



BANK PREMISES, AUCKLAND.

## REPORT OF THE DIRECTORS OF THE BANK OF NEW ZEALAND

PRESENTED AT THE  
ORDINARY GENERAL MEETING OF THE PROPRIETORS, HELD AT  
THE HEAD OFFICE, WELLINGTON, ON FRIDAY, 17TH AUGUST, 1900.

**Directors :**

J. R. BLAIR (Chairman).  
H. BEAUCHAMP.      MARTIN KENNEDY.      F. DE C. MALET.      WM. MILNE.  
WM. WATSON.

**General Manager :** JAMES EMBLING.      **Chief Auditor :** ALEXANDER MACINTOSH.

**London Board :**

R. H. GLYN (Chairman).  
J. A. EWEN.      W. T. HOLMES.      C. G. TEGETMEIER.  
**London Manager :** JAMES BAXTER.      **London Auditor :** EDWIN WATERHOUSE.  
*(Price, Waterhouse & Co.)*

### REPORT.

The Directors submit herewith the Balance-sheet and Profit and Loss Statement of the Bank for the year ended 31st March last.

After making provision for all Bad and Doubtful Debts in the Bank's current business, for Dividend on the £500,000 Preferred Shares, and for Interest on the £2,000,000 Guaranteed Stock, the balance of profits available to be dealt with amounted to £145,020 7s. 7d.

This amount the Directors have disposed of in the following manner:—

1. To provide for deficiencies on B.N.Z. Estates Co. Assets in Liquidation .. .. .	£70,370 15 5
2. To write off B.N.Z. Estates Co., Ltd., Debenture Conversion Account .. .. .	14,649 12 2
3. To write off Colonial Bank Purchase "Goodwill Account" .. .. .	10,000 0 0
	£95,020 7 7
Leaving Net balance of Profit and Loss .. .. .	50,000 0 0
	£145,020 7 7

This balance of £50,000 is payable to the Assets Realisation Board in terms of "The Bank of New Zealand and Banking Act, 1895."

During the year no new Branches have been opened, and the Branches at Adelaide (South Australia) and Fortrose in this Colony have been closed.

J. R. BLAIR,  
Chairman.

# BANK OF NEW ZEALAND

BALANCE SHEET AT 31ST MARCH, 1900.

LIABILITIES.						ASSETS.							
			£ s. d.						£ s. d.				
<b>CAPITAL—</b>						Coin and Cash Balances at Bankers .. .. .							
4% Guaranteed Stock ..			2,000,000	0	0	Bullion on hand and in transit .. .. .							
Preferred Shares issued to Crown .. .. .			500,000	0	0	Money at Call and Short Notice, Bills Receivable, Government Securities and other Securities in London .. .. .							
Ordinary Capital called up under "The Bank of New Zealand and Banking Act, 1895" .. .. .	500,000	0	0			Investments in the Colonies—							
Amount paid to date ..			419,519	0	5	Colonial Government Securities .. .. .							
Call of 1895 made in terms of "The Bank of New Zealand and Banking Act, 1895," £3 6s. 8d. per share ..	500,000	0	0			Assets Realisation Board Debentures .. .. .							
Amount collected to date and specially applied as provided by the said Act ..	452,538	1	3			Municipal Securities .. .. .							
Nominal reserve liability on shares .. .. .	607,025	3	1			Other Securities .. .. .							
Reserve Fund invested in New Zealand Consols. ..					23,474	7	4	Bills Discounted .. .. .					
Notes in Circulation ..					722,770	0	0	Other Advances and Securities and Debts due to the Bank .. .. .					
Bills Payable in Circulation ..					770,347	17	9	Landed Property, Premises, etc. .. .. .					
Deposits .. .. .					8,587,859	13	11	Bank of New Zealand Estates Co. (Limited), Assets in Liquidation (book value) .. .. .					
Other Liabilities .. .. .					114,402	15	1	Bank of New Zealand Estates Company (Ltd.), Debenture Conversion Account (originally £68,445) .. .. .					
Balance of Profit and Loss ..					50,000	0	0	Colonial Bank Property and Premises (book value) .. .. .					
								Colonial Bank Purchase "Goodwill Account" (originally £75,000) .. .. .					
								£13,188,373 14 6					
								£13,188,373 14 6					

