

MERCHANTS BANK OF CANADA.

Satisfactory Statements of the Past Year's Business.

THE OUTLOOK CONSIDERED.

Mr. Hague Discusses the Commercial Situation and the Lessons to be Drawn Therefrom.

The annual general meeting of the shareholders of the Merchants Bank of Canada was held in the Board room of that institution yesterday, at noon, when there were present Messrs. Andrew Allan, president, in the chair; Jonathan Hodgson, John Cassils, James P. Dawes, Sir Joseph Hickson, Hector Mackenzie, H. Montagu Allan, T. H. Dunn (Quebec), James O'Brien, John Morrison, Michael Burke, J. F. Doran, W. B. Francis, Murdoch McKenzie, H. J. Hague, T. D. Hood, J. Y. Gilmour, John Crawford, J. H. R. Moxon, Capt. Benyon, Capt. Jos. Ritchie, John Stirling, James Moore, Geo. Smith, Rev. R. H. Warden, Thomas Baird (Oranstown), M. S. Foley, J. P. Cleghorn, Richard White, F. S. Lyman, Q.C.

The proceedings were opened by the President taking the chair and requesting Mr. John Gault to act as secretary.

The President then submitted the following report of the Directors:

THE DIRECTORS' REPORT.

The Directors of the Merchants Bank of Canada beg to present to the Stockholders their usual Report of the business of the Bank during the past year.

Notwithstanding the fact that the circulation of the Bank has shown a considerable shrinkage, along with that of the other Banks of the Dominion, and that the deposits not bearing interest have somewhat declined, the profits finally realized have been such as to enable the sum of \$100,000 to be added to the Rest, thus making it equal to half the capital, and also to enable full provision to be made for rebate on current discounts. This result the Directors trust will be satisfactory to the Stockholders.

The net profits of the year after payment of interest and charges, and deducting appropriations for bad and doubtful debts, have amounted to.....\$630,903 49
Balance from last year.....13,961 79
\$644,865 28

This has been disposed of as follows:—

Dividend No 50, at rate of 7 per cent. per annum.....\$210,000 00
Dividend No. 51, at rate of 8 per cent. per annum.....240,000 00
Added to rest.....\$450,000 00
Reserved for rebate (in full) on bills discounted.....100,000 00
Carried forward to Profit and Loss Account of next year.....89,437 00
5,428 28
\$644,865 28

The condition of financial matters in the United States, which was referred to in the last Annual Report, became gradually more serious, until the repeal of the Sherman Silver Act brought about a partial restoration of confidence. Matters, however, are still very unsettled, and the business of our New York office has been much interfered with in consequence.

The Board have thought it prudent to pursue a policy of caution and retrenchment during the year, especially in the Northwest, where deficient harvests in certain districts, and low prices for wheat and cattle generally, have rendered it difficult to be more than ordinarily careful.

It became evident, as the year progressed, that the profits of the Bank would admit of the Rest being increased to half the Capital. The Board, therefore, concluded that the time had come for an increased distribution of profits amongst the Stockholders, and declared a dividend at the rate of eight per cent. per annum for the second half year.

The Branches of the Bank have all been inspected, and the various officers of the Bank have discharged their duties with regularity and fidelity, and to the satisfaction of the Board.

The whole respectfully submitted.

(Signed) ANDREW ALLAN,
President.

STATEMENT OF ASSETS AND LIABILITIES AT 31st MAY, 1894.

LIABILITIES.		Last Year.
1.—To the Public.		
Notes in circulation.....	\$ 2,259,012 00	\$ 2,665,932 00
Deposits not bearing interest.....	\$2,388,260 32	2,748,536 91
Deposits bearing interest.....	7,362,037 42	7,359,732 20
Interest due thereon to date.....	68,728 88	76,127 27
	\$ 9,819,926 62	
Balances due to Canadian Banks keeping deposit accounts with this Bank.....	536,273 04	757,472 97
Balances due to Canadian Banks in daily exchanges.....		2,030 19
Branches due to Agents in Great Britain.....	665,769 44	709,300 13
Dividend No. 51.....	240,000 00	210,000 00
Dividends unclaimed.....	1,083 59	1,526 00
	\$13,543,664 60	\$14,530,657 67
2.—To the Stockholders.		
Capital paid up.....	\$ 6,000,000 00	\$ 6,000,000 00
Reserve.....	3,000,000 00	2,900,000 00
Contingent account.....	56,480 00	86,320 00
Balance of Profit and Loss Account carried to next year.....	5,428 28	13,961 79
	\$22,605,572 88	\$23,530,939 46
ASSETS.		
Gold and silver coin on hand.....	\$ 338,406 32	\$ 290,572 60
Domestic notes on hand.....	1,000,942 00	781,397 00
Notes and cheques of other Canadian banks.....	575,217 37	592,935 33
Balances due by other Canadian banks in account and daily exchanges.....	72,674 71	96,495 78
Balances due by banks and agents in the United States.....	206,247 02	625,916 64

