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THE MERCHANTS BANK OF CANADA.

The address made by Mr. E. F. Hebden, general manager of the Merchants Bank of Canada, at the annual meeting of shareholders on Wednesday, contains much that is suggestive to those who seek to view clearly and understand rightly economic conditions in Canada at the present day, and the outlook. Mr. Hebden laid stress on the advisability, and even necessity, of visualising in advance, problems the solution of which, after the war, will be compulsory. This point is well taken. The British mind is apt to lean towards improvisation rather than scientific preparation as a means of accomplishment, and while wonders have been achieved in many fields of activity through British improvisation, it would be idle to pretend that penalties have not been suffered and achievements long deferred as a result of failure to follow the intellectually harder way of scientific preparation. In this connection, Mr. Hebden referred especially to the two problems of repatriation of returning troops and to the employment of the labour released from the making of munitions at the close of the war. He suggested practical and reasonably attractive land settlement schemes as a possible solution of the one problem and the encouragement of steel ship-building as an aid in the fresh settlement of released labour—both matters of first-rate importance concerning which, whatever decision may be arrived at eventually, it is important that adequate and careful consideration should be given.

Regarding present-day developments, Mr. Hebden spoke hopefully. While, except in certain well-known lines, our industrial efforts are mostly being directed at present towards the manufacture of munitions—a situation that will probably last for another year or two, in the meantime the farmers are creating a position of strength and purchasing power that "will make glad the heart of the manufacturer and trader when later the sword is beaten into the pruning-hook." The enlightened policy of encouragement of agriculture that has been followed by the Dominion and provincial governments and by the banks is producing excellent results, with the consequence of a liquidation of indebtedness and creation of new working capital on an extensive and most promising scale.

THE BANK'S BALANCE SHEET.

Thanks to the increasing and justified confidence of depositors, the Merchants Bank is gradually

moving into the ranks of the Canadian banking institutions having assets of one hundred million dollars. Deposits last year showed an aggregate increase of over \$9,500,000, non-interest-bearing deposits increasing from \$12,692,061 to \$17,181,959 and interest-bearing deposits from \$50,037,102 to \$54,995,070. Circulation at April 29th was \$7,486,906 against \$6,204,069. As explained by Mr. Hebden at the annual meeting, the Bank's policy during its fiscal year has been to keep very strong in cash and in immediately available resources. While holdings of actual cash are somewhat lower than in the previous year, this decrease is more than accounted for by a fall in the amount of Dominion notes held, the current coin in the Bank's possession being practically a million more than in 1915. The Bank has largely increased its security holdings during the year, investments in Dominion and Provincial Government securities being now returned as \$2,480,447 against \$583,998 a year ago, while Canadian municipal securities and British, foreign and colonial public securities are \$5,251,321 against \$903,667. Canadian call loans show a very substantial increase at \$5,175,048, against \$3,606,343 a year ago, while foreign call loans have nearly tripled at \$2,651,404. Bank balances abroad also show a marked advance at \$4,099,253 compared with \$2,232,656. The growth of American balances is responsible for this increase, balances in the United Kingdom having declined by fully \$800,000 during the period. Total liquid assets are \$40,960,487, a proportion of 50 per cent. to the liabilities to the public compared with 44.6 per cent. a year ago. Current loans and discounts show an advance of \$1½ millions to \$49,038,691.

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

	1916.	1915.
Capital Stock.....	\$ 7,000,000	\$ 7,000,000
Rest.....	7,000,000	7,000,000
Circulation.....	7,486,906	6,204,069
Deposits (not bearing interest)...	17,181,959	12,692,061
Deposits (bearing interest).....	54,995,070	50,037,102
Total Liabilities to Public.....	81,934,836	71,769,614
Specie and Legals.....	*12,788,094	*16,425,949
Bank Balances abroad.....	4,099,253	2,232,656
Call Loans abroad.....	2,651,404	964,193
Total of Quick Assets.....	40,960,487	33,086,571
Current loans and discounts.....	49,038,691	47,502,999
Total Assets.....	96,361,363	86,190,464

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

Necessarily, the policy followed by the Bank does not make for large profits but it was indicated that earnings improved in the last quarter of the Bank's fiscal year and that they should continue to improve. Profits for the year ended April 29th were \$950,713, compared with \$995,432 in the preceding year, and equal to 6.79 per cent. on the paid-up capital and rest combined. A balance of \$245,140 brought forward makes the total available on this account \$1,195,854. The 10 per cent. dividend absorbs \$700,000; \$27,000 is allocated to patriotic and philanthropic objects; the war tax on note circulation absorbs \$67,870; \$150,000 is transferred to contingent fund and the slightly increased balance of \$250,984 is carried forward. Mr. K. W. Blackwell, the Bank's vice-president, intimated at the annual meeting that the directors' aim is "to keep the Bank strong, not only in the interest of the public and shareholders but also so that it may be able to do its proper share in upholding the financial welfare of Canada and the Empire." The aim is a worthy one.