

MERCHANTS' BANK OF CANADA.

REPORT OF THE DIRECTORS

*To be presented at the Annual Meeting of the Stockholders, on Wednesday, the
19th day of June, 1878.*

The Directors of THE MERCHANTS' BANK OF CANADA beg to lay before their constituents the usual ANNUAL REPORT.

The Stockholders are aware that during the year events have transpired of a character to affect the whole future of the Institution.

First in importance is the legislation by which the Capital Account of the Bank has been re-adjusted.

The main object of this was to place the Capital on a permanently solid basis, and enable Dividends to be at once resumed, with a sufficient margin for a Rest and Contingent Fund. These objects have been successfully accomplished; and though it was deemed desirable by Parliament to proceed further than was indicated by the petition of the Stockholders, it should be remembered that legislation has not in reality either taken from, or added to the Assets of the Institution.

These are now, and have been throughout, precisely what they would have been had no legislation taken place. To preserve these Assets, to improve and increase them, and to develop the business to the utmost, for the advantage of the Stockholders, has been the constant aim of the Directors and Executive of the Bank during the year.

In this endeavour, though they have had great difficulties to contend with, in common with all Banking Corporations, owing to the continued depression of every leading interest of the country, there has been considerably more of success than was looked for a year ago.

The position of the Bank has been improved in several important respects; heavy encumbrances that then impeded the working of its business have been removed; profitable accounts have been cultivated, and valuable connections formed, both in Canada and abroad. And though it was necessary last year to pursue a policy of severe curtailment, the Directors steadily kept in view the importance of guarding the interests of their mercantile customers, the result of which has been that the process was carried out without the sacrifice of a single valuable account.

It being necessary that the Agency of the Bank in London should be closed, the General Manager proceeded to England for the purpose. While there, he succeeded in making arrangements with one of the leading Banks in Scotland (The Clydesdale Banking Company), by which almost every facility was secured that could have been afforded had the Agency been continued. At the same time, he effected a disposal of the whole amount of the Bonds of the Province of Quebec then in the hands of the Bank.

The business of the Bank in New York has been placed on an economical basis, the senior members of the firm of Messrs. Jesup Paton & Co. undertaking its supervision.

In conducting the active business accounts of the Bank, the Board has proceeded with the caution required by the times and by past experience.