## PROFIT AND LOSS.

			£ s. d.						£ s. d.		
Net Balance of Profits at 31st March, 1899, paid to Assets Realisation Board in terms of "The Bank of New Zealand and Banking Act, 1895," Section 11 .. .. .			50,000	0	0	Balance from year ended 31st March, 1899 .. .. .					
Twelve Months' Interest on Guaranteed Stock .. .. .			80,000	0	0	Profits for year ended 31st March, 1900, including recoveries and after payment of and provision for all interest due and accrued on deposits and provision for bad and doubtful debts in current business .. .. .					
Twelve Months' Dividend to 31st March, 1900, on Preferred Share Capital .. .. .			17,500	0	0	LESS—					
Amount written off Bank of New Zealand Estates Company (Ltd.), "Assets in Liquidation" .. .. .			70,370	15	5	Salaries and allowances at Head Office and 121 Branches and Agencies .. .. .					
Amount written off Bank of New Zealand Estates Company (Ltd.), "Debenture Conversion Account" .. .. .			14,649	12	2	Directors' Remuneration .. .. .					
Amount written off Colonial Bank Purchase "Goodwill Account" .. .. .			10,000	0	0	General Expenses, including rent, stationery, travelling, etc. .. .. .					
Balance for year ended 31st March, 1900 .. .. .			50,000	0	0	Audit Expenses Account .. .. .					
						Rates and Taxes .. .. .					
						£292,520 7 7					
						£292,520 7 7					

## RESERVE FUND.

			£ s. d.						£ s. d.		
Balance .. .. .			£23,474	7	4	Balance from year ended 31st March, 1899 .. .. .					
						£23,474 7 4					

A. MACINTOSH, CHIEF AUDITOR

JAMES EMBLING, GENERAL MANAGER.  
RICHARD W. GIBBS, ACCOUNTANT

Dated this 20th day of June, 1900.

Dated this 19th day of June, 1900.

# REPORT

OF

PROCEEDINGS AT THE ORDINARY GENERAL MEETING OF THE  
PROPRIETORS HELD AT THE HEAD OFFICE, WELLINGTON,  
ON FRIDAY, 17TH AUGUST, 1900.

MR. J. R. BLAIR, CHAIRMAN OF DIRECTORS, PRESIDED.

THE CHAIRMAN said: The Balance-sheet for the year ended 31st March last (already published) has been circulated among you, and may be taken as read. I will proceed as usual to review the variations that have taken place in the figures since the date of the previous Balance-sheet, 31st March, 1899.

CAPITAL 31st March, 1899: £2,912,354; 31st March, 1900, £2,919,519; increase, £7,165. The increase, it will be observed, is due to further amounts collected from Shareholders in respect of the second call on the reserve liability and credited to ordinary capital, in terms of "The Bank of New Zealand and Banking Act, 1895." You will notice under the head of Capital a memo. which has been added for the purpose of acquainting you with the position of the first call account. Many of you will remember that at the time of the 1895 legislation it was necessary, in adjusting the accounts, to make an estimate of what the first call would produce. £450,000 was the amount set down, and for some years, owing to a deficiency in the amount actually realised, an item had to be shown on the asset side of the Balance-sheet representing the amount which had yet to be collected from Shareholders to make up the full £450,000. In the previous Balance-sheet of 31st March, 1899, the amount unpaid was shown as £425 7s. 7d., and in discussing the item at the last General Meeting I indicated that it would disappear during the then coming year. This, it will be seen, has been the case, and there has been received in addition £2,538 1s. 3d., making the total amount paid on account of the first call £452,538 1s. 3d. The excess of £2,538 1s. 3d. over the amount which it was estimated the call would produce has been applied, in terms of "The Bank of New Zealand and Banking Act, 1895," towards further writing down the Bank of New Zealand Estates Company assets in liquidation, respecting which I shall have something further to say later on.

