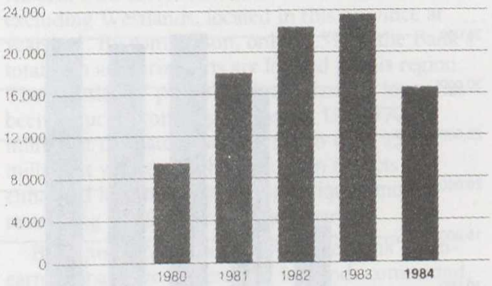
Financial Review

was 20.8 times at October 31, 1984 compared with 20.2 times last year. The Bank is currently exploring several alternatives to raising additional primary capital to ensure adequate capital is available to pursue prudent loan growth.

Appropriations for Contingencies

The appropriations for contingencies is a reserve for unforeseen future loan losses. At year-end this reserve amounted to $16.6 million or 0.68% of eligible assets, compared with $23.9 million or 1.19% of eligible assets at October 31, 1983. This reduced level of reserves, however, continues to compare favorably with industry averages.

Appropriations for Contingencies *($ Thousands)*



	1980	1981	1982	1983	1984
Appropriations For Contingencies	$ 9,366	$18,061	$22,430	$23,947	**$16,596**
As A Percentage of Eligible Assets	1.15%	1.28%	1.20%	1.19%	**0.68%**

Loss experience on loans increased in 1984 to $25.2 million or 1.03% of eligible assets. This experience represents an increase of 73.6% over 1983 when the loss experience amounted to $14.5 million or 0.72% of eligible assets. The substantial increase in loan losses is attributed to the very depressed state of the economies of Alberta and British Columbia and the energy sector in the United States leading to a large number of business failures and a sharp erosion in the value of assets collateralizing loans. While business bankruptcies in Canada declined 6.9% during 1984, Alberta bankruptcies increased 10.8% in the same period. Although management anticipates the level of loan losses to subside in fiscal 1985, they will remain high by historical standards.

The Bank was not eligible in 1984 for a tax-allowable transfer from retained earnings whereas the Bank had made transfers of $7.0 million, $8.6 million, $7.8 million and $6.8 million in the 1983, 1982, 1981 and 1980 fiscal years respectively. The Bank did however make a tax-paid transfer from retained earnings in 1984 in the amount of $3.0 million, reflecting the Bank's commitment to maintain maximum levels of reserves. This tax-paid transfer may be returned to retained earnings in future periods without tax consequences.