have permitted of a continued bonus, it was thought better to keep the reserves strong. At the annual meeting on June 7, 1875, reference was made to the increasing competition of Government Savings Banks, building societies, and new Banks, in the matter of obtaining deposits—which the Bank of Montreal had always declined to seek or accept at rates above the legitimate current figure. It was stated at this time that the shareholders of the Bank totalled 1,831 in number. At the 1876 annual meeting \$567,926 was reported at the credit of Profit and Loss Account for contingencies and Mr. Angus had to intimate (June 5) "a universal derangement of trade and extraordinary shrinkage in values." In 1877 the rate of interest on deposits, payable after notice, was reduced and other Banks followed suit. In this year the Bank first issued circular credits for the benefit of customers and shareholders travelling abroad. The contraction of business continued into 1878 and 1879 and profits were still further reduced. So great was the shrinkage in securities that it was necessary for the second and last time in the history of the Bank to make a call upon the Rest.

This year was also marked by the retirement of Mr. Angus to take charge of the financial management of the St. Paul, Minneapolis and Manitoba Railway and the accession of Mr. Smithers to office. At the same time Sir A. T. Galt retired from the Board. It is worthy of note that despite the financial difficul-

ties of this period the Bank had averaged a distribution of 13 per cent. annually to shareholders, upon a capital of \$12,000,000. During Mr. Smithers' management of two years the depression continued but with evidences of improvement at its close. In 1880 the discounts were reduced by \$7,000,000 and the dividend to 9 per cent. The bottom of the depression was now reached and in 1881 profits showed a large increase and the dividend which, in 1874, was 12 per cent. and a bonus of 2 per cent., in 1875 and 1876 14 per cent., in 1877 13 and in 1878 12 per cent., in 1879 10 per cent. and in 1880 9 per cent., was put at 8 per cent. with a bonus of 2 per cent. Mr. Stephen's retirement at this stage on account of his immense interests in the new Canadian Pacific Railway project, after ten years' service on the Board, made way for the promotion of Mr. Smithers to the Presidency and of Mr. W. J. Buchanan to the post of General-Manager. During this period of continuous national depression in trade and finance the Bank's business was as follows:

Year.	Capital.	Rest.	Circulation.	Deposits.	Discounts.	Net Profits.	Total Assets.
	\$	\$	\$	\$	\$	\$	\$
1874..	11,930,335	4,000,000	3,793,264	16,231,477	27,125,760	2,072,540	39,466,897
1875..	11,960,700	5,500,000	3,280,522	15,319,023	28,409,127	1,994,406	38,339,140
1876..	11,979,400	5,500,000	3,270,711	14,622,615	27,185,671	1,838,679	37,512,960
1877..	11,998,300	5,500,000	3,275,508	16,018,575	30,827,510	1,189,312	38,625,238
1878..	11,998,400	5,500,000	3,183,929	13,838,994	27,718,613	1,430,903	36,196,321
1879..	11,999,200	5,000,000	2,958,645	14,782,158	27,312,000	611,487	36,221,226
1880..	11,999,200	5,000,000	3,601,655	22,322,237	20,561,528	1,049,340	44,661,681
1881..	11,999,200	5,000,000	4,124,247	18,762,777	20,705,601	1,452,789	41,623,898

With the construction of the Canadian Pacific Railway, the opening up of the West, the encouragement of industrial production, came a new era to the Bank of Montreal as well as to the country. Dr. G. W. Campbell, the much respected Vice-President of the Bank, died in 1882 after 13 years of service on the Board and Mr. Redpath resigned his seat. The Hon. G. A. Drummond, in 1882, and Hugh McLennan and Hon. John Hamilton, in 1883, were elected Directors. In this latter year there was a severe stringency in the United States and a slighter one in Canada which, however, did not greatly affect the Bank's business and, at the annual meeting on June 2nd, 1884, the officials and Directors were able to congratulate themselves upon reaching the ambition of successive managements with a Rest of \$6,000,000 which was 50 per cent. of the paid-up capital. At the same time a Super-annuation scheme for officials was announced under which the old-time Annuity and Guarantee Funds Society, established in 1861 with 85 members and which now held accumulated profits of \$206,000, was to be superseded. An additional charge on the Bank of \$25,000 a year for five years, with a specific assessment on salaries, and interest on the \$206,000 in hand, were expected to meet the situation.

