11. In order to restore the bank's earning-power, the disability, so far as the purchase by the bank of the business of any other bank is concerned, caused by the Act of 1894, should be removed. This is, in our opinion, absolutely imperative. The bank should, therefore, be empowered to purchase the sound business and assets of any other bank carrying on business in the colony. With the increased burdens thrown upon the bank caused by the £2,000,000 of additional stock and the readjustment of capital which is proposed herein, a very large addition to the bank's earning-power is essential. The only way in which this can be got sufficient to enable the bank to make profits to pay its way and sustain its credit is by the acquiring of the business of another institution. At present the banks of the colony are beyond the colony's resources to properly maintain. If the bank of New Zealand, after rehabilitation, desired to obtain the necessary increase of business to enable it to carry on, it could only be done by cutting the rates in order to take accounts from existing institutions. Retaliation on their part would be certain to follow, and the outcome of such a course would be that the earning-power of the bank could not be increased within a reasonable time to a sufficient extent to enable it to provide for its requirements. In any proposal for the purchase of another banking institution it would obviously be a condition that the responsibility for bad and doubtful debts would require to be borne by the selling institution.

12. As a loss at the present time accrues to the bank through the investing of the large sum of £1,000,000 in Government or liquid securities, in terms of clause 10 of "The Bank of New Zealand Share Guarantee Act, 1894," we would propose that this clause should be repealed as being, under the reconstruction scheme, unnecessary.

13. We have for several weeks given the various points of this scheme our most earnest attention and consideration, and have satisfied ourselves that no less help from the Government than the scheme requires will suffice to place the bank on a firm and secure footing; but we are equally satisfied that if the scheme be carried out the bank will be at once placed in a secure position and on a profit-earning basis, that no loss will ultimately accrue to the colony from the guarantee for the £2,000,000 stock, and that the deferred shares herein mentioned will earn 5 per cent. per annum dividend for the benefit of the shareholders and of the colony.

We have, &c.,
W. Watson, President,
Walter W. Johnston,
Wm. Booth,
Thos. G. Macarthy,
M. Kennedy,
} Directors

Hon. C. C. Bowen, Chairman Banking Committee.

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## PROPOSED SCHEME OF HON. MR. WARD.

| | | |
|---|---|---|
| Present State of Bank of New Zealand— | | |
| "A" stock ... | | £2,000,000 |
| Shareholders' capital ... | | 900,000 |
| Reserve fund ... | | 45,000 |
| Shortage bank apart from Estate Company ... | | 425,000 |
| Present State of Estates Company— | | |
| Indebted to Bank of New Zealand. In current account ... | £1,426,702 | |
| " Bank of New Zealand. In shares ... | 1,850,000 | |
| | | 3,276,702 |
| " for debentures and bonus ... | 1,073,500 | |
| " for debenture interest ... | 26,225 | |
| | | 1,099,725 |
| | | 4,376,427 |
| Value of Estates Company's properties after allowing a further writing down of £148,110 (A.A. Company's shares owned by Estates Company) from already reduced values ... | | 2,580,746 |
| | | 1,795,681 |
| | say | £1,800,000 |
| Apply to this the estimated part proceeds of call, the balance of £200,000 to be applied to contingency account against doubtful debts in bank ... | | 250,000 |
| Leaving ultimate shortage of ... | | £1,550,000 |
| To provide for deficiency in bank, write down the £5 5s. shares £3 and the £7 10s. to £4 5s. | | |
| This will give, available from capital ... | | 387,500 |
| and from reserve fund (the balance of reserve fund to go to profit and loss account) ... | | 37,500 |
| | | £425,000 |
| Create preference shares ... | | £500,000 |