RESERVE FUND, £23,474, remains the same as last year.

NOTE CIRCULATION—1899, £666,223; 1900, £722,770; increase, £56,547. The circulation shows expansion, which is gratifying, not only to the Bank, but to the Colony generally, since it reflects the greater business and commercial activity, which demands an enlarged currency to cope with its requirements.

BILLS PAYABLE—1899, £698,355; 1900, £770,348; increase £71,993. This is an ordinary fluctuation, and has no special significance.

DEPOSITS.—1899, £7,834,481; 1900, £8,587,860; increase, £753,379. This increase is due almost entirely to the growth of private deposits, an evidence not only of the general prosperity of the community, but also of the confidence that that community reposes in the Bank as the custodian of its funds. It is the more gratifying because the growth occurs at a time when enterprise and industry throughout the whole Colony is in all directions active and progressive. The accumulation of money in the hands of the Banks is not always a healthy sign. Sometimes it is indicative of timidity on the part of the investing public and of sluggishness in trade and commerce. That, however, I am happy to say, is not its significance on this occasion. As regards London fixed deposits, the policy reported to you twelve months ago is still being pursued. All

fixed deposits are being paid off as they mature, and no new deposits are being accepted. The aggregate amount of such deposits held has consequently now been reduced to a comparatively speaking small figure.

OTHER LIABILITIES.—1899, £164,627; 1900, £114,402; decrease, £50,225. The items composing this liability consist mostly of departmental accounts. The reduction is almost entirely accounted for by the transfer to credit of certain old dependencies of amounts held under this head as reserves against them.

BALANCE OF PROFIT AND LOSS—1899, £50,000; 1900, £50,000. This is the amount payable to the Assets Realisation Board in terms of the Statute.

ASSETS.—Turning now to the assets side of the Statement, we have:—Coin and cash balance at Bankers—1899, £1,190,321; 1900, £1,303,756; increase, £113,435. Bullion on hand and in transit—1899, £94,599; 1900, £103,770; increase, £9,171. Total, 1899, £1,284,920; 1900, £1,407,526; increase, £122,606. Money at short call, etc., in London—1899, £1,803,396; 1900, £2,667,637; increase, £864,241. The larger holding of coin and bullion is necessitated by the increased volume of the Bank's deposits above referred to. As a consequence mainly of the same deposit growth, money at short call, etc., in London has also increased, the Bank's policy being to employ such funds in liquid advances in London, where repayment can be obtained at very short notice if required. The rates for money in London having ruled high during the period, the results to the Bank have been almost as satisfactory from a profit point of view as if the funds had been invested in the Colonies: whilst the advantage, under the world's existing uncertain financial outlook, of holding ample resources in London, available at short notice, is obvious. In connection with the administration of these funds in London—which I may say have contributed a very substantial share to the profits shown—the thanks of the Board and of the Shareholders are due to the chief officers of the Bank in London, and to the London Board, particularly to the Chairman, Mr. R. H. Glyn, familiar to you as President of the Bank when the Head Office was in London, who gives unremitting attention to the supervision of this—probably at the moment the most important branch of the Bank's London business. Mr. Glyn is a large shareholder in the Bank, and has, therefore, a deep interest in, and exhibits a keen solicitude for the Bank's welfare. He is one of the unseen and silent workers whose services, invaluable though they are, are apt to be overlooked, and I have pleasure in taking this fitting opportunity to in some measure make recognition of them.

INVESTMENTS IN THE COLONIES.—1899, £2,540,288; 1900, £2,385,285; decrease, £155,003. Of this decrease, £100,000 occurs in Colonial Government securities, due to repayment of an investment which had been current for some years on the security of Treasury Bills. The balance, £55,000, consists of Assets Realisation Board debentures redeemed.

BILLS DISCOUNTED.—1899, £1,613,911; 1900, £1,791,337; increase, £177,426. This increase is due to the larger amount of British Bills purchased compared with those on hand at 31st March, 1899.