Another change had taken place in 1885 when the President was able to say that the profits were above the average of the past 9 years and that they were made despite a diminution of profits in New York and Chicago. Canada was now prosperous and growing but the Bank during these years appears to have pursued a very even policy and a business without striking variations so far as figures of circulation, deposits, discounts or profits were concerned. The dividend which, in 1882, stood at 9 per cent. and a bonus of 1 per cent. was 10 per cent. in 1883 and 1884. It was the same with a bonus of 1 per cent. in 1885 and 1886, and of 2 per cent. in 1887. Thence to 1891 inclusive it was 10 per cent. In his 1885 address to the shareholders Mr. Smithers once more put the Board's opinion on record in favour of securing the note issues of the Banks by the deposit of bonds with the Government. He also sounded a note of warning for both Canada and the United States against the over-building of railways while the Vice-President (Mr. D. A. Smith) drew attention to the great future of the North-West.

The death of Mr. Smithers in 1887 resulted in Sir D. A. Smith becoming President of what was now said to be the third largest joint stock Bank in the British Empire. Mr. Buchanan who, in a measure, had been Joint General-Manager, now assumed full charge. A branch was opened at Vancouver in this year and although no great Western extension was yet made that region was constantly referred to at the annual meetings of these and succeeding years as one of great future development. Meantime a new period of national depression was slowly evolving though in the Bank no change was made in dividends and little change showed in profits; its Profit and Loss Account, in 1888, standing at \$690,241. In 1890 the usual renewal of Bank charters took place and the Bank of Montreal opposed any suggestion of an official audit or Government inspection—maintaining the present system to be satisfactory to its shareholders—and the proposal of no practical value. In connection with the Government policy of 5 per cent. to be contributed annually by the Banks for the purpose of guaranteeing solvency of the note issue the first deposit of the Bank of Montreal with the Government was in 1892 and totalled \$135,000; in 1910 it was \$600,000. In 1891 a financial crisis in England and dullness in Canadian business caused a reduction in the Bank's net profits though the dividend was not affected. Savings Bank departments were opened in all the Branches of the Bank during this year and resulted in an immediate increase of interest bearing deposits—from 18 millions in 1891 to 28 millions in 1898. A branch was also opened at Victoria, B.C., and R. B. Angus was elected a Director as were Hon. J. J. C. Abbott and W. C. Macdonald in 1889. The McKinley legislation in the United States was a disturbing factor in business at this time. Meanwhile, ill-health had compelled Mr. Buchanan's retire-

ment in 1890 and Mr. E. S. Clouston, who for some time had been Joint General-Manager, was appointed his successor. The business of the Bank in the decade since 1881 had been as follows:

Year.	Capital. \$	Rest. \$	Circulation. \$	Deposits. \$	Discounts. \$	Net Profits. \$	Total Assets. \$
1882..	12,000,000	5,500,000	5,086,340	21,115,680	30,639,586	1,641,256	45,385,986
1883..	12,000,000	5,750,000	5,359,580	18,907,150	30,581,636	1,556,788	43,452,524
1884..	12,000,000	6,000,000	5,258,155	20,589,690	30,031,295	1,434,260	44,859,575
1885..	12,000,000	6,000,000	6,047,968	20,030,216	32,990,067	1,393,116	45,288,556
1886..	12,000,000	6,000,000	4,956,639	22,859,742	25,839,555	1,465,976	47,138,476
1887..	12,000,000	6,000,000	5,204,072	17,324,382	27,468,802	1,520,195	42,074,905
1888..	12,000,000	6,000,000	5,467,743	23,716,305	31,452,541	1,284,501	48,633,211
1889..	12,000,000	6,000,000	5,349,452	27,084,187	32,593,745	1,377,176	52,021,450
1890..	12,000,000	6,000,000	5,275,284	21,208,400	32,663,629	1,377,311	46,166,448
1891..	12,000,000	6,000,000	4,964,640	23,557,449	30,173,430	844,999	47,652,990

Mr. Clouston commenced his long term of prosperous management amid unfavourable conditions. The depression of some years came to a head in 1891-3 and lasted well into 1897-8. In his first annual address (June 1, 1891) Mr. Clouston reviewed financial conditions, denounced "a fever of borrowing" which seemed to prevail and advocated the establishment of a Court of Bankruptcy for the purpose of dealing with and winding up insolvent estates. In December, by a Canadian Order-in-Council, the Bank became Financial Agent of the Dominion Government in London. At the annual meeting on June 4, 1894, it was found that despite the prevailing and world-wide diminution of trade and contraction of credits, the Bank's profits were only \$12,500 less than those of 1893. It was pointed out at this time that while the Bank of England shares between 1880 and 1894 had increased in value by 25½ per cent., those of the London and County Bank 24½ per cent., and of the London and Westminster Bank 22 per cent., the shares of the Bank of Montreal had increased 59 per cent. The market price of the stock at this time was 225 per cent. or \$450 a share. By 1897 Mr. Clouston was able to state that though the financial future was still shrouded in uncertainty the clouds appeared to be lifting. In 1898 increased values for grain and general national development marked the commencement of better conditions.

