

favorable. This is encouraging. We are hopeful, too, of the business in Manitoba. Our branch in Winnipeg is in good hands and if the danger is avoided of overdoing business and banking, we may have good results there in the future.

Mr. Healey.—I would like to put the following questions to the President on points where the report is obscure. 1st. In the general statement is mentioned the prevalence of fraud and perjuries to a painful degree. From what source did these spring, and how is it that this bank has suffered more from than other banks? 2nd. Are the overdue debts secured? They have increased in the past two years very materially, and I should like to know if the security is ample for the sum named, especially that part which is represented by unproductive real estate \$160,000? 3rd. What is meant by that asset in the statement called productive or unproductive real estate, and amounting to \$334,263? 4th. Of the item called "other assets not included under foregoing heads" amounting to \$323,010.31 what amount is in Milwaukee Railway bonds, and what is the amount of interest derived from these bonds?

5th. How much of what is called subscribed capital added to the Bank has been subscribed and how much paid up?

6th. What has been the extent of Claxton & Co's., transactions with this Bank before Mr. Hague became Manager?

7th. Many shareholders are under the impression that some of the old officials who were instrumental owing to incapacity in causing the great loss, are still being retained at very large salaries, and that, in fact, some are pensioners on the earnings of the Bank.

Mr. Hague.—In the first place, as to what these practices of fraud and forgery referred to by the Board, have sprung from, I cannot say, except from the wickedness of the individuals who perpetrated them. So far as details are concerned, we have already mentioned that one of our managers was guilty during the last year of a fraud. Such a thing has not been absolutely unknown in other banks, but I am not aware that any manager of this bank has been guilty of anything of the kind before. This year it has fallen to the lot of the bank to suffer in this respect. These things cannot be guarded against. The heaviest of the losses which the bank suffered from forgery was in Quebec. The firm had a respectable position up to the time it was found to be guilty of forgery to a very remarkable extent. Other banks in Quebec as well as our own suffered, and the forgeries were so skilfully carried out, the paper bore such evidence of genuineness, the forged warehouse receipts were so thoroughly business-like in their character that our Manager was entirely deceived by them. Of course, in making his report, he stated he had the names of certain respectable people to the warehouse receipts. Those were the grounds on which we continued advances, and had the documents been genuine the advances would have been covered. But unfortunately they were fraudulent. The party is now in gaol, but the punishment inflicted is very inadequate for such a continued series of offences. Our cases were ten in number, and there were twenty other cases against him. Of other cases you have read in the Toronto papers. The losses were not large. In one or two cases fraudulent representations were made to us as to the standing of parties to whom advances were made. We took prompt measures against the parties, and recovered a considerable portion of what had been taken from us improperly.

With regard to overdue debts, it is asked whether the security is ample, and what portion of it is represented by the item of unproductive real estate. The security is in the judgment of the Board ample to cover the indebtedness.

You must be aware that the value of properties, of endorsements, and of every kind of security fluctuates much, and all that a Board or general manager can do is to exercise their best judgment. This productive real estate is not part of the security for the overdue debts at all. Some of it was in the hands of the Bank as long as eight or ten years ago, and possibly might have been realized on then. But apparently no very energetic steps were taken at the time; and during the last year, although we have disposed of some real estate, the times have been very unpropitious, as you all know, for disposing of property, and the Board have concluded on the whole that your interests will be best served by waiting awhile. The gentleman who put these questions has asked a somewhat singular one. He said he did not understand what productive and unproductive real estate was. Those who own real estate know the difference between the two. If a property brings in rental it is productive; if not, it is unproductive, though it may be worth a good deal of money. It does not necessarily follow that it must be valueless because it is unproductive; but we thought it desirable to show the shareholders what portion produced revenue, because there has been an impression that the Bank was overburdened with unproductive assets, which are very undesirable, no matter how valuable they may be.

With regard to mortgages we have gone over them all and they are all on properties that have been sold. In a good many instances instalments have been paid on them, and although bearing only six or seven per cent. they are safe.

Of the other assets not included under foregoing heads, \$323,010; the Milwaukee bonds amount to \$250,000 in round figures. Those bonds now bear interest at the rate of 5 per cent. on their par value. The par amount is about \$305,000, and the Board has valued them on a six per cent. basis, that is, at the price at which they stand on the books of the bank, they bear 6 per cent. In five years they will bear six per cent. on the par value. With regard to the new subscribed capital, the stockholders have heard for several years back that a portion of it has not been paid up.