OTHER ADVANCES.—1899, £4,025,236; 1900, £3,961,689; decrease, £63,547. A portion of this decrease is represented by the writing off of reserves held against doubtful debts, and, in any case, compared with the volume of business transacted by the Bank, is small and unimportant. Some of the shrinkage occurs through the gradual ingathering of old dependencies of an unsatisfactory or undesirable character. The Board, I may say, make it a rule to pursue a generally conservative policy in regard to advances, carefully selecting new business, and gradually weeding out that which is undesirable in the old. While the effect of this policy may be that the volume of our business may not show such expansion as under existing trade conditions might have been expected, and may even on occasions exhibit some slight falling off, I think the policy which the Board have laid down for the guidance of themselves and their executive officials in this respect will have your approval and support. The disastrous consequences of an incautious business policy in the past have, I

am sure, been too forcibly and disagreeably borne in upon you during the last six years to make you wishful for any relaxation of our present methods. Though the volume of advances may not have increased, the ordinary advances are fairly well maintained, and the quality is undoubtedly improving, and you may accept my assurance that no effort is spared to conserve that which is good in what we already have, and to acquire that which is desirable in what we at present have not.

LANDED PROPERTY.—1899, £415,577 ; 1900, £422,339 ; increase, £6,762. The increase here is due to expenditure on new buildings, principally the Head Office premises now in course of erection, and which should be complete and ready for occupation in course of the next five or six months.

BANK OF NEW ZEALAND ESTATES COMPANY ASSETS IN LIQUIDATION.—1899, £455,063 ; 1900, £369,967 ; decrease, £85,096. The bulk of this decrease is due to further heavy writings off from profits to meet deficiencies resulting on realisation of assets held in this category. A reference to the Profit and Loss Account will show you that £70,370 15s. 5d. of last year's profits was appropriated to that purpose. This is a very large sum, and having in view the large amounts devoted in the past to the same purpose, it will no doubt occur to many of you to ask when the limit of the capacity of these "assets in liquidation" to absorb profits is likely to be reached. That is a question to which I am not yet in a position to give as definite an answer as I could wish ; but I may say that the outlook is clearing, and the end is, I think, fairly well in view. I am pleased to be able to inform you that of the assets in this category, the last of those known as the "Trading Concerns" has now been disposed of. Many of the remaining assets will, I believe, realise book value, if not more, while others will inevitably fall short of it, and, while further appropriations for deficiencies on these assets will undoubtedly be required, they will be of largely reduced amount, and in the course of a year or two will, I hope, become comparatively speaking small or be absent altogether from the annual accounts. I have only to add that neither the former nor the present Board are responsible for these dependencies, which are legacies left to us by the past management.

BANK OF NEW ZEALAND ESTATES COMPANY DEBENTURE CONVERSION ACCOUNT.—1899, £50,010 ; 1900, £35,360 ; decrease, £14,650, resulting from the writing off of that amount by appropriations from profits.

COLONIAL BANK PROPERTY AND PREMISES—1899, £95,457 ; 1900, £87,234 ; decrease, £8,223. The reduction here is accounted for principally by sales of properties effected. We hope a much larger reduction will appear under this heading in the next accounts.

COLONIAL BANK PURCHASE GOODWILL ACCOUNT—1899, £70,000 ; 1900, £60,000 ; decrease, £10,000. This reduction is made by the writing off of the appropriation.

PROFIT AND LOSS.—Turning now to the Statement of Profit and Loss, the items on the debit side explain themselves, and some of them have been already referred to in course of my previous remarks. On the credit side, you will observe the gross profits appear as £414,076, against £379,331 for the year ended 31st March, 1899—an increase of £34,745. This cannot but be regarded as very gratifying, for, after making allowance for a combination of circumstances which must be regarded as fortuitous and not likely to continue or to recur, evidence remains of a satisfactory maintenance of earning power, of diminished requirements for bad and doubtful debts in current business, and of reduction in working expenses, which leads us to hope for results from the current year's operations almost if not quite as favourable as those of the year now under review. The expenses of management deductible from the gross profits compare as follows :—

