THE MERCHANTS BANK OF CANADA.

To the notable addresses made by Canadian bankers during recent months dealing with the current financial and trade position must be added that of Mr. E. F. Hebden, general manager of the Merchants' Bank of Canada, to the shareholders of that institution at the recent annual meeting. Mr. Hebden ably outlined the various measures which were promptly taken both in Canada and elsewhere to counteract the financial crisis of an unexampled magnitude which arose as a consequence of the threatening, and subsequently the outbreak, of the European war. He added his testimony to the statesmanlike character of the measures taken by the Minister of Finance in consultation with leading financial authorities. "The prompt action by the Cabinet," said Mr. Hebden, "was an important factor in allaying anything like apprehension concerning the banking institutions of this country, and as such was a great hold-back against unforeseen contingencies that might easily have arisen." At the present time, trade and business are not active, though war orders have greatly stimulated certain special lines. Crop prospects are unusually promising, and the outlook is at least encouraging for Western interests. But, pointed out Mr. Hebden, there are still some serious financial problems to be reckoned with. The enormous and increasing expenditures of the Canadian Government upon the war mean growing debt and more taxation, which is inevitable.

"The success we reckon upon," he said, "will cost us much, and the simple life we would hear nothing of a year or two ago, is no longer optional with us, but imperative. People are accommodating themselves to more self-denial and more careful spending. They are wise, for when the time of pressure comes the strain will be the less upon them. Our main source of dependence is from our natural resources. The trade and business end must take its cue mainly from these. If we have a bountiful harvest it will help us a long way on our road, but not all the way; the need for careful going will continue."

These grave and weighty words deserve careful attention, particularly in quarters where apparently it is not yet thoroughly realised that extravagance of expenditure at the present time—or even a carelessness in spending—is essentially an unpatriotic action, and that a great national movement of thrift, both public and private, is urgently required to back up force of arms.

THE BANK'S BALANCE SHEET.

The policy which the Merchants' Bank has followed since the outbreak of war has been the strengthening of its own position by slowly drawing in, without embarassing the business community. The result of this policy is reflected in the current balance sheet, which discloses an extremely strong cash position. Including a deposit of $1,000,000 in the Central Gold Reserve, which has no claim against it on account of excess circulation, the Bank held at April 30 in specie and Dominion notes $16,425,949, giving the high proportion of 22.9 per cent. of actual cash holdings to liabilities to the public which are $71,769,614. These cash holdings have been much more than doubled in comparison with last year, when they were reported as $7,856,405, a proportion of 11.4 per cent. to liabilities to the public. Total quick assets, including the deposit in the Central Gold Reserve, are $33,086,571, a proportion of 44.6 per cent. of liabilities to the public, against $24,923,404, a proportion of 36.3 per cent. last year.

Total deposits show an increase of about $3,500,000 from $59,256,044 to $62,729,163. Foreign call loans have been reduced by nearly $3,000,000 and current loans are down over six millions from $53,784,690 to $47,502,099. Total assets are $86,190,464 against $83,120,741.

The following is a comparison of the leading items of the balance sheet for the last two years:—

	1915	1914
Capital Stock	$ 7,000,000	$ 7,000,000
Rest	7,000,000	7,000,000
Circulation	6,204,069	5,597,714
Deposits (not bearing interest)	12,692,061	13,309,394
Deposits (bearing interest)	50,037,102	45,946,650
Total Liabilities to Public	71,769,614	68,696,518
Specie and Legals	*16,425,949	7,856,405
Call Loans abroad	964,193	3,770,117
Total of Quick Assets	*33,086,571	24,923,404
Current loans and discounts	47,502,099	53,784,690
Total Assets	86,190,464	83,120,741

* Including $1,000,000 Deposit in Central Gold Reserve.

EARNING POWER.

The conservative policy followed by the bank has naturally had an effect upon net profits which for the year are reported as $995,432 against $1,218,694 in the previous year. A balance of $248,134 brought forward makes the total available on this account $1,243,566. The 10 per cent. dividend absorbs $700,000; $32,500 is allocated to patriotic and philanthropic objects; the war tax on note circulation absorbs $15,926; $250,000 is written off for depreciation in bonds and investments, and a balance of $245,141 is carried forward.

With regard to the outlook in regard to earnings, Mr. Hebden wisely remarked that earnings on a normal scale under present circumstances could not be attained without undue risk. Until the war is over and the process of recuperation and reconstruction has been entered upon, the Bank's policy must continue to be one of caution, of content with earning the dividend and keeping assets adjusted to current values. Shareholders generally will agree with this policy, which is in the interests not only of the Bank itself, but of the country at large. It has meant a good deal for Canada in the past twelve months that there have been at the head of its banking institutions men of matured judgment and ripe experience, and the fact that they continue in office gives confidence in meeting the problems which still lie before us.

THE BANK'S FOREIGN DEPOSITS.

The total of the bank's foreign deposits at the end of April—$104,200,000— is the highest shown in the past year, writes a correspondent, but not quite equal to the balance during the early months of 1914. This item is connected closely with the flotations of new Canadian securities in New York and London. As New York has been taking the greater part of Canada's new bonds and debentures, the natural presumption is that much of the increase in amount of deposits outside Canada occurred at that centre. However, financial developments here and abroad are running along such abnormal lines that one cannot be sure as to the factors which have produced the increase in deposits of the foreign branches. It may be the case that the increase has been brought about to a considerable extent through increase of the balances established in London for the use of the purchasing agents and representatives of the Allied governments.