

presented by the general manager, to place these statements and recommendations before the stockholders with the view to their taking such action thereon as they might deem most conducive to their interests.

I do not propose in this communication to raise any argument or discussion in respect to the past management of the bank, the board having ordered a notice of special meeting of stockholders to be called on the 30th of November, at which meeting any information desired in regard to the past management will be furnished, and full discussion can be had in reference thereto.

W. P. HOWLAND, President.

GENERAL MANAGER'S REPORT.

To the President and Directors of the Ontario Bank.

GENTLEMEN,—In assuming the position of general manager of the bank, I have now, in accordance with our understanding, to lay before you my revaluation of its entire assets.

The task has been undertaken with much diffidence and in an unprejudiced spirit, and solely with the object of gaining a knowledge of the true position of the bank, in order that such remedial measures might be adopted as would place it in a position of substantial strength, and would, under proper management coupled with new and increased facilities for business, command for it a more prosperous and more satisfactory career.

Before requiring from the several managers full and explicit statements of the various assets and liabilities of their branches, I personally visited the offices, familiarized myself with the working of each, and formed my own estimate of their current and overdue debts.

The result of my examination, however disappointing, has been reached only after the most careful analysis—the whole with explanations and details has been submitted to the president for his full and independent consideration.

From the statements appended you will observe that it has become necessary to charge the capital account of the bank with \$1,500,000, representing a reduction of 50 per cent. to provide for:—

Irrecoverable debts... \$616,262 22

Appropriation for doubtful debts and deficiencies in accounts still in course of liquidation..... 756,503 99

\$1,402,766 21

Less at credit present rest of..... \$100,000 00

Less at credit present profit and loss. 154,309 17 254,309 17

Total reduction of capital for losses. 1,148,457 04

In addition to which the following are provided for:—

Reduction in actual value of bank premises..... \$88,590 76

Rebate on current paper..... 70,000 00

Profit and loss (providing for all possible contingencies in debts current and past due)..... 92,952 00

Rest account..... 100,000 00 351,542 96

\$1,500,000 00

In my special report, made to you, I have given all necessary information as to the origin and nature of the losses, which have occasioned so large a writing off, and I do not here propose to enter into any further particularization or criticism.

That errors have been committed in the past is obvious to all, but since their result has become known to me my efforts have been directed towards remodelling the business of the bank

and erecting safeguards for the future, rather than in contrasting what has been done in the past with what might have been done, to the avoidance of these serious losses.

I trust that it is sufficient to assure the shareholders that only sound banking principles will hereafter direct the policy of the bank, applicable not only to its dealings with the public, but to the internal conduct of its affairs as well.

Besides writing out every known bad debt, and making full appropriation for those of a doubtful character, I have created a reserve fund of \$100,000, equivalent to 6.66 per cent. upon the capital still left intact, and have carried to profit and loss a sum of \$92,952.20. For the next year this amount will not be available for purposes of dividend, but will be held as applicable to old business in regard to which new contingencies may develop themselves.

I have reduced the bank premises account to its actual value, and I have further set aside \$70,000 to represent unearned interest on current paper. This will be of the nature of a permanent fund, and is based on a six per cent. per annum rate on an aggregate of six millions of advances. The amount is adequate at the present, and I propose at all times to keep it fully maintained.

I have observed with pleasure in my visit to the branches that the bank possesses an excellent earning power, and a large and remunerative business, which it shall be my effort to conserve and extend. Due regard will be paid to the experience of the past, for, notwithstanding that the present general outlook of trade in the Dominion is encouraging, it is evident that a mania for speculation still exists, and an undue expansion of manufacturing interests may become apparent ere long.

A vigilant oversight of affairs will be maintained, and fuller and more practical information sought, enabling the management to deal promptly with the first indications of unsoundness wherever apparent.

The cost of the management must be reduced, the staff reorganized and strengthened, several unprofitable offices must be closed, their capital directed to more enterprising neighborhoods, and the operations of the bank generally should be concentrated and brought into a more available and more active condition.

It will be obvious to the shareholders that the impairment of capital will prevent the payment of a dividend in December, but there is every expectation that under a judicious selection of investments, and economy of expenditure, it will be resumed at an early date. With this end in view, the profits to the present date are reserved.

The circulation and general business of the bank suffer no restriction, and the reduced capital still gives opportunity for its development. Legislative action must be sought in due time to confirm the reduction of capital, and resolutions to that effect should be submitted at the forthcoming special meeting.

It is well to note that the bank's ability to do business is in no wise curtailed by this reduction from what it has been for a length of time past. On the other hand, serious and long disquieting drawbacks have been removed, and renewed confidence on the part of the public can be unhesitatingly asked for.

The general manager believes he possesses the fullest confidence of the Board, and will have their cordial co-operation.

Something also rests with the shareholders to make the future career of the bank a success, and I heartily invite their support.

Respectfully submitted,

C. HOLLAND,
General Manager.

Ontario Bank, Head Office, Sept., 1881.

General statement of the Ontario bank 30th September, 1881:—

LIABILITIES.

Circulation \$1,174,516 00
Deposits payable on demand..... \$2,641,500 42

Deposits payable after notice.....	1,406,773 97	4,048,283 39
Due to banks in Canada		67,788 65
Liabilities to the public.....		5,290,588 04
Due to banks in the United Kingdom....		357,987 10
Dividends unclaimed..		6,033 96
Interest due depositors not yet paid....		25,000 00
		5,678,709 10
Net profits for period ending 30th Sept....		59,798 77
Rest	100,000 00	
Profit and loss.....	92,952 20	
Rebate on current paper.....	70,000 00	
Capital paid up \$2,998,280 00		262,952 20
Less a debit, profit and loss....	1,500,000 00	1,498,280 00
		\$7,499,740 07

ASSETS.

Gold and silver coin on hand.....	\$154,635 14	
Dominion notes on hand	588,279 00	
Notes and cheques of other banks.....	346,076 64	
Due by banks in Canada	127,143 05	\$1,216,133 83
Due by foreign agents		50,751 60
Due by banks in the United Kingdom....		1,442 35
Dominion Government debentures or stock.....		2,000 00
Due by Dominion Government.....		3,054 11
Assets immediately available		293,381 89
Current loans, discounts, and advances to the public \$5,436,499 80		
Current loans available on demand..	102,758 00	5,539,257 80
Loans to municipal corporations		37,100 00
Loans to other corporations.....		89,756 56
		5,666,114 36
Notes and bills discounted over due and not especially secured (estimated loss "nil.").....		29,223 07
Notes and bills discounted secured by mortgages and other securities (estimated loss "nil.").....		258,208 38
Bank premises		145,014 31
Real estate, the property of the bank other than bank premises		107,798 06
		\$7,499,740 07