Salaries and Allowances—1899, £116,358 ; 1900, £110,682 ; General Expenses, 1899, £41,732 ; 1900, £35,778 ; Rates and taxes, 1899, £20,221 ; 1900, £20,602 ; Audit expenses, 1899, £2,726 ; 1900, £2,494 ; Directors' remuneration, 1899, £2,375 ; 1900, £2,000. Totals, 1899, £183,412 ; 1900, £171,556. Proportion of management expenses to gross profits : 1899, 48.35 per cent. ; 1900, 41.43 per cent. This shows that management expenses in relation to profits have been reduced by 6.92 per cent. The proportion of management expenses to capital paid up, in-

cluding as capital the £2,000,000 Guaranteed Stock, compares thus :—Year ended 31st March, 1899, 6.29 per cent. ; year ended 31st March, 1900, 5.87 per cent. Some small further reduction in working expenses may be practicable, but I do not anticipate it will effect a material alteration in the proportion.

Viewing the situation as a whole, I think you are to be congratulated on the position to which the Bank has attained. The prospects are distinctly encouraging, and I look forward to the future hopefully. I hesitate to say anything which might foster unwarrantable anticipations. To attempt at prognostication is usually risky ; it is especially so in the case of an institution such as this, where all estimates are liable to be disturbed by circumstances which it is impossible to foresee. The lot of the Bank of New Zealand Shareholder of late years has not been a happy one. You have had your hands almost constantly in your pockets to meet calls on the reserve liability, which most of you have paid, and I have no doubt regarded as almost hopelessly lost money. The Board deeply sympathise with Shareholders in the misfortunes which have been precipitated upon them through their connection with the Bank. Speaking for myself and my colleagues, I would say that nothing would give us greater pleasure than to be able to unfold the silver lining to the cloud that has so long overshadowed you. I am sorry that we cannot on this occasion do more than point you to its existence, and bid you to take courage. While it is not my pleasant duty to announce a dividend, I think I may now safely say that the dividend-paying point is coming within measurable distance. It is, so to speak, in sight ; and while I cannot hold out hopes that even when next we meet you to discuss the annual Balance-sheet we shall be in a position to declare a dividend, yet I think that possibly on the next succeeding occasion, *i.e.*, in 1902, we may find ourselves able to do so. I hope you will bear in mind the uncertainties attaching to any such forecast, and accept it as subject to possible modification.

Let me make my meaning perfectly clear, so as to guard against any risk of misapprehension. The legislation of 1895 permits payment of a dividend when provision for all deficiencies outside those in the Assets Realisation Board has been fully made. But a glance at the Balance-sheet will show you that a good deal has yet to be done before we can honestly claim to have achieved that position. The "Goodwill Account, £60,000," and the "Debenture Conversion Account, £35,360," must be cleared from the Balance-sheet, besides which further provision for Estates Company Assets in Liquidation and for items in "Property and Premises Accounts" will be required. What these may amount to I cannot at this time pretend to say ; but when they have all been provided for, then it will become possible for us to deal with the question of dividends. The amount we may be able to declare will, of course, depend upon circumstances. It cannot exceed and may be less than 5 per cent. on the amount paid up in respect of the second call of £3 6s. 8d. per share, which constitutes the Shareholders' present paid-up capital. There would be no immediate prospect of any payment at all but for the fact that legislation has made provision for it, for even though the deficiencies existing in the Bank's Balance-sheet be covered in the course of the next two or three years you will not be in the position of having provided for all losses. There will still remain a large deficit to be provided for in connection with the assets now in course of realisation by the Assets Realisation Board. But provision for this deficiency can, by the forbearance of the Government, be made gradually as surplus banking profits admit, while you may at the same time be earning some small return in the shape of dividend on the capital paid up in respect of the second call. In the meantime, I may say that the Assets Realisation Board appear to be making good progress with the work of liquidation. The bulk of the estates in the South Island has been disposed of—those only in Marlborough now remaining to be dealt with—and I have no doubt the Assets Board will now turn their attention energetically to the work of realising those in the North Island, where the present conditions and prospects certainly appear very favourable for dealing with such properties to advantage. Many of these properties are undoubtedly very valuable. The actual results of the working of the estates, etc., during the year ended 31st March last have been, we under-

stand, very satisfactory—much more so than those achieved on previous occasions—so that the outlook is brightening in that quarter also. The amount of Assets Board debentures outstanding at 31st March last was £2,500,000. Of these £125,000 have since been redeemed.

