

rates during the past couple of weeks. In banking circles here the development is not looked upon as a serious matter. The bankers consider that New York will not have much cash to spare for outside loans of this kind once the American crops are fairly on the market.

The Street is wondering whether the recently announced meeting for the increase of Shawinigan Power's authorized capital stock from \$20,000,000 to \$25,000,000 is to be the prelude to the distribution of bonus or benefits of some kind among the stockholders. Apparently it indicates financing by the banks. A considerable amount of Shawinigan stock has been taken in anticipation of an amalgamation with Montreal Power. Perhaps the proposed increase in Shawinigan's capital is the preliminary step in carrying through the expected consolidation. A deal of this magnitude would doubtless result in the creation and flotation of a considerable volume of new securities; and it would involve heavy loans from the banks to underwriting syndicates and stock broking houses.

The Canadian Light & Power Company also increased its authorized capital this week, supposedly for the purpose of increasing its capacity for supplying electrical energy. Montreal's manufacturing enterprises are steadily growing more important, and consumption of power promises to expand with great rapidity.

SIX MILLIONS OF BANK LOSSES.

Towards the end of July the biggest national bank in St. Louis, Mo.—an institution possessing nearly \$87,000,000 of assets, issued a circular to its stockholders advising them of a drastic cutting down of the book value of certain important assets. This action was necessitated by the condition of certain advances made by the bank prior to the panic of 1907. These loans were made apparently to two or three large concerns. According to the circular the enterprises conducted by the recipients of these advances were then "prosperous and of splendid promise." But since then and because of the "financial cataclysm and the continued depression following" the concerns have been greatly embarrassed "and the bank was unable to collect these loans without utterly crushing the borrowers."

The bad loans were carried as good assets, apparently, for nearly five years. It proved impossible to keep them secret. A larger and larger body of outside persons came to a knowledge of the circumstances; and the management of the bank was subjected to sharp criticism. Its credit also was threatened with impairment, and the credit of the concerns which it was carrying along promised to disappear altogether. So, finally, it was decided to acknowledge the losses and face the issue squarely. On the date of the last call for statements of condition of national banks—June 14, 1912—the bank claimed to have capital, \$10,000,000; surplus fund, \$5,000,000; and undivided profits, \$3,245,253. Through the payment of dividend due July 1st, or through some preliminary writing down, the profit and loss balance was reduced some \$160,000—to \$3,080,767—before the special

entries were put through. And, in addition to the \$10,000,000 capital, the directors had at their disposal \$8,080,767 in surplus and undivided profits for meeting the appropriations for covering the bad loans.

They wrote off in all \$5,748,720, thus leaving the capital \$10,000,000 intact and a balance of \$2,332,038 in surplus and undivided profits. While writing off approximately 70 p.c. of the stockholders' surplus funds (over and above the paid-up capital), the directors made the usual protestations to the effect that they considered it very probable that the losses would be recovered. As trade and industrial conditions in the United States are picking up notably, it is quite possible that the enterprises in question may in time be recognized and rehabilitated in such manner as to enable them to give the bank securities which could be marketed or which would in time rank as good assets.

In the meantime the financial public will be watching interestedly to see how the St. Louis bank's depositing customers take the disclosures which have just been made. On the 14th June, the bank had: in deposits of other national banks, \$21,773,997; deposits of state banks and bankers, \$13,306,065; deposits of trust companies and savings banks, \$870,602; individual deposits subject to cheque, \$18,268,645; certificates of deposits (time and demand) cashier's checks outstanding and deposits of United States Government monies, \$5,439,000. The total deposits of all kinds were close upon \$60,000,000—considerably more than half being bankers' deposits.

During the course of the panic about five years ago the biggest national bank in Kansas City was obliged to suspend payment. That institution also was primarily a bank for bankers. Its prestige was seriously damaged by the suspension. The St. Louis bank is a much stronger concern than the Kansas City bank which suspended. And general conditions throughout the country are very much more favorable than they were five years ago. Nevertheless the action of the directors in writing off nearly \$6,000,000, or about one-third of the stockholders' funds would come as a shock to the creditors and owners of the bank.

Canadian bankers who remember the Sovereign Bank's struggle to keep its head above water after acknowledging its heavy losses will watch this experiment with great interest. The statements made by the Sovereign Bank management were reinforced by statements of leading bankers outside—to the effect that they considered the losses to have been fully provided for, etc. So in this case the statements made by the bank's directors are reinforced by statements of national bank examiners and of the St. Louis Clearing House officers. The national bank examiners certify that they fully concur in the expediency of charging off the sum referred to and commend the conservatism shown by the bank. They also state that it is their opinion that the \$10,000,000 capital of the bank is in no way impaired.

The statement of the clearing house officers goes farther. It is signed by the vice and acting president of the Clearing House, and by the members of the committee of management; and it states that the Clearing House examiners had thoroughly examined the bank and found that its capital of \$10,000,000 was unimpaired and that it was entirely solvent. This unequivocal statement by the Clearing House Committee probably commits the associated banks to a guarantee of the liabilities of the big bank. If it