

1894.
NEW ZEALAND.

PROPOSED AMALGAMATION OF THE BANK OF NEW ZEALAND AND THE COLONIAL BANK OF NEW ZEALAND.

(PAPERS RELATIVE TO THE).

Laid upon the Table by the Hon. Mr. Ward with the Leave of the House.

Mr. J. MURRAY and the Hon. G. McLEAN to the Hon. the COLONIAL TREASURER.

Wellington, 11th September, 1894.

SIR,—

We have the honour to hand you the enclosed two documents embodying the agreement between us for an amalgamation of the Colonial Bank of New Zealand with the Bank of New Zealand, subject to the approval of the Government and of the shareholders of the respective banks.

We have, &c.,

JOHN MURRAY.

GEORGE McLEAN.

The Hon. J. G. Ward, Colonial Treasurer.

I. NEGOTIATIONS have taken place for the amalgamation of the Bank of New Zealand and the Colonial Bank of New Zealand, and conditions have been provisionally defined.

These are embodied in the accompanying memorandum, and are now respectfully submitted for the sanction of the Government as a necessary preliminary to their being laid before shareholders of the respective banks for their confirmation.

II. It is confidently claimed that this arrangement, if carried into effect, will greatly contribute to the soundness and stability of banking in the colony, and, by reason of the materially increased net profits which will accrue to the Bank of New Zealand from the accession of the Colonial Bank's business, it would strengthen the security of the State in respect of its guarantee for the Bank of New Zealand.

III. The presence on the Bank of New Zealand's balance-sheet of a large item representing shares in the Bank of New Zealand Estates Company is a source of weakness to the bank, and the Colonial Bank reasonably make it a condition of amalgamation, either that it be entirely removed or that the Government undertake to make good the ultimate deficiency, if any, which might remain after liquidation of the assets and of the collateral cover held by the Government, viz:—

(1.) The paid-up capital of the bank, which, under the proposed agreement, is to be written down to	£ 600,000
(2.) Reserve liability of shareholders	1,500,000
(3.) The interest of the Bank of New Zealand shareholders in the future profits of the bank, which, if the amalgamation be carried out, can hardly fail in ten years to accumulate to	500,000
Say	<u>£2,600,000</u>

IV. This undertaking in point of fact already exists, because the two millions capital guaranteed by the State is liable to creditors to make good this item with the others in the balance-sheet. The complete separation of the Estates Company from the bank and the assumption by the Government of a share in its management and liquidation would be a measure wise in itself, and which the country desires to see carried out.

V. It is respectfully suggested that a small Board or commission be set up; half to be nominated by the Government, half by the bank, with an administrative head to be jointly appointed.