Meanwhile A. F. Gault in 1894 and W. W. Ogilvie in 1895 had become Directors. At this time the Bank had 536 employees. On June 4, 1900, the General Manager was able to report that from every Province except British Columbia came statements of universal prosperity. Another million was added to the Rest and Mr. Drummond, Vice-President, told the shareholders that changed conditions since 1884 warranted a larger proportion of Rest to Capital. The total liabilities of the Bank to the public in the former year were \$25,941,000; they were now \$58,822,000. Obviously an increase was in order. In the succeeding period

of South African war the Bank contributed liberally to Imperial and Home organizations for the care of soldiers and their dependents. The business of the Bank during the first decade of Mr. Clouston's management was as follows:

Year.	Paid Up Capital. \$	Rest. \$	Notes in Circulation. \$	Deposits. \$	Loans and Discounts. \$	Net Profits. \$	Total Assets. \$
1892..	12,000,000	6,000,000	4,912,415	26,977,007	31,609,868	1,325,887	51,058,058
1893..	12,000,000	6,000,000	5,125,377	27,098,826	31,762,786	1,325,810	51,520,478
1894..	12,000,000	6,000,000	4,637,189	29,801,849	31,437,103	1,313,289	53,856,760
1895..	12,000,000	6,000,000	4,260,962	34,090,199	33,733,762	1,210,436	57,774,683
1896..	12,000,000	6,000,000	4,585,038	32,316,876	34,769,687	1,241,196	56,389,097
1897..	12,000,000	6,000,000	4,563,386	40,024,750	36,725,725	1,230,561	64,095,486
1898..	12,000,000	6,000,000	5,563,990	40,617,653	39,318,507	1,265,300	65,744,297
1899..	12,000,000	6,000,000	5,446,507	46,413,838	42,836,211	1,350,582	71,593,567
1900..	12,000,000	7,000,000	6,161,649	52,645,605	53,430,332	1,524,388	78,852,197
1901..	12,000,000	7,000,000	6,482,214	72,686,627	58,850,449	1,537,522	99,582,059

The year 1901 commenced the greatest period in the annals of the Bank of Montreal up to 1910. Like the country itself, it grew by leaps and bounds. Its total Assets increased by 120 millions, its deposits by 120 millions, its note circulation more than doubled, its loans grew by 90 millions. In the year when this progress began the Board of Directors was made up of Donald A. Smith, now become Lord Strathcona and Mount Royal, Senator G. A. Drummond, A. T. Paterson, R. B. Angus, E. B. Green-shields, A. F. Gault, R. G. Reid, Sir W. C. Macdonald and James Ross. In the matter of Branches a new period of expansion had commenced. In 1862 they numbered 29 and in 1886 only 31. After this they increased rapidly. Meantime a special meeting of shareholders in 1903 approved an increase of Capital by \$2,000,000 and this was issued at 70 per cent. premium. In this year, also, the old building was again re-constructed and the existing handsome and solid banking-house built. Branches were also opened at Edmonton, Indian Head, Brandon and other points and Mr. H. V. Meredith became Assistant General-Manager as well as Manager at Montreal. The profits of the year were the largest since 1876, when the Assets were 37 millions, as against those of 125 millions at this time. The date of the annual meetings was also changed to December and Mr. Clouston's speeches were now bright and optimistic—as were the national condition and outlook. On May 16, 1905, a special meeting of shareholders approved the purchase of the People's Bank of Halifax for \$1,150,000 of which sum \$1,012,000 was in 4,000 fully paid-up shares of the Bank of Montreal at \$253 per share, and \$138,000 in cash. By this step 24 new Branches were obtained with an established business at points where the Bank of Montreal was not represented. The value of the People's Bank stock at this time was about 140 per cent. and it was acquired for \$1.15. After 1905 the dividends of the Bank were paid quarterly. The increase and distribution of Branches during this period was as follows:

BRANCH EXPANSION—1886-1910.

