

1946  
NEW ZEALAND

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# BANK OF NEW ZEALAND

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED  
31st MARCH, 1946, AND BALANCE-SHEET AT THE 31st MARCH, 1946

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*Presented to both Houses of the General Assembly pursuant to Section 15  
of the Bank of New Zealand Act, 1945, and Section 24 of the Bank  
of New Zealand and Banking Amendment Act, 1898*

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To the Right Hon. the MINISTER OF FINANCE.

The Board of Directors presents hereunder the report on the operations of the Bank of New Zealand during the financial year ended 31st March, 1946.

## PROFIT AND LOSS ACCOUNT AND DIVIDEND

The profits, after providing for expenses of management, and for all bad and doubtful debts, and other contingencies, and after making		£	s.	d.
provision for the annual donation to the Provident Fund, are ..		394,079	3	8
To which has to be added : Balance brought forward from last year		359,722	6	8
		<hr/>		
		753,801	10	4
From which has been paid—		£	s.	d.
Dividend on preference A shares .. ..		43,750	0	0
Interim dividend on C long-term mortgage shares		6,152	6	10
Interim dividend on D long-term mortgage shares		15,380	17	2
Interim dividend on preference B shares .. ..		18,750	0	0
Interim dividend on ordinary shares .. ..		112,500	0	0
		<hr/>		
		196,533	4	0
Leaving available for distribution .. ..		<hr/>		
		£557,268	6	4

This the Directors propose should be disposed of as follows—

	£	s.	d.	£	s.	d.	£	s.	d.
Dividend on C long-term mortgage shares at 6 per cent. per annum ..	7,031	5	0						
*Reduced by 1d. for every 10d. or part thereof ..	703	2	6						
	<hr/>			6,328	2	6			
Dividend on D long-term mortgage shares at 7½ per cent. per annum ..	17,578	2	6						
*Reduced by 1d. for every 10d. or part thereof ..	1,757	16	3						
	<hr/>			15,820	6	3			
Dividend on preference B shares (making £43,750 for the year) ..				25,000	0	0			
Dividend at rate of 4 per cent. on ordinary shares (making £262,500 for the year, equal to 7 per cent.) ..				150,000	0	0			
Leaving balance to be carried forward ..				360,119	17	7			
	<hr/>			<hr/>			£557,268	6	4

Such dividends to be paid in New Zealand currency.

\* Reduction on account of New Zealand social security charge and national security tax in pursuance of section 9, Finance Act, 1941 (No. 2).

The gross profit for the year amounted to ..	£2,099,046	an increase of £122,565
Expenses amounted to ..	£1,704,967	an increase of £107,373
	<hr/>	
Leaving net profit as above ..	£394,079	an increase of £15,192

The main items making up the increase in expenses are—

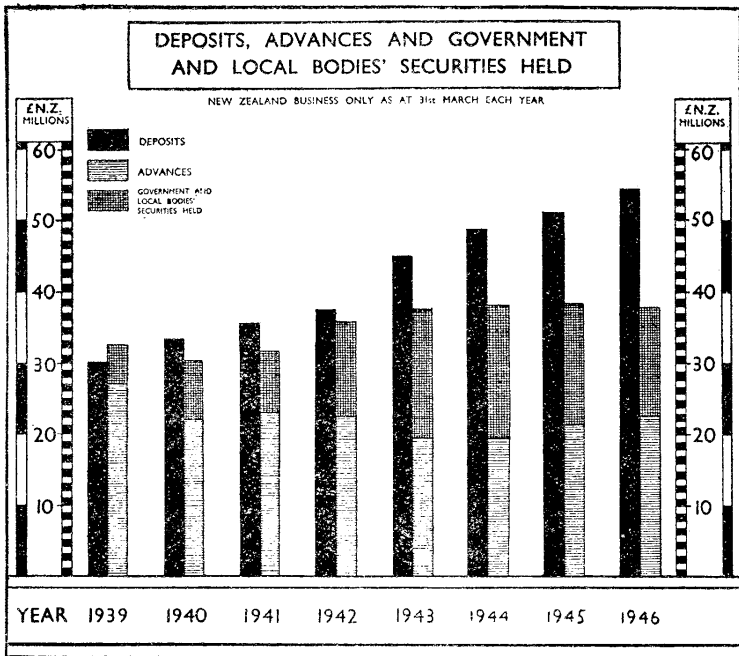
Salaries and allowances: Up ..	£90,500
General expenses: Up ..	£10,340
Rates and taxes: Up ..	£6,187

As has been the case of late years, profits have benefited by the release of reserves for bad and doubtful debts not now required, and this year a large portion of the increase in gross profit is accounted for in that manner. A reduction in investment interest has been made up by an increase in overdraft interest received.

