

ASSETS.

Sterling Exchange.

An increase of £999,937. Throughout the year sterling exchange has been on a slightly higher level than for the corresponding periods in the previous year.

*Advances.**To the State or State Undertakings :—*

- (i) *Marketing Department* : An increase of £4,794,170. Large quantities of butter and cheese for which suppliers had been paid but for which no payment was yet due from the United Kingdom Government accounted for the major portion of this increase. Advances to the Marketing Department throughout the year averaged approximately £2,500,000 higher than in the previous year.
- (ii) *Other Purposes* : An increase of £6,500,000 to a total of £22,000,000. Of this total, £20,000,000 were Housing Bills (an increase of £4,500,000 since the 31st March, 1941) and £2,000,000 were for general purposes.

The rates for accommodation to the Government were reduced as from the 26th July, 1941. The new rates are as follows :—

							Per Cent. per Annum.
Marketing Department—							
First £5,000,000	..	..	..	..	..	..	1
Thereafter	..	..	..	..	..	..	1½
General Purposes Treasury Bills—							
First £5,000,000	..	..	..	..	..	..	1
Thereafter	..	..	..	..	..	..	1½

DISCOUNT RATE.

The minimum rate for the discounting of approved bills of exchange was reduced from 2 per cent. to 1½ per cent. as from the 26th July, 1941. The rates quoted since the Bank commenced business are as follows :—

						Per Cent. per Annum.
As from 1st August, 1934	..	..	..	..	..	4
As from 29th July, 1935	..	..	..	..	..	3½
As from 2nd March, 1936	..	..	..	..	..	2½
As from 29th June, 1936	..	..	..	..	..	2
As from 19th November, 1938	..	..	..	..	..	4
As from 6th September, 1939	..	..	..	..	..	3
As from 27th May, 1940	..	..	..	..	..	2
As from 26th July, 1941	..	..	..	..	..	1½

EXCHANGE RATE.

No alteration was made in the Bank's official buying rate for sterling, and no official selling rate was quoted.

MANAGEMENT OF PUBLIC DEBT.

During the year under review the major loan transactions were as under :—

(1) *National Development Loans.*

(a) 3-per-cent. Stock maturing 15th July, 1945, at an issue price of £100 per cent.

(b) 3¼-per-cent. Stock maturing 15th January, 1956–59, at an issue price of £97 5s. per cent.

As mentioned in the last report, the prospectus for the above loans was issued by the Bank on the 3rd January, 1941. The issue was for an unspecified amount and was still open for subscription when the last report was written. In exercise of the right reserved in the prospectus, the invitation for subscriptions to the short-dated 3-per-cent. 1945 Stock was withdrawn on the 14th May, 1941, whilst the lists for the 3¼-per-cent. 1956–59 loan remained open till 16th July, 1941.

Subscriptions to these loans involved the issue of Stock to the total nominal value of £8,423,100, of which £2,147,420 is 3-per-cent. 1945 Stock and £6,275,680 3¼-per-cent. 1956–59 Stock.

(2) *£10,000,000 War Loans at an Issue Price of £100.*

(a) 2½-per-cent. Stock repayable 1st August, 1946.

(b) 3-per-cent. Stock repayable 1st August, 1951–54.

The prospectus for these loans was issued by the Bank on the 1st August, 1941, two classes of Stock as above being offered for subscription. Provision was made for subscription in full or in instalments spread over a period of four months.

The response to these loans was very satisfactory, resulting in over-subscription to the extent of £220,620. Of the total subscriptions, "fully-paid" applications exceeded £8,000,000, indicating that considerable sums were available for immediate investment.

(3) *Conversion Loans.*

Two New Zealand Government loans became due for repayment during the year, these being 3-per-cent. Stock and Debentures which matured on the 15th July, 1941, and 3¾-per-cent. Stock and Debentures which matured on the 15th November, 1941; the latter was subject to the option of the Government to repay the loan on or after the 15th November, 1938, on giving three months' notice in the *New Zealand Gazette*.

In addition to the loans mentioned, the Government decided to exercise its option to repay, before final maturity date, the 3½-per-cent. and 4-per-cent. Stock maturing 15th March, 1943. Accordingly notice was given in the *New Zealand Gazette* that the 3¾-per-cent. Stock and Debentures maturing 15th November, 1941, would be repaid on the 15th August, 1941, and the 3½-per-cent. and 4-per-cent. Stock maturing 15th March, 1943, on the 15th September, 1941.

The loans subject to the conversion offer were as under :—

	£
(a) 3-per-cent. Stock and Debentures maturing 15th July, 1941	4,613,505
(b) 3¾-per-cent. Stock and Debentures maturing 15th November, 1938–41	3,001,015
(c) 3½-per-cent. and 4-per-cent. Stock maturing 15th March, 1940–43	13,658,960

Total	£21,273,480
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