NORTHERN CROWN BANK'S AFFAIRS

Further Merger Negotiations Reported—How the Bank's Branches Stand

The story persists that negotiations are proceeding with a view to the absorption of the Northern Crown Bank, Winnipeg, by the Imperial Bank of Canada, although the directors of neither bank have issued any statement on the matter.

While an amalgamation was discussed in January with a bank with head office in Montreal, the negotiations fell through. The finance department, Ottawa, was not approached on the matter by either of the banks concerned and no formal application was made to the finance minister. The matter was mentioned to the minister, however, by an agent interested in the affair, and Sir Thomas White informed him that any application would be considered on its merits, and that good reasons for a merger would have to be presented.

Decided to Cut Capital.

At the adjourned annual meeting of the Northern Crown Bank on January 18th, the directors decided, if the sanction of the finance department could be obtained, to reduce the capital stock of the bank by 50 per cent., namely, from $2,860,000 to $1,430,000. Out of the 50 per cent. taken from capital account it was proposed to set aside one-half, viz., $715,000 in rest account, the balance to be used to write down bank premises, depreciation in assets, and to place a sufficient sum in contingent account to provide for possible losses in secured loans, the security for which is not readily realizable.

"In reviewing our operations," said Sir Daniel McMillan at the meeting, "it now appears that it would have been better policy to have retained a portion of this money in the business to establish a rest account, both as a means of increasing the earning power of the bank and as protection against losses. Losses were made, and in providing for these and paying dividends to shareholders we found it impossible to build up a rest account, which it will be necessary to do before we can again distribute our profits.

Finance Department and Capital Cut.

"It also appears now that too much property was purchased for premises, locking up funds that should have been kept liquid and utilized for loaning purposes; although the property investments of the bank are extremely valuable, and are likely to prove even more so in the future. Viewing them as sites for premises, they can hardly be improved upon.

"It may be claimed that we should have established a sufficient reserve to meet such a contingency, and I am prepared to admit that such would have been the best policy, but it must be remembered that we have only been in business nine years. If we had taken our profits to establish a reserve, we could not have paid in dividends, as we have done, over a million dollars."

The proposed reduction in the bank's capital has received the sanction of the treasury board.

Distribution of Branches.

The following table shows how the branches of the two banks are distributed:—

Branches in	Imperial.	Northern Crown.
Ontario	76	23
Quebec	4	—
British Columbia	14	8
Manitoba	4	21
Saskatchewan	13	50
Alberta	13	4
Total	124	106

Neither of the banks has branches in the maritime provinces.

The Imperial would acquire 75 new branches in the three prairie provinces, where it now has only 30 branches. The two banks' branches do not conflict at a great many points. The Northern Crown has 23 branches in Ontario, and that bank's Ontario business is probably among its best business.

The principal accounts of the two banks, as they appear in the February bank statement, are as follow:—

Assets.	Imperial.	Northern Crown.
Gold and subsidiary coin	$ 1,631,138	$ 234,968
Dominion notes	14,201,830	1,109,621
Deposit for note circulation	335,831	109,492
Deposit in central gold reserves	......	750,000
Notes of other banks	593,459	181,590
Cheques on other banks	2,352,133	768,487
Deposits made with and balances due from other banks	564,417	2,518,699
Due from United Kingdom banks and correspondents	1,479,208	75,514
Due from banks and correspondents elsewhere	5,457,532	176,902
Dominion and provincial government securities	5,115,972	347,950
Municipal and other securities	1,051,157	187,052
Railway securities	882,943	1,493,519
Call loans in Canada	4,381,540	162,595
Call loans elsewhere	4,050	......
Current loans in Canada	35,790,165	8,512,628
Loans to provincial governments	35,330	128,200
Municipal loans	5,061,706	66,121
Overdue debts	233,957	387,753
Real estate other than premises	211,303	48,188
Mortgages on real estate sold	428,055	96,363
Bank premises	2,621,740	376,249
Customers' liabilities	84,605	......
Other assets	65,048	69,986
	$82,583,131	$17,801,876

Liabilities.	Imperial.	Northern Crown.
Capital authorized	$10,000,000	$ 6,000,000
Capital subscribed	7,000,000	2,862,400
Capital paid up	7,000,000	2,859,287
Reserve fund	7,000,000	150,000
Rate per cent. of last dividend	12	6
Notes in circulation	$ 5,673,667	$ 2,381,425
Balance due to Dominion government	4,423,992	373,770
Balance due to provincial government	1,730,435	698,503
Deposits on demand	19,067,438	4,479,797
Deposits after notice	36,017,053	6,742,848
Deposits made by and balances due from other banks	14,479	5,656
Due to banks, etc., in United Kingdom	1,403	......
Due to banks elsewhere	280,625	8,771
Acceptances	84,605	......
Other liabilities	......	53,464
Total	$67,293,702	$14,744,237
Aggregate amount of loans to directors and firms of which they are partners	$ 315,012	$ 381,678
Average amount of current gold and subsidiary coin held	1,630,280	237,468
Average amount of Dominion notes held	14,777,636	987,059
Greatest amount of notes in circulation	5,925,161	2,480,693

Mr. H. Bruce MacKelvie, of Hayden, Stone and Company, of New York, has been elected a director of the Nova Scotia Steel and Coal Company. He is a Canadian.

The London Financial News' criticism of the Algoma Central Railway affairs is replied to as follows by Mr. A. Taylor, secretary of the company: "The scheme for the reorganization of the affairs of the railway company which is now being put through, was prepared by a committee of the first mortgage bondholders themselves in London, England, and submitted to and approved by the railway company. The whole matter was submitted to the first mortgage bondholders for their consideration, and after four weeks' notice, at a meeting of these bondholders, held in London, England, on the 24th of this month, the scheme was unanimously approved. Evidently the first mortgage bondholders thought their position under the scheme was improved rather than impaired, or they would not have unanimously supported the adoption of the scheme."