#### BALANCE-SHEET

*Deposits: Fixed and Free.*—These at £62,141,569 show a further increase this year of £4,394,499, which is reflected in corresponding increases in our assets under the next two headings. The subjoined graph is of interest as showing the expansion that has taken place in our deposits during the war years. (The graph also shows the movements in advances and investments.) The increase in deposits is accounted for by the heavy excess of exports over imports for the past year, and the consequent accumulation of overseas funds in the hands of the Reserve Bank. Importing is still restricted, partly owing to inability of exporting countries to supply goods under order, but also to continuation of New Zealand's import control policy. With the coming into operation of the various international schemes for freeing world trade, the position may be expected to improve and a better balance achieved.

*Coin, Reserve Bank Notes, and Deposits with Bankers.*—£20,262,116, as against £17,100,465 last year, an increase of £3,161,651, which is the corollary of the increase in deposits. The main increase is in our deposit with the Reserve Bank, which at 31st March stood at £15,274,493. The Reserve Bank pays no interest on trading-bank deposits with it. These funds are, of course, immediately available, and the large surplus of £11,800,874 over and above our statutory deposit (£3,473,619) makes our position very liquid. The fact that we are unable to make profitable use of so much idle money is unfortunate.



*Money at Call and Short Notice, Government Securities, and Other Securities in London.*—£10,490,868, an increase of £1,881,927. This item includes British Government securities in which the Bank's Reserve Fund, £3,575,000, is invested. The Bank has substantial commitments and contingent liabilities against these funds.

*New Zealand Government Securities,* £13,744,149. This item shows a reduction of £1,799,531, accounted for by the repayment in March last of £500,000 free-of-interest loan to the Government for the duration of the war and six months thereafter, and of £1,300,000 New Zealand Government National Development Loan which matured in July. As a matter of policy, the Government is not at present accepting loans from the trading banks.

*Australian Government Securities, £1,089,953 ; Fiji Government Securities, £50,000.*—There was no change under these headings during the year.

*Municipal and other Local-body Securities,* £1,466,695, shows a reduction of £66,227, due mainly to payment of instalments of amortization loans. As explained to the shareholders last year, it is the policy of the Government to restrict the subscribing by the banks to fresh local-body loans.

*Other Advances and Securities and Debts due to the Bank (after deducting Provision for Bad and Doubtful Debts), £24,100,541 ; Bills discounted, £598,014,* show a total increase of £1,203,619. The small upturn in these items, which are the main sources of the Bank's income, recorded last year has been continued—the net increase, however, being slightly less this year.

Trading conditions generally during the year have been difficult owing to the continued world-wide shortage of consumer goods. This has naturally militated against a general increase in advances to traders, and until conditions improve to such an extent that goods are in more ample supply, no great increase in advances in this direction can be looked for. There are signs, however, that the tremendous drive being made in Great Britain to increase exports will shortly produce results and have a beneficial effect on the economy of this country by increasing the amount of goods available for sale and thus providing an outlet for the large amount of idle capital. As the effects of this

are felt, traders will no doubt require more accommodation from their bankers to care for the heavier stocks they will require to carry. Reconditioning of plants, enlargement of premises, and the large arrears generally of building are all potential avenues for the increase of advances.

A number of overseas manufacturing concerns have decided to establish branches of their factories in New Zealand. In some cases the necessary capital is provided from overseas entirely, in others local capital has been raised to supplement that provided by the parent concern. The Bank has obtained a fair share of this business and is assisting by providing working capital by way of overdraft. The resultant expansion of urban industries must have a beneficial effect on employment. In fact, there is at present a shortage of labour.

There has been a steady repayment of bank loans to farmers through the operations of the Government in purchasing farms for rehabilitation of servicemen. These purchases being for cash result in the release of large funds, and when a bank loan is involved the bank's advances show a corresponding reduction and there is also an increase in deposit liability, representing the equity, with an increase in the amount of cash on deposit by the Bank with the Reserve Bank.

#### DROUGHT RELIEF

Owing to the drought this year, which affected farming lands in the northern half of the North Island, the Government realized that many farmers would not be in a position to carry on unless afforded some extra financial assistance. The majority of farmers are happily in a position to arrange their requirements in this respect through ordinary lending channels, but it was found that others were not so fortunate. To cover such cases, the Minister of Finance arranged that the bank, when satisfied that accommodation which could not be obtained otherwise, was necessary, should make advances to enable farmers to—

- (1) Purchase additional fodder :
- (2) Cover replacement of stock next spring :
- (3) Cover living and operational expenses until next season :
- (4) Purchase fertilizers essential to the maintenance of pastures (if absolutely necessary).