Viewing all these considerations, you will no doubt agree that there is some justification for hopefulness as to the future. The work of rehabilitation is necessarily slow. It will take years to complete. But that it will be completed, and completed satisfactorily, and within a reasonable period, we have no doubt, provided that the support which is necessary be extended to us, until we are in a position to stand alone.

It would be inappropriate that I should conclude without making some reference to the unfortunate occurrence at Rangiora, which is matter of public knowledge through the press, and in connection with which a criminal prosecution against two officers of the Bank has just been concluded in the Supreme Court at Christchurch. The disclosures in question have distressed us very much. It is very disturbing to find two officers of the Bank, occupying responsible positions, combining together as these men have done to defraud the Bank, and being able to successfully manipulate the Bank's funds for their own benefit to such a large extent and over such a lengthened period. But it is one of the perils to which Banks are exposed, and from which they all no doubt in some measure suffer. Under ordinary circumstances, dishonesty perpetrated by a single officer, cannot go for long undiscovered; but where two officers—practically the full staff of the smaller branches—combine together for the purpose, it becomes a difficult matter to detect dishonesty, and speculation may be successfully carried on for a long time. What I want to point out to you and to the public of the Colony generally is this—that much might be done by the Bank's own customers to prevent such occurrences, by increasing the difficulty of carrying on dishonest practices. If the public would exercise a greater degree of care over their money matters—by seeing that they get from the Bank proper acknowledgments for all moneys they entrust to the hands of Bank officials—that would be, at any rate, one step in the desired direction. In the case now under review customers left their money with the Bank on fixed deposit, and never took the trouble to satisfy themselves that deposit receipts were issued for same. The issue of the receipt is the check on the official. Without it there is nothing to prevent the receiving official putting the money into his pocket and never entering it in the books of the Bank—just as was done in this Rangiora case. I know it is the custom to treat Bank officials as above suspicion, and it is this implicit confidence in them, which in some cases—not many, I am happy to say—conduces to their ruin. It is a mistake to place too much confidence in any; all are human and liable to fall. We know "how oft the sight of means to do ill deeds, makes ill deeds done"; and if the public would be careful to see that the "means" are wanting, there would be fewer defections from the paths of honesty. I would urge the public, when placing money on fixed deposit, to see that the customary receipts are issued to them, and in the case of current accounts they should from time to time obtain their pass books and check their balances to see that credit has been given them for all lodgments they have made. This not so much in their own interests, for the Bank of course protects the customer when lodgments are proved to have been made, but in the interests of the Bank's officers, to whom it is due that temptation to dishonesty should not be needlessly thrown in their way. They should work with the knowledge that, through the combined watchfulness of the public and the Bank's inspecting officers, any misappropriation of money cannot possibly go for long undetected.

At the close of his remarks the Chairman referred briefly to the general commercial outlook. During recent years there had been a great development in the trade of the Colony. The gold-dredging industry in particular had made rapid progress; but while there was no doubt a great future before it, investors at a distance from the dredging fields were likely to lose over the industry a great deal more than they could make, and it would be desirable, therefore, that people should not embark in it more money than they could afford to lose. He pointed to the fact that there was every prospect of a large development in the coal trade of the Colony, consequent, in a measure, upon the

assembling of fleets of the allied powers in Chinese waters. The North Island especially had made great progress of late, and the completion of the Trunk Railway would give to trade all over the island an impetus which was not at the moment quite realised. The dairying industry was rapidly expanding, but it was to be borne in mind that the expansion was not without some elements of danger. While the present prosperity of Great Britain continued, success was no doubt assured; but if a period of depression should arise in the Mother Country, and the purchasing power of the British people be thereby materially impaired, the prices of dairy produce would no doubt suffer, and the present values of dairying land would fall in consequence. Under those circumstances trouble might be expected, since the prices now being paid for dairying land in the North Island could not be justified except by the return at present realised from dairy products. It was necessary, therefore, that caution should be exercised in the development and extension of the industry.