Dominion Government bonds.....	1,078,132 45	1,078,132 45
Provincial Government bonds.....	59,312 49	
Railway and municipal debentures.....	264,199 23	263,076 90
Call and short loans on bonds and stocks.....	912,918 85	827,495 85
Total assets, immediately available.....	\$ 4,558,950 44	\$ 4,556,022 55
Time loans on bonds and stocks.....	231,286 00	144,425 00
Other loans and discounts, \$16,774,027.62; less reserved for rebate in full \$89,437.....	16,684,590 62	17,732,071 41
Loans and discounts overdue, (loss provided for).....	100,952 82	107,210 17
	\$17,016,829 44	
Deposit with Dominion Government for security of note circulation.....	159,312 70	153,699 00
Mortgages, bonds and other securities, the property of the bank.....	270,229 37	113,528 48
Real estate.....	44,902 92	188,837 68
Bank premises and furniture.....	537,283 20	519,553 24
Other assets.....	18,964 81	15,591 93
	\$22,605,572 88	\$23,530,939 46

(Signed)

GEO. HAGUE,
General Manager.

The President then moved, seconded by Mr. Hector MacKenzie,
"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."

The motion was carried unanimously, after which the President called upon the General Manager, Mr. George Hague, for a few remarks upon the financial outlook.

THE GENERAL MANAGER'S ADDRESS.

Mr. President and Gentlemen: My first words to our own Stockholders will naturally be of congratulation, that the Bank has at length attained the goal we have so long looked forward to; of having a Rest or Reserve of Profits, equal to one half our paid up capital.

It goes without saying that this result has not been attained without persistent watchfulness on the part of the Directors and Executive of the Bank combined with the zealous devotion of our staff of Officers, and the hearty co-operation of our large circle of customers.

These latter especially, we should remember at a time like this; for it is from the business they bring that the profits of the Bank are made. And it is well for stockholders to know, what I very gladly acknowledge, that through a long series of years, the Bank has had the faithful and zealous support of a large body of customers in all parts of the country, who have adhered to us most loyally, in spite of repeated temptations to take their business elsewhere.

In so doing we may, perhaps, say without egotism that they have consulted their own interest, for if there is one thing we desire, the administration of the Bank to be distinguished for, it is, that we will loyally stand by those who stand by us, and support them through a trying period, even to our own temporary disadvantage.

There cannot be a more striking proof of this than the fact, that when, last year, we had offers of large amounts of business from firms of undoubted solvency in the United States, at far higher rates than prevailed in Canada, we refused them in every instance. Even when accompanied by the inducement of permanent accounts, we still declined.

We could have made a large amount of money had we chosen to open our doors to those offers, but we considered that the interest of our customers in Canada was our interest, and so steadily refused.

I am glad to say we are not alone in this.

The Banks generally acted on this principle, and the business community and the country generally, owe them a debt of gratitude for their action.

A REVIEW OF THE PAST.

Some of you may have been present at the memorable meeting of the Bank in July, 1877, amidst circumstances of the very gravest embarrassment, not only as regards this Bank, but the whole country.

At a time like this, when matters have assumed so different an aspect, it may be well to take a brief retrospect of what has since transpired.

After the capital of the Bank was readjusted by Act of Parliament in 1878, we had still to encounter a series of years in which the condition of the country went from bad to worse.

These were times of heavy depressions, and a constantly increasing number of failures. The difficulty of conducting business during those years, none can conceive, but time was a very small sum. And it is a fact that the whole of the large fund reserved for contingencies at the time of the readjustment of the Capital, was swept away by a constant recurrence of important failures and increasing depreciation of estates and properties. We did, however, maintain a dividend of six per cent. not without great difficulty.

The other Banks of the country shared in the untoward experience of these disastrous years. The stock of the Bank of Montreal fell in 1879 to 125, and of the Bank of Toronto to 106 1-4.

The tide however turned at length, and between 1880 and 1881 a decided change for the better took place. In June, 1881, the Bank added \$50,000 to its Rest; the first addition made after readjustment.

Soon after this, the extraordinary development in Manitoba took place consequent upon the rapid pushing forward of the Canadian Pacific Railway. A great augmentation of the business of the Bank took place, and large profits were rapidly accumulated.