Such advances, bearing interest at 3 per cent. per annum, are individually limited to £200, and it is intended that they be liquidated by orders on dairy companies, covering, in most cases, a period of two years. In view of the pressing necessity to assist farmers in real need and set them on their feet again, so that production can be maintained, the Government has agreed to indemnify the Bank against loss on these transactions.

This method of dealing with disaster relief is a new departure, as hitherto the banking system has not been used in this connection. Though the actual loans are made by this bank, the other trading banks have co-operated. It is hoped that the method adopted will prove satisfactory and possibly more expeditious and flexible than former methods.

#### FINANCE FOR PRIVATE-HOUSE BUILDING

In order to assist in relieving the acute housing shortage, various local bodies have obtained empowering legislation authorizing them to enter into arrangements with financial institutions under which such local bodies are enabled to guarantee advances on newly constructed residences in excess of the usual trustee limits or limits otherwise imposed by statute. Advances guaranteed in this way provide suitable investments for the long-term mortgage department of the Bank, and arrangements have been completed whereby the Bank will participate in the schemes inaugurated by the Auckland and Wellington City Councils and the Masterton Borough Council. Although the business so far entered into under these arrangements is small, it is anticipated that it will assume greater proportions whenever the schemes become more widely known and adequate supplies of the necessary materials for the erection of dwellings become available.

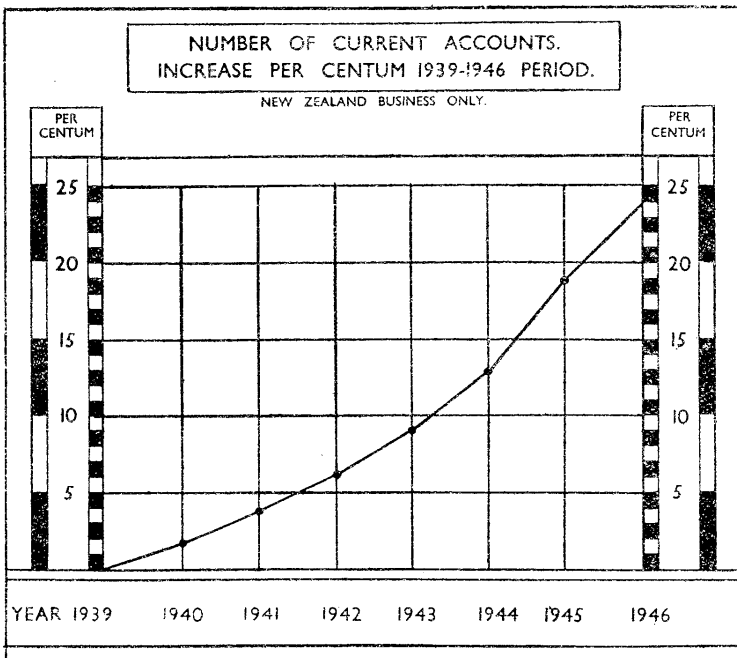
### SHAREHOLDING

Under the Bank of New Zealand Act, 1945, all the ordinary and D long-term mortgage shares in the capital of the Bank registered in the share register kept in Wellington were deemed to be vested in His Majesty the King as from 1st November, 1945. The Act also empowered the Minister of Finance to buy, on behalf of His Majesty, any ordinary or D long-term mortgage shares registered in any of the branch registers kept by the Bank in London, Sydney, or Melbourne, at such price and upon such terms as may be agreed upon by the Minister and the vendor.

The position now is that all the ordinary and D long-term mortgage shares previously held in New Zealand have become the property of the Crown, and the remaining shareholders on the overseas registers have been reduced to a very small proportion by sale of their shares to the Crown.

Under the Act, all shareholders' rights are exercisable by the Minister of Finance, and the remaining overseas shareholders have therefore no rights beyond the receipt of dividends.

In view of the considerable opposition throughout the country to the passing of this legislation it was inevitable that the Bank would be faced with the loss of a certain amount of business. This has taken place, and we regret that some of our old and valued mercantile and farming customers have seen fit to close their accounts. Notwithstanding this, and due to the efforts made by all members of the staff, the business of the Bank continues to show steady progress. This is indicated in the accompanying graph, which shows the percentage of increase in accounts during the past seven years.



