Balances due to Canadian Banks keeping deposit Accounts with the Merchants Bank......		451,527 12
Balances due Canadian Banks in daily Exchanges		36,128 93
Balances due to Banks in Great Britain		521,719 56
Dividends unclaimed...........		5,616 24
Dividend No. 33, payable 1st June		200,374 14
Total Liabilities to the Public.		12,234,408 36
Capital paid up...		5,724,976 64
Rest...........		1,375,000 00
Contingent Fund		150,000 00
Balance carried forward to Profit and Loss Account of next year................		7,566 71
		$19,491,951 71

Assets.

Gold and silver coin.....		427,589 34
Dominion notes on hand.........		644,022 00
Notes and cheques of other Canadian banks on hand.............		680,947 29
Balance due by other Canadian banks in daily exchanges		80,352 08
Balances due by Agencies of the Bank in the United States, and by United States National banks............		321,844 60
Dominion Government bonds		856,250 00
Call and short loans on bonds and stocks......		1,220,466 00
Total available assets............		3,631,471 31
Time loans on bonds and stocks............	671,246 78	
Other loans, discounts, and advances on current account............	14,200,814 75	
Other loans, discounts overdue and not specially secured (loss provided for in contingent fund)......	126,973 36	
Other loans, discounted overdue secured....	124,528 19	
		15,123,563 08
Mortgages, bonds and other securities, the property of the bank..............		161,025 24
Real estate—productive..........	40,343 88	
Real estate—unproductive......	94,774 65	
		135,118 53
Bank premises, fittings and furniture........		430,000 00
Other assets not included under the foregoing heads............		10,773 55
		$19,491,951 71

G. HAGUE, *General Manager.*

The President then moved :—

That the report of the Directors, as submitted, be and the same is hereby adopted and ordered to be printed for distribution amongst the stockholders.

Mr. Robert Anderson seconded the motion.

The President said—Gentlemen, as the General Manager will address you at some length, it will not be necessary for me to say anything, and before asking any questions of the General Manager or of the Board, I would ask Mr. Hague to make his remarks now.

THE GENERAL MANAGER'S ADDRESS.

Before making any general remarks, I will correct a misapprehension which has arisen with regard to the Contingent Fund of the Bank. It is assumed by some that the amount written off from this Fund has been lost during the present year. This is not the case. In order that it may be understood I will explain the origin and use of the Fund.

In our periodical review of the assets of the Bank, it is incumbent upon us to consider the position of Insolvent Estates and other Doubtful Debts. The estimating of the outcome of these matters, whether they be many or few, is a difficult task. It is impossible to arrive at absolute certainty. But after hearing all that can be said by our managers, we come to a conclusion that a certain sum represents the doubtful element in each case. When debts have become finally bad we have an absolute certainty, and write them off our books. But for doubtful debts, we make an estimate, and put aside a certain sum from the profits of a given year for the purpose. Now this sum so appropriated may be dealt with in two ways. We may cut down the amount of the debt itself by this sum ; or we may allow the debt to stand at its original amount and place the sum named to a special account called "Contingent Account." We call it this because, while it is known that there are doubtful elements attaching to certain debts, the exact amount of the ultimate loss is not known at the time.

The "Contingent Fund" of the Bank has therefore arisen in this way. During the last few years when a failure occurred or property came into our hands, we have estimated its doubtful quality at so much money, and taken that amount from the profits to meet the contingency. This sum has varied from one year to another, as you may have noticed by our reports.

At the end of last year the Contingent Fund had amounted to $300,000. This sum was not a mere guess, but represented the total of careful calculations.

You will understand then that there existed a year ago certain matters which we estimated to be doubtful to this amount. Had it not been so this $300,000 would have been added to the "Rest" of the Bank. What then has transpired during the present year? Some Insolvent Estates of a year ago, have been wound up, and some former debtors have been finally discharged. The loss on these, instead of being an uncertain element as it was a year ago, has now become certain, and we have changed these matters against the Fund to which they properly belong. All this had nothing to do with the working of the Bank during the present year. Whether we made more this year, or made less, had not the slightest bearing on the working of the estate represented by our last year's Contingent Fund. Nor will our future profits have anything to do with the remaining $150,000. For this sum represents that amount of debts of former years known to be doubtful which we still have to work out.

In dealing with such matters this year we have not followed the plan of former years, but have cut off at once from any debt its doubtful element. To do this has taken a large amount of money out of the profits. But it has been done and it has left us, as you have heard, with the sum of $533,000. Out of this $533,000 we have paid you 7 per cent dividends. The greater part of the residue—viz., $135,000, has been transferred to the Reserved Fund of the Bank. If we were a private firm this would be added to our capital.

This $125,000 is not near as much as we would like to have realized. We could have wished it twice as much, or three times as much, for we all desire to build up that Fund to a large amount. But you cannot expect such things in times like these. There were two years in which additions on the Rest were made very fast. From 1881 to 1883 the rest increased from $500,000 to $1,150,000. Now we are compelled to go slowly. But we do desire to go securely and what we build, whether much or little, to build solidly.

The result of the year's business must be taken in connection with the times we have been passing through. It is in times like these the losses of the Banks run up to higher figures than the average, especially with Banks that have numerous Branches and are spread over large tracts of country. Our profits have kept up as well as any friend of the Bank could expect. We have on the whole a very good business, though it is not as large as we could wish in some quarters. And in my judgment it is steadily improving. The Bank is well established and has a good circle of customers. But our expenses are large, though constant watchfulness is exercised over them, and economy is enforced at all points. But we cannot diminish our expenses in difficult times in the ratio in which profits decrease. Our expenses are now as much as they were when we earned $100,000 a year more than we do now. And they cannot be made less. When business revives and its volume is increased, we shall have the satisfaction of conducting it with little if any increase in expense. And the exceptionally heavy expenses of carrying on business in Manitoba will gradually assume reasonable proportions.

Hard as the times have been, it is a satisfaction that no general revulsion has overtaken the community, if we except that which has apparently just spent its force in Manitoba. The prudent warnings, given in influential quarters some time ago, both in person and through the press, were successful in stopping the tide of inflation. We have passed through a year which has consisted in great part of check and restraint in all quarters. This is always a difficult and unpleasant process ; but its end is salutary.

We have had in Canada during the present year what might have become a great banking disaster. The Bank, itself, was saved, yet with the collapse of a system of management which set the rules of prudence at defiance and maintained a style of competition that did grave injury, not only to other Banks, but to the community. This, and other indications, point to the desirableness of united action amongst the Banks generally, such as prevails in Scotland, London and New York, to the great advantage both of the Banks and the public.

Experience shows that imprudent Banking does serious damage to the mercantile community. The lavish lending of money without proper regard to security is not a benefit but an injury to all parties.

When a Bank loses millions of money, it simply means that large numbers of its customers have been ruined. In a majority of cases (and I now speak from experience) they have been ruined by being able to borrow too freely from the Bank. A prudent Bank would have kept them in check and saved them. Some of this imprudence in lending money results from the foolish way in which competition is carried on. Competition there must be; but it is certainly not wise for a Bank Manager to be constantly begging people to come and borrow the money entrusted to him to lend. I do not think the Banks, as a whole, have made a dollar of profit by money so