This state of things continued for two or three years during which time more than \$600,000 was added to the Rest.

Then succeeded a period of severe reaction in Manitoba, and heavy losses in consequence. The business of the Bank in other parts of the country, however, was fairly prosperous, owing largely to the development of our manufacturing industries.

But during these years we found, to our annoyance, that sundry customers in Ontario and this Province, whose business was sound in itself, had been seduced, unknown to us, into land speculations in Manitoba, had suffered severely during the reaction, and were compelled to suspend payment, with heavy loss to their creditors.

Instances of this kind were coming to our knowledge for many years after the shock of reaction was felt in Manitoba itself.

The general business of the Bank, however, was being carefully developed on what were considered to be sound lines, and moderate additions to the Rest went on year by year, along with a dividend which was raised to seven per cent. in November 1881.

During the last few years there has been an extraordinary development of Banking competition, and all the care of the Directors and the Executive of the Bank have been necessary to hold our business firmly together, while carefully taking advantage of opportunities for its development.

To give the Shareholders an idea (I think it is appropriate at such a time as this) of the gradual progress of the Bank, I append a statement of the Deposits, Circulation, Available Reserves, Discounts and Rest of the Bank at intervals from the time when the readjustment took place:—

STERLING MOUNTED CUT GLASS

Claret Jugs and Tumblers.
Sugar Shakers, Cologne Bottles, Salts Bottles, Ink Stands, Mustard Pots, Salt and Pepper Shakers, Flasks, Powder Boxes, &c., &c.

RYRIE BROS.,

Cor. Yonge & Adelaide Sts.

Year.	Circulation.	Deposits.	Available Reserves.	Discounts.	Rest.
1878	1,995,000	3,300,000	2,061,000	11,752,000	475,000
1881	2,835,000	8,160,000	2,301,000	12,924,000	525,000
1883	2,806,000	8,574,000	3,031,000	13,133,000	1,375,000
1889	2,365,000	9,942,000	3,997,000	16,335,000	2,135,000
1894	2,250,000	10,376,000	4,538,000	17,200,000	3,000,000

You will perceive that the circulation of the Bank has increased from \$1,995,000 in 1878 to \$2,250,000 this year, which is the lowest for a series of years, the amount having sometimes exceeded \$4,000,000 in the interim.

Deposits from \$3,300,000 in 1878 to \$10,376,000 this year. Loans and Discounts from \$11,752,000 in 1878 to \$17,200,000 this year.

Immediately available Reserves from \$2,061,000 in 1878 to \$4,538,000 this year, and the Rest from \$475,000 to \$3,000,000.

During the same time the Capital of the Bank has been strengthened by being brought up to an even six millions.

It is not desirable to dwell too much upon the fluctuating values of the stock market, but it may be well to notice in passing, that at the present market price of the stock the old Shareholders of the Bank have received back far more than they lost at the time of the adjustment of the Capital, while Dividends, as you know, have been steadily maintained.

Considering all that has happened, and especially looking back upon the terrible days of 1877 to '80, we may be reasonably thankful that the Bank stands in the position it does to-day.

It may now be fairly asked whether, besides being thankful, we can rest upon our oars and be content without further progress. That, I confess, is not my own disposition; nor do I think it is the disposition of the Directors. From our present position we would desire to go on making still further progress and developing the Bank with the growth of the country.

And I emphasize especially that we should not be content without accumulating a fund of Surplus Profits to protect our Rest, and to maintain an equalization of dividends.

There has been a striking change in the opinion of Bankers in regard to this matter of Rest or Reserve Fund during the last few years. Formerly, it was considered reasonable that a Bank should have a sum equal to twenty or twenty-five per cent. of its Capital thus reserved; and an instance once occurred in this country where the whole of the Rest was divided amongst the Stockholders. The Bank failed disastrously later on; very naturally.

But many banks in Great Britain are now accumulating a reserve that is nearly or entirely equal to their capital, and this on the sound principle that the Rest should not be considered so much in proportion to capital, as to discounts.

I have taken pains to look into the matter lately and find that a number of very important banks, both in London, in other parts of England, and also in Scotland and Ireland have accumulated a Rest of from 65 per cent. to upwards of 100 per cent. of the paid-up capital.

CONDITION OF MATTERS DURING THE YEAR.

Turning from the past to the present, I may observe that the year just closed, especially in its earlier months, was one of considerable anxiety to Bankers who had large interests in the United States.

We curtailed our loans in New York to the lowest limit consistent with doing business at all, and took other measures