Year.	Ontario.	Quebec.	Maritime Provinces.	North-West.	British Columbia.	Outside of Canada.	Total.
1886.....	21	2	4	2	None.	2	31
1903.....	26	5	8	5	8	2	54
1905.....	27	17	24	14	12	2	96
1910.....	51	22	25	26	20	7	151

At the annual meeting in December, 1905, the appointment of an Hon. President was authorized and Lord Strathcona appointed, after having acted as President for 18 years. Mr. Drummond was promoted to the Presidency and Mr. Clouston became a Director and Vice-President as well as General-Manager. The Hon. Robert MacKay was also elected to the Board and a By-law passed increasing the number of Directors to 10. In 1906 26 new Branches were opened in Ontario through the taking over of the business of the Ontario Bank and on Dec. 3rd Mr. Clouston explained the Bank's policy in this connection: "When in October the deplorable condition of the Ontario Bank was submitted for the consideration of a number of Bankers it was thought best in the interests of all concerned that the Bank should be liquidated and with the view of allaying an excitement which would probably be detrimental to the interests of the commercial community, generally, it was decided that this Bank should undertake to assume all the liabilities of the Ontario Bank—a guarantee being subsequently given by the other Banks in the event of the Assets being insufficient to discharge the liabilities. This Bank is also a party to the guarantee and we have agreed, in addition, to pay \$150,000 for the good-will of the business."

During 1907 D. Morrice and Sir T. G. Shaughnessy were added to the Board and in 1908 C. R. Hosmer and in 1909 A. Baumgarten. At the 1907 (Dec. 2) annual meeting Mr. Clouston spoke of the coming stringency and advised general retrenchment. Very largely this advice was followed and, with the cautious policy of other Banks, prevented any serious Canadian trouble during the ensuing collapse of credit and depression in the United States. Upon the Bank's policy regarding Call and Short Loans abroad he spoke in words which are self-explanatory: "Every dollar of this money is loaned on Call at short date upon the most ample security. It constitutes a part of the Reserves of Canadian Banks. If to-morrow we were to call in the whole of our loans of this class, which are at all times immediately available, the merchantile public of Canada would derive absolutely no benefit from the action. Being a portion of our Reserves the choice given the Bank is between retaining the money unproductive in its vaults or lending it at Call upon interest in foreign financial centres." In the Autumn of 1908 Mr. E. S. Clouston, Vice-President and General Manager of the Bank was created by the King a Baronet of the United Kingdom.

The Deposits of the Bank in 1909 increased by \$36,000,000 largely through money coming to Canada from Great Britain. In December of this year Sir Edward Clouston issued a warning against the tendency to speculate in real estate which was visible in certain parts of Canada and which he described as a form of gambling certain to bring disaster. In 1910 Sir George A. Drummond died, after 28 years' service on the Board, and Mr. R. B. Angus succeeded to the chair of the institution whose business interests he had once managed and so long promoted. Mr. H. V. Meredith became a Director while maintaining his post of Assistant General-Manager. The other members of the Board at this time were Lord Strathcona, Hon. R. MacKay, Sir W. C. Macdonald, A. Baumgarten, D. Morrice, E. B. Greenshields, C. R. Hosmer, Sir E. S. Clouston, Bart., Sir T. G. Shaughnessy and James Ross. At the annual meeting in December, 1911, Sir Edward S. Clouston resigned the General-Managership of the Bank, and was succeeded in that position by Mr. H. V. Meredith. The figures of the Bank's business during this period of great and almost unbroken prosperity will afford a fitting conclusion to this narrative:

Year.	Paid Up Capital.	Res.	Notes in Circulation.	Deposits.	Loans, Dis- counts and Call and Short Loans.	Net Profits.	Total Assets.
	\$	\$	\$	\$	\$	\$	\$
1902	12,000,000	8,000,000	7,007,321	86,825,633	92,432,051	1,601,152	114,670,653
1903	13,379,240	9,000,000	7,968,972	93,397,919	98,810,535	1,813,483	125,548,110
1904	14,000,000	10,000,000	10,925,689	94,794,412	105,803,937	1,609,207	131,166,768
1905	14,000,000	10,000,000	8,206,795	101,508,477	107,449,360	1,638,659	135,124,452
1906	14,400,000	11,000,000	12,036,097	129,901,450	140,224,231	1,797,976	168,001,173
1907	14,400,000	11,000,000	12,500,549	126,138,157	136,063,168	1,980,138	165,234,768
1908	14,400,090	11,000,000	10,492,869	130,097,538	135,220,973	1,957,658	167,357,600
1909	14,400,000	12,000,000	10,455,537	170,238,174	162,573,478	1,826,167	207,938,998
1910	14,400,000	12,000,000	11,959,522	194,942,370	183,538,917	1,797,992	234,438,315
1911	14,887,570	15,000,000	15,914,654	181,725,815	163,655,837	2,276,518	229,920,420
April 30th—Half Year							
1912	16,000,000	16,000,000	14,018,850	192,851,680	174,440,038	1,236,339	240,222,955

