

ASSETS....

Current Coin	\$ 4,890,061.36	\$ 4,766,438.82
Deposit in the Central Gold Reserves	6,000,000.00	3,500,000.00
Dominion Notes	5,912,092.50	7,650,790.50
Cheques on other Banks	893,076.00	793,307.00
Cheques on other Banks	5,311,786.12	5,674,828.67
Balances due by other Banks in Canada.....	4,704.37	2,635.33
Balances due by Banks and banking correspondents in the United Kingdom.. ..	82,580.53	61,225.79
Balances due by Banks and banking correspondents elsewhere than in Canada and the United Kingdom	1,357,843.03	2,418,100.10
Dominion and Provincial Government securities, not exceeding market value.....	5,435,464.66	3,862,507.19
Railway and other Bonds, Debentures and Stocks, not exceeding market value...	4,060,204.70	3,964,251.24
Canadian Municipal Securities, and British, Foreign and Colonial public securities other than Canadian	14,589,065.54	11,263,196.20
Call Loans in Canada on Bonds, Debentures and Stocks.....	5,223,953.88	4,627,863.57
Call loans elsewhere than in Canada	3,906,648.93	3,461,420.47
	<hr/>	<hr/>
	\$ 57,667,481.62	\$ 52,041,624.88
Current Loans and Discounts in Canada (less Rebate of Interest).....	76,194,016.15	62,737,958.74
Current Loans and Discounts elsewhere than in Canada (less Rebate of interest....	339,387.29	377,582.42
Liabilities of customers under letters of credit as per contra.....	593,851.20	411,806.78
Real Estate other than bank premises.....	312,928.11	294,197.07
Overdue debts, estimated loss provided for.....	272,226.60	149,039.68
Bank Premises, at not more than cost, less amounts written off.....	4,886,438.98	4,617,400.23
Deposit with the Minister for the purposes of the Circulation Fund.....	355,000.00	375,000.00
Other Assets not included in the foregoing.....	310,615.02	125,949.02
	<hr/>	<hr/>
	\$140,937,544.97	\$121,130,559.82

K. W. BLACKWELL,
Vice-President.

E. F. HEBDEN,
Managing Director.

D. C. MACAROW,
General Manager.

Report of the Auditors to the Shareholders of The Merchants Bank of Canada.

In accordance with the provisions of sub-Sections 19 and 20 of Section 56 of the Bank Act, we report to the shareholders as follows:

We have examined the above Balance Sheet with the Books of Account and other records at the Chief Office of the Bank and with the signed returns from the Branches and Agencies and have checked the cash and verified the securities of the Bank at the Chief Office against the entries in regard thereto in the books of the Bank at 30th April, 1918, and at a different time during the year and found them to agree with such entries. We also attended at some of the Branches during the year and checked the cash and verified the securities held at the dates of our attendances and found them to agree with the entries in regard thereto in the books of the Bank.

We have obtained all the information and explanations we have required. In our opinion, the transactions of the Bank which have come under our notice have been within the powers of the Bank, and the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Bank.

VIVIAN HARCOURT,
GORDON TANSLEY,

Auditors.

(of the firm of Deloitte, Plender, Griffiths & Co.)
Montreal, 23rd May, 1918.

* In moving the adoption of the Report the Chairman, after referring to the features of the Annual Statement, continued, in brief:

"Some strange doctrines have recently taken possession of the minds of many people on this subject. It is a phase of the war excitements," he said.

"I am enthusiastic on the subject of fair play towards Vested Interests," he continued. "You and I, gentlemen, as bankers, and bank shareholders, are the natural guardians of Vested Interests.

"We must argue against and oppose the mischievous propaganda of unthinking and illogical people. They will tell you that this is a socialistic age and complain that banks and large capitalists are banded together to keep on amassing wealth to the detriment of the conditions of the general community.

"We may answer this in saying most truthfully that banks themselves are absolutely socialistic in their methods. They accept money from those who have it, and lend it to those who need it and can use it safely.

"The great resources of any large bank belong mainly to its depositors, its own capital being, comparatively speaking, quite insignificant, nor do its depositors belong to any one particular class. It is a careful trustee of millions of dollars belonging to all classes.

"In our case, for example, the large total of our deposits and current accounts belong to so many thousands of individuals that the average holding is only about \$500.

"Surely such depositors are not capitalists! Therefore, it would be most unfair to accuse us of being prejudiced in favor of great capitalists.

"The cost of the war is being paid for out of the savings of past years, and is now in some countries nearly approaching the limit of exhaustion, and the question of how interest charges are to be met, engages the deepest attention of all classes. Here again the treatment of Vested Interests must be carefully guarded against unwise and wanton action; when we hear people talk about the conscription of wealth and levy on capital in a vague and indefinite way we realize that this might be pushed to a limit that would break down the whole financial fabric."

He went into a discussion of what so-called conscription of wealth meant and the impossibility of turning property into cash as very little individual wealth was composed of cash.

"Vested Interests," he added, "are also threatened from another quarter. We, in this young country, must guard them against the free trader. I am not going into politics here, but the fact cannot be overlooked that amongst the agricultural community there are many who are favorable to taking down the tariff bars, in order to cheapen articles that enter into their own daily use, without thinking of the consequences, they don't seem to realize that if they disturb the present equilibrium of tax distribution, a greater share of the taxation must undoubtedly fall upon their own shoulders."

He concluded with an appeal to the public for fairer treatment of vested interests.

In seconding the adoption of the Report, Mr. Thomas Long then said:

It is a great pleasure to me to be invited to second the adoption of the Annual Report, which has been presented by the Vice-President. I am sure that as stock-holders we are all pleased and delighted to see the substantial growth that has taken place within the past few years in the volume of business transacted by this Bank. That this progress is still continuing is apparent by the report we have just heard, so that we may look forward to the future with both hope and confidence. (Applause.)

After remarks by Mr. Percival C. Elgee and Mr. R. Campbell Nelles, the Annual Report was unanimously adopted.