Referring to the financial situation in Europe, the Chairman expressed the view that a crisis had been narrowly missed, and when it was remembered that a large waste of money was at present going on in China and Africa, and that the European and other nations appeared to contemplate spending something like £240,000,000 during the next ten years in the building of warships, there was every reason for looking to the financial future with feelings of apprehension. For this reason alone the Board deemed it essential to pursue a safe policy by maintaining ample liquid resources such as the Bank had at the present time in London. The Board felt the need for caution, and were acting accordingly.

The CHAIRMAN then moved the adoption of the Report and Balance-sheet.

MR. MARTIN KENNEDY seconded the motion. He said as a representative of the Shareholders on the Board, it was very gratifying to him—as it would be to the Shareholders themselves—to have it announced from the Chair that there was at least some prospect in the immediate future of something coming to the Shareholders of the Bank. He did not think for one moment that the Chairman's statement was over-coloured, or that his anticipations were over-coloured. It might be said, "How do you account for the contrast between the earning-power of the Bank at the commencement—when the Board first came into existence in 1894—and the present condition of affairs?" To a member of the Board the secret was quite plain. And here he would say that the Shareholders of the Bank—especially as they were so long-suffering—were entitled to as much information as would be given to the Shareholders in any joint-stock company. If the shareholders of a joint-stock company were for many years without a dividend, and were called upon for a reserve liability which they had never contemplated having to pay, they would naturally ask their representatives to explain. That was his position, and he intended to give them as much information as possible, so far as it did not interfere with the Bank's business. He entirely concurred with the statement which the Chairman had made; and he would say now that any remarks which he might feel called upon to make were made on his own account, and without consultation with any member of the Board. In 1894, when the Board came into existence, the business of the Bank was disorganised and discredited. He might say there was chaos even, under the then existing management. The position was that the new directorate had to face a matter of something like £4,000,000 worth of assets which were practically not contributing anything to the resources of the Bank. Of course, some of them were earning money and paying something towards interest, but the amounts so obtained had to be held in reserve in anticipation of what would happen when they were sold. That would account for a great deal being held back and not shown in the Balance-sheet at that time as profit. Subsequently, by legislation, the Assets Realisation Board was created, and took over £2,800,000 worth of assets, for which the Bank received 3½ per cent. debentures. That changed the aspect of affairs straight away, and brought the Bank into a payable condition. There was still, however, £1,500,000 worth of other assets in connection with the old Assets Board in liquidation, and Bank business generally, a great deal of which was not paying, thus increasing the difficulties which the Directors of the Bank had to encounter.