### BOARD OF DIRECTORS

Section 11 of the Bank of New Zealand Act, 1945, provides that the Board of Directors of the Bank shall consist of not less than five and not more than seven persons to be appointed by the Minister of Finance. Subsection (6) provided that the Directors in office on the commencement of the Act, whether appointed by the Governor-General in Council or elected by the proprietors, should be deemed to be appointed for the terms for which they were respectively appointed or elected. At the date mentioned, the

Board consisted of Messrs. A. T. Donnelly (Chairman), F. W. Dawson, John Dowgray, and Stronach Paterson. Subsequently, Mr. H. R. H. Chalmers was appointed a Director as from 12th December, 1945, and Mr. Chas. S. Hay a Director as from 1st April, 1946. The terms of appointment of Mr. Donnelly and Mr. Dowgray were renewed for a further three years from 1st April, and Mr. Donnelly was appointed Chairman and Mr. Chalmers Deputy Chairman.

Our local Directors in London, Melbourne, and Sydney have remained unchanged, except that Mr. S. E. Wilson has joined the Board in Sydney. The Board wishes to place on record its appreciation of the services of our local Directors.

PREMISES

We are maintaining our premises in good repair, as far as it is possible to do so under present conditions of shortage of labour and materials.

At some branches, owing to increasing business, our branch premises are cramped for space, and it has been necessary to have interior alterations made in order to provide more space for the public and increased working space for the staff.

New premises are in course of erection at Otahuhu and Alexandra, and the Featherston building, which was extensively damaged in the earthquake of some years ago, has been remodelled and will shortly be reoccupied.

Many of our branch premises are due for rebuilding, but because of the war it has been necessary to postpone this work. For instance, plans were prepared for new premises in Sydney, Rotorua, and Queen Street, Auckland. When war was declared it was thought advisable to postpone the commencement of these buildings, but the rebuilding of the Auckland premises is now urgent. The accommodation in the present building is quite inadequate for the volume of business transacted, and the large staff is working under very trying conditions. There is also a serious shortage of office accommodation in Auckland, and provision has been made in the plans for several floors to be made available as office accommodation to lease to tenants. The Government has recently decided to grant permission for the building to be proceeded with, their decision being influenced by the fact that it will provide much-needed letting space for offices. It has been stipulated that returned servicemen are to be given priority as tenants. The building will be put in hand as soon as possible, and it will be a worthy addition to the business premises of Auckland. The erection of new premises at several other points will be gone on with as soon as the building position becomes easier.

BRANCHES

No branches were opened or closed during the year.

AGENCIES

With the return to duty of a number of our staff discharged from the Forces, we have during the past year been able to reopen thirteen of the receiving agencies, which were closed as a war measure. We have also established three new agencies during the same period.

*Agencies Re-opened.*—Oamaru North, Dominion Road, Balfour, Riversdale, Birkenhead, Ellerslie, Riccarton, Little River, Sanson, Mount Maungauui, Avondale, Hari Hari, Miller's Flat.

*New Agencies established.*—Upper Hutt, Taupiri, Tokoroa.

STAFF

At the 31st March, 1939, prior to the outbreak of the war, the working staff of the bank consisted of—

Men .. .. .	1,519
Women .. .. .	74
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Total .. .. .	1,593

As the war progressed, more and more male members of the staff joined the Forces, and were replaced by women clerks, and by 31st March, 1943, the staff consisted of—

Men .. .. .	1,577	
Less serving with the Forces .. .. .	737	
	<hr/>	840
Women .. .. .		713
		<hr/>
Total .. .. .		1,553

Since that date, and more particularly during the past year, nearly all the male members of the staff have been released from the Services, and at 31st March last the position was—

Men .. .. .	1,448	
Less still serving with the Forces .. .. .	191	
	<hr/>	1,257
Women .. .. .		486
		<hr/>
Total .. .. .		1,743

It will thus be seen that the staff position has nearly returned to normal and there should now be no difficulty in meeting the requirements of a full banking business. It is, of course, expected that the number of women clerks employed will, for various reasons, show a steady decline. It has also been found that a certain number of returned soldiers have chosen to abandon a banking career—no doubt attracted to other walks of life after their experiences in the Forces. Those who have resumed with the bank are settling down steadily to their respective duties, and every consideration is being given them by the Bank to enable them to equip themselves with a knowledge of their profession after the enforced interruption during the war years. Especially is considerable care being given to the training of the more junior members who were called to the colours while still inexperienced youths.

The total number of officers who served in the Forces, either abroad or at home, was 921, and of these I regret to say that 54 made the supreme sacrifice. Naval, Military, and Air Force decorations and awards were gained by 40 members of the staff.

Last year it was mentioned that proposals had been made to the Director of Stabilization to improve the remuneration of the staff by bringing salaries more into line with the higher cost of living and the rates of remuneration paid in comparable occupations outside. A satisfactory arrangement was come to, and an improved scale of remuneration for