The Directors have paid up everything long ago; but there is a portion amounting to about \$400,000, that has not been paid up. In some instances, one call has been paid, and in some, from two calls up to seven or eight. We have not thought it prudent to press very strongly for the payment of this portion of the capital of the Bank, except to that extent which would equalize the loss of the stockholders. Parliament, an omnipotent power here, as elsewhere, reduced the capital by 33 per cent. and up to that amount we have to press for the payment of stock on which only one or two calls have been paid. Beyond that the Board have not thought it prudent to press at present.

With regard to Claxton & Co., there seems to be an impression that this account was taken by the Bank since I assumed charge. This is not correct. I had occasion sometime before their failure, to look back at the working of the account, and found that in 1874 their liabilities were about the same as they are now. Their liabilities then were \$111,000. In 1875 they were \$108,000. The account has fluctuated a good deal, sometimes amounting to more and sometimes less. About a year ago it was \$116,000. At the time of the failure it was at as high a point as it has ever been, but with this great difference that for sometime back we have been paying great attention to the quality of customers' notes that were discounted for the firm. They were well aware that the Board were not satisfied with the account, and were notified in some cases that we would take no more notes with certain names, in other cases that the amount of such a name was to be reduced, while the paper of parties who became

insolvents must be completely retired. I am glad to say, having had a good many years' experience in such matters, I have seldom seen in cases where the discounting house has failed, as good a list of paper as this Bank has got at present. The amount we have on any one name is in no case much over \$3,000. By far the larger number of notes are below \$1,000, and signed by people perfectly able to pay and who are paying now (applause). Up to the 14th of June, of \$11,900 of paper matured, \$9,100 was paid in cash, and the ultimate loss by Claxton & Co., you may depend upon it, will not be such as to give you serious concern.

With regard to former officials of the bank, I may say, in general terms, there are no pensioners. Every man who has been retained, has been retained because of his usefulness, and to day every one is doing his proper share of the work of the institution. No member of the Board or myself would tolerate for a moment the presence of any one in the bank, in any capacity who was not a good and useful servant.

Mr. John McDonald.—I have listened with satisfaction to the explanation of the General Manager, but there are two or three questions I wish to put in the interest of the shareholders; 1st. Why are the details of the revenue and expenditure not given under their respective headings with the same clearness as the details of the assets and liabilities? A clearer statement of the assets and liabilities has never been presented to my knowledge than this one, and the revenue and expenditure statement is one that should be submitted to the shareholders in an equally clear manner. 2nd. How have the losses and apprehended losses been ascertained and written off? according to the statement there are loans, and discounted bills amounting to \$11,000,000 upon which the only apprehended loss is 64,200. I am glad to hear that the business of the bank is so good that that is all the loss apprehended. It is only a little over $\frac{1}{2}$ per cent on the whole. I would like to know if these apprehended losses were calculated before the declaration of the last dividend, and by actual valuation of the present assets or merely struck after the declaration of the dividend.

Mr. Hague.—The bank has followed the general custom in preparing the profit and loss statement. For many years that has been the form in which all the banks have made the statement of profit and loss to the stockholders that is, showing the net profit realized after paying interest and expenses. I have seen the statement of banks in England for many years back. In some cases the form of return is exactly similar to our own. In other cases this much more detail is given—the gross profits are re-entered on one side, and the amount of expenses and interest paid on the other. We, in common with the banks in Canada, give the net result, the amount of net profits, after deducting charges and interest. There is one point of which I must remind the stockholders, that the statements which are published are sent forth to the world. There are some things on which if any stockholder desires further information it might be very easily communicated to him in my own room; but there are some details which it is not necessary to publish. The \$64,000 is for the losses on the accounts of parties who have failed during the year, whose assets have not been wound up and where we could not exactly arrive at what the loss would be. You can easily understand that some losses only become fixed when a certain time has elapsed. An estate is wound up, the last dividend is paid, you know what you have got and that you will get no more. In other cases we can only estimate what the result will be. Before the declaration of the dividend all these matters were thoroughly examined by myself and the Board. The ap-