Now a great deal of this £1,500,000 had not yet been realised. Probably £700,000 or £800,000 worth of assets yet remained unsold. He mentioned this because he wanted the Shareholders to understand that he did not for a moment think that the earning power of the Bank had reached its limit by any means. Because, when this £700,000 or £800,000 which remained—a certain amount of which was probably earning full interest—came to be realised, the profits on the Bank's Balance-sheet would proportionately be increased, so that there was no need for apprehension if, in the meantime, the Board of Management did not feel justified in carrying into the Balance-sheet amounts which, sooner or later, would probably go to swell the profit-earning power of the Bank. He was putting these facts before them as their representative, because he recognised it would be a misfortune for Shareholders to pass away their shares under a misapprehension as to what was likely to occur in the future. While he thus expressed himself pleased with the earning power of the Bank, he realised that it might reasonably be asked, as he knew had been asked—"Is the official management of the Bank what it should be?" Of course, they would clearly understand that as the Colony had guaranteed the Bank it was entitled to completely control the finance and funds of the institution. In pursuance of this arrangement the Government had brought in legislation for the appointment of a new Board. At that time the representation of the Government on the Board was one member and the Chairman, who had the casting vote. Now the Government had four representatives as against two. While he did not for one moment wish it to be supposed that because the members of the Board were not representatives appointed by one constituency they were not a happy family—because exactly the reverse was the case; the utmost harmony prevailed—he wished to point out that while the Colony was sailing ahead the Bank's business was not increasing in the same proportion. Then they might ask themselves: "What is the cause of this?" Well, of course, they all had their own surmises. He would say this, that no good business coming before the Bank had been refused. Yet at the same time they had increased their resources in London £800,000 or more. And while it had found profitable employment in London during the past year, in which there had been an abnormal demand for money, the question arose, "What would happen if the demand in London ceased and we had no Colonial investment for it?" He would say at once that while all good business offered to the Bank had been taken up, there was a want of confidence which must be due to some cause. This want of confidence could only be attributed to the apprehensions raised by the power of veto. Not satisfied with the ample control which it was enabled to exert by the fact it had four members on the Board, one of whom was Chairman with a casting vote, the Government had insisted upon appointing an Auditor with a power of veto. He would say at once that the present Auditor had never exercised his veto to the prejudice of the Bank; but it was not what happened, but what was suspected to happen, which created the prejudice. Thus the position arose that there were not so many applications for new business coming before the Board as they would like to see, and, therefore, they lost the employment of money in this Colony, and sent it to London instead. It would not be long before there was further legislation in connection with this Bank, and if they sat still and said nothing, it would be thought that they would be satisfied, and that no more improvement could be made. He was satisfied that they were doing very well; the Directors were working harmoniously together; but this fact faced them, that business was not expanding as it should do. That might be due to the apprehension on the part of business men that however good their security might be, the power of veto might be exercised against them and their applications thrown out. As a matter of fact, the power of final veto did not rest with the Auditor. That official could only refer matters about which he was in doubt to the Board at its next meeting, and the Board could deal with them at its discretion. Nevertheless if the opposite opinion got into the country and prevailed, it followed that the Bank's business must be prejudiced. With regard to the Rangiora defalcations, to which the Chairman had referred, he (Mr. Kennedy) pointed out that the Bank did not lose the whole of the amount stolen, because some £3,000 came back to them from the Bank's Guarantee Fund. The cure for defalcations of this kind would be to provide that officials should not stop too long together

at one place. He was satisfied that nothing of this kind would occur in the future. Finally he said there was no element in view which disturbed or was likely to disturb the future earnings of the Bank. His only regret was that the idea should have found a place in the public mind that any amount of business could not be entertained by the Bank on its merits. If they had any use for their London surplus it would be brought here. They had never had to refuse business for want of funds, and all good business offered had been retained by the Bank.

MR. HAROLD BEAUCHAMP, referring to some of Mr. Kennedy's remarks, endorsed the statement that the Directorate was harmonious, and said that the Bank was pursuing a safe policy in accumulating reserves which would enable it in a time of possible financial crisis to avoid getting into the same position as in days gone by. Their English reserves would be realisable in case of emergency or expansion of business. The fact that the Bank had earned £414,000 in profits bespoke increased earning power and progress on sound and safe lines.

In reply to questions by Mr. Kebbelle, the Chairman said he could give no idea as to what would be realised in connection with the item on the Balance-sheet, "Bank of New Zealand Estates Company (Limited) Assets in Liquidation (book value)." They had some indefinite idea that it would be £30,000 or £40,000, but that was mere guesswork. The business of the Bank was not decreasing, but increasing, though in pursuance of a policy of safety the Bank was disposing of all unprofitable business, of course to the best advantage.

The motion for the adoption of the Report and Balance-sheet was adopted.

MR. T. MCKENZIE, in moving a vote of thanks to the Directors, said the Shareholders were indebted to the Chairman for his lucid exposition of the affairs of the Bank, which were of a most satisfactory character. Personally he was not so anxious for a dividend as to see the Bank in such a position as would be a credit to the Colony.

MR. J. B. HARCOURT seconded the motion.

MR. BLAIR, in response, said nothing would delight the Directors more than to be able to proclaim a dividend at the earliest possible moment.

