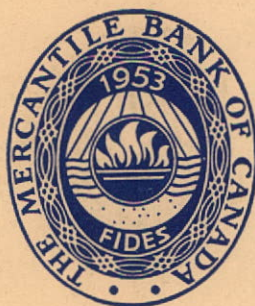


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THE MERCANTILE BANK OF CANADA



2nd ANNUAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30th, 1955

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THE MERCANTILE BANK OF CANADA

(Affiliation of Nationale Handelsbank N.V. Amsterdam)

HEAD OFFICE

491 Victoria Square
Montreal.

MONTREAL OFFICE

495 Victoria Square
Montreal.

TORONTO OFFICE

210 Bay Street
Toronto.

VANCOUVER OFFICE

540 Burrard Street
Vancouver.

2 n d A N N U A L R E P O R T

Submitted to the Annual General Meeting of Shareholders
held in Montreal on January 17th, 1956

DIRECTORS

The Hon. P. H. Bouffard, Q.C., Quebec

Arthur Cross, Montreal

J. B. Carswell, O.B.E., Toronto

H. J. Knottnerus, Amsterdam

H. E. Moquette, Montreal

OFFICERS

President : H. E. Moquette

Vice-President : Arthur Cross

General Manager : M. Visser

MANAGERS

Montreal — J. Duinker

Toronto — H. E. Abbott

Vancouver — F. S. McCaw

DIRECTORS' REPORT

The Directors take pleasure in submitting to the Shareholders the Second Annual Report on the Bank's operations for the fiscal year ended September 30th, 1955, together with a Statement of the Assets and Liabilities of the Bank as at that date.

Statement of Undivided Profits

Excess of expenditures over revenue after deduction of deferred expenses		\$36,074.28
Add:		
Contribution to pension fund	\$ 2,994.07	
Depreciation on bank premises	<u>14,814.13</u>	<u>17,808.20</u>
Loss for the period		\$53,882.48
Balance of undivided profits, September 30th, 1954		<u>1,000.00</u>
		\$52,882.48
Amount transferred from contributed reserve		<u>53,882.48</u>
Balance of undivided profits, September 30th, 1955		<u>\$ 1,000.00</u>

At the inception of the Bank the Directors budgeted for substantial deficits during the formative years and are therefore most gratified to report, at the end of the second year of operation, that progress has exceeded expectations.

Following the establishment of the Montreal and Vancouver offices in 1953 and 1954 respectively, a third office was opened in Toronto on September 12th, 1955, at 210 Bay Street.

The Bank's staff has grown considerably. The Directors are pleased to record their appreciation of the enthusiasm and application with which the members of the staff have performed their duties.

The question of a staff pension plan for the Bank is under consideration.

H. E. MOQUETTE, *President*

Montreal, January 17th, 1956.

THE MERCANTILE

STATEMENT OF ASSETS

AS AT SEPTEMBER 30, 1955

ASSETS

Gold and coin	\$ 19,022.57	
Notes of and Deposits with Bank of Canada	1,738,700.62	
Government and bank notes other than Canadian	36,923.34	
Deposits with other banks	1,080,157.84	
Cheques and other items in transit, net	<u>2,169,280.81</u>	\$ 5,044,085.18
Government of Canada direct and guaranteed securities, not exceeding market value	\$1,779,325.12	
Canadian Provincial Government direct and guaranteed securities, not exceeding market value	147,225.70	
Other securities, not exceeding market value	<u>210,334.57</u>	\$ 2,136,885.39
Call and short loans to brokers and investment dealers, secured		<u>\$ 617,800.00</u>
		\$ 7,798,770.57
Other current loans, less provision for estimated loss		\$ 3,506,192.20
Bank premises at cost, less amounts written off	\$ 200,019.96	
Customers' liability under acceptances, guarantees and letters of credit, as per contra	884,161.20	
Other assets	<u>61,572.66</u>	\$ 1,145,753.82
		<u>\$12,450,716.59</u>

H. E. MOQUETTE, *President*

To the Shareholders,
The Mercantile Bank of Canada

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the above statement of assets and liabilities as at September 30, 1955, and compared the same with the returns from the branches. We have checked the securities representing the Bank's investments held for Head Office. We report that we have obtained all the information and explanations which we have required, and in our opinion, discloses the true condition of the Bank and is as shown by the books.

Montreal, November 18, 1955

BANK OF CANADA

ASSETS AND LIABILITIES

DECEMBER 30th, 1955

LIABILITIES

Deposits by Government of Canada	\$ 52,209.86	
Deposits by other banks	4,686,199.33	
Personal savings deposits payable after notice in Canada in Canadian currency	522,088.13	
Other deposits	<u>4,381,704.94</u>	\$ 9,642,202.26
Acceptances, guarantees and letters of credit	\$ 884,161.20	
Other liabilities	<u>23,353.13</u>	\$ 907,514.33
		<u>\$10,549,716.59</u>
Capital paid up	\$1,500,000.00	
Reserve account	400,000.00	
Undivided profits	<u>1,000.00</u>	\$ 1,901,000.00
		<u><u>\$12,450,716.59</u></u>

M. VISSER, *General Manager*

OPINION OF THE SHAREHOLDERS

Reviewed it with the books and accounts of The Mercantile Bank of Canada at the Head Office and with the certified statements and the cash and securities at the Montreal and Vancouver branches at the close of the fiscal year. In our opinion the transactions of the Bank which have come under our notice have been within its powers. The above statement,

C. B. BROWN, C.A.
of Peat, Marwick, Mitchell & Co.

LUCIEN P. BELAIR, C.A.
of Chartré, Samson, Beauvais, Belair & Cie.

PRESIDENT'S ADDRESS TO THE SHAREHOLDERS

AT THE 2nd ANNUAL MEETING

Our second year of operation has been marked by satisfactory progress. Total assets at the end of September, 1955, amounted to \$12,451,000. as compared to \$5,851,000. at the end of our previous fiscal year. The total of deposits has, with some fluctuations, shown a healthy rise during the year. Loans and discounts increased from \$1,713,000. to \$4,124,000.

The opening of a Toronto office in September, 1955, rounded off our initial program of becoming established in the three principal commercial and industrial centres of Canada. There are several other cities that offer promising prospects for the Bank if a long-term view is taken.

Experience has confirmed our belief that there exists in Canada a good potential of clients who need and will use the specialized services that the Bank can offer. Both in the domestic and foreign field of banking, our activities are covering a widening range.

There is reason to feel that the special character of the Bank is becoming more widely understood and appreciated. Medium-sized firms, whose borrowing requirements vary from several thousand to several hundred thousand dollars, have found at our institution a flexible response to their individual banking needs, while corporations operating on a nation-wide basis have considered it advantageous to make use of certain of our specialized facilities such as foreign trade services and fixed deposits.

After the slight recession which occurred in the preceding year, the Canadian economy, in the period under review, returned to a high level of activity. Gross National Product, seasonally adjusted at annual rates, reached \$26.9 billion in the third quarter of 1955, against \$23.9 billion a year before.

The outlook for Canadian enterprise in 1956 is, as far as can be foreseen, favorable. At the same time, there is general agreement that some measure of restraint, in the face of the present great prosperity, is called for in several sectors of the economy.

SOME AUTHORITATIVE COMMENTS ON THE CANADIAN ECONOMY

THE RECENT PAST

The Hon. Walter Harris, Minister of Finance —
November 2nd, 1955, at New York :

"The principal economic event of the past two years has been the recession of 1953-54 and the extraordinarily rapid recovery during the past 12 months . . . This is not the occasion to explore in detail the bases of our great resilience. Two factors, however, can be mentioned : one, that we are going through a stage when the general trend of our rate of growth and expansion is somewhat greater than yours; another, that export trade overseas and especially with Europe plays a much larger role in our economy than in yours. And Europe, to the surprise of many people, has been almost completely unaffected by the North American recession."

THE IMMEDIATE FUTURE

The Right Hon. C. D. Howe, Minister of Trade and Commerce —
December 5th, 1955, at Edmonton :

" . . . preliminary surveys of the economic situation during 1956 indicate another year of expansion. Evidence now at hand concerning next year's investment plans indicates that capital expenditures by governments and business in 1956 will be at least as high, and probably higher than for the current year, which is in itself a record year. There seems to be no lack of pioneering projects to be undertaken as opportunity offers. I am happy to say that this prospective expansion is not limited to any one area, but seems to extend from coast to coast."

LONG-TERM PROSPECTS

Mr. J. E. Coyne, Governor of the Bank of Canada —
May 5th, 1955, at Montreal :

"In building a picture of the growth of the Canadian economy, the first factor to consider is the size of the population . . . Even with an annual rate of increase somewhat lower than that of the last 10 years, it is not difficult to foresee a rise of 50% over the next 20 years . . . The second major factor in economic growth is the average productivity of the economy per man employed. Over the past quarter century in Canada this seems to have risen at about 2% per annum on the average . . . A straight projection of future increases in productivity per man employed at the rate of 2% per annum would produce a gross national product by 1975, at 1955 prices, of \$55 billion, or more than double the amount indicated for 1955."

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