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THE MERCANTILE BANK OF CANADA



3rd ANNUAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30th, 1956

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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

TORONTO OFFICE

210 Bay Street

VANCOUVER OFFICE

540 Burrard Street

3 r 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 December 11th, 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

VANCOUVER ADVISORY COMMITTEE

W. J. Borrie

F. A. Griffiths

OFFICERS

President : H. E. Moquette

Vice-President : Arthur Cross

General Manager : M. Visser

Assistant General Manager : H. E. Abbott

Foreign Manager : A. F. Lucas

Managers :

E. C. Bower — F. S. McCaw

DIRECTORS' REPORT

The Directors take pleasure in submitting to the Shareholders the Third Annual Report on the Bank's operations for the fiscal year ended September 30th, 1956, 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		\$21,917.76
Add :		
Contribution to pension fund	\$ 2,351.11	
Depreciation on bank premises	28,396.32	30,747.43
		<hr/>
		\$52,665.19
Balance of undivided profits, September 30th, 1955		1,000.00
		<hr/>
		\$51,665.19
Amount transferred from contributed reserve		52,665.19
		<hr/>
Balance of undivided profits, September 30th, 1956		<u>\$ 1,000.00</u>

The Directors report with satisfaction that the steady growth of the Bank continues. The Toronto office, in the course of little more than one year, has progressed beyond expectations and the business of the Vancouver office has continued to expand. The Montreal office is now well-established and the future of all three offices can be viewed with optimism.

During the third financial year no additional offices have been opened, the policy having been to consolidate and extend existing facilities. In consequence of this, initial development expenses are now decreasing and the ratio of operating costs to earnings has steadily improved.

The Bank's increased activities have imposed a heavy burden on our staff and their contribution in effort and loyalty is greatly appreciated.

A pension plan for the staff has been initiated with effect as from January 1st, 1957.

H. E. MOQUETTE, *President.*

Montreal, December 11th, 1956.

THE MERCANTILE

STATEMENT OF ASSETS

AS AT SEPTEMBER 30, 1956

ASSETS

Gold and coin	\$ 14,437.72	
Notes of and deposits with Bank of Canada	1,968,487.13	
Government and bank notes other than Canadian	33,717.80	
Deposits with other banks	1,971,656.05	
Cheques and other items in transit, net	<u>1,059,665.51</u>	\$5,047,964.21
Government of Canada direct and guaranteed securities, not exceeding market value	2,600,176.97	
Canadian Provincial Government direct and guaranteed securities, not exceeding market value	21,987.50	
Other securities, not exceeding market value	<u>47,201.55</u>	2,669,366.02
Call and short loans to brokers and investment dealers, secured		<u>2,264,984.89</u>
		\$9,982,315.12
Other current loans, less provision for estimated loss		\$7,205,748.01
Bank premises at cost, less amounts written off	280,400.88	
Customers' liability under acceptances, guarantees and letters of credit, as per contra	1,508,746.89	
Other assets	<u>51,418.98</u>	<u>1,840,566.75</u>
		<u>\$19,028,629.88</u>

H. E. MOQUETTE, *President.*

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the statement of assets and liabilities of The Mercantile Bank of Canada as at September 30, 1956, and have also made a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary. The above statement of assets and liabilities is as shown by the books at the Bank's head office and the branches, and has been prepared in accordance with the powers of the Bank.

In our opinion, the above statement of assets and liabilities presents fairly the financial position of the Bank as at the date mentioned.

Montreal, November 12, 1956.

BANK OF CANADA

ASSETS AND LIABILITIES

SEPTEMBER 30th, 1956

LIABILITIES

Deposits by Government of Canada	\$ 80,259.71	
Deposits by other banks	5,898,148.32	
Personal savings deposits payable after notice, in Canada, in Canadian currency	959,601.25	
Other deposits	<u>8,646,998.94</u>	\$15,585,008.22
Acceptances, guarantees and letters of credit	1,508,746.89	
Other liabilities	<u>33,874.77</u>	1,542,621.66
Capital paid up	1,500,000.00	
Reserve account	400,000.00	
Undivided profits	<u>1,000.00</u>	1,901,000.00

\$19,028,629.88

M. VISSER, *General Manager.*

THE SHAREHOLDERS

September 30, 1956, and have obtained all the information and explanations we have required. Our examination included a review of the books and records of the Bank and such other documents as we considered necessary in the circumstances.

We have certified returns from its branches. The transactions of the Bank which have come under our notice have in our opinion

been properly accounted for and are in accordance with the books of the Bank as at September 30, 1956.

FRANK E. H. GATES, C.A.
of P. S. Ross & Sons

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

PRESIDENT'S ADDRESS TO THE SHAREHOLDERS

AT THE 3rd ANNUAL MEETING

During our third year of operation, from October 1st, 1955 to September 30th, 1956, total assets increased from \$12,400,000 to \$19,000,000. Loans and discounts on our books rose from \$4,100,000 to \$9,400,000. Our participation in the general increase of bank loans was made possible by a satisfactory rise in deposits, attracted from diversified sources.

The public shows a growing appreciation of the specialized facilities of the Bank as well as of our regular banking facilities. The continued growth of our present three offices seems assured.

The Canadian economy continued to move forward rapidly during the period under review. The gross national product for 1956 will very probably exceed \$29.5 billion against \$26.8 billion in 1955, although part of the increase will undoubtedly be due to higher prices. Inflationary pressures have been in evidence and central bank policy has been directed towards keeping the expansion of the money supply in line with available materials and labour.

The general outlook for the future continues to be bright and Canada remains one of the areas most attractive to foreign capital.

THE PROBLEMS OF PROSPERITY

As periods of high prosperity may lead to overexpansion and instability when a "boom psychology" is allowed to develop, various authorities have on several occasions sounded a cautionary note.

Three prominent officials have expressed themselves on the dangers inherent in a rising level of business activity once all resources are fully employed.

THE MINISTER OF FINANCE

Mr. Walter E. Harris, Minister of Finance
said on January 9, 1956 in Toronto :

"... the blessings of a very active economy carry with them added responsibilities. As any economy approaches a condition where its existing resources are being fully utilized the possibility of instability becomes all the greater, unless restraint is exercised at the right time and in appropriate places... We all know from experience that boom conditions can easily breed miscalculations and mistakes and that the end result may involve economic instability and reaction."

THE MINISTER OF TRADE AND COMMERCE

Mr. C. D. Howe, Minister of Trade and Commerce,
declared on April 23, 1956 in Hamilton, Ontario :

"The accelerating momentum in the pace of Canadian development is evidence of widespread confidence in the future of our country. Businessmen do not commit themselves to large projects unless they are confident that the output from those projects will have a profitable market.

"For the time being, it would appear that not all these plans for expansion are capable of immediate realization. That being so, it is the duty of the whole business community, and of all Governments, acting in the public interest, to do what they can to prevent competition for materials and manpower from driving up costs. When attempts are made to do more than is physically possible, no one gains, and the whole community may suffer."

THE GOVERNOR OF THE BANK OF CANADA

The Governor of the Bank of Canada, Mr. J.E. Coyne, on July 26, 1956, recommended that a number of proposed capital projects be postponed or stretched out over a longer period of time than originally contemplated.

"In addition to easing the strain on resources in 1956 and 1957, the postponement of various development programs would have the further value of ensuring the continuation of a large volume of activity into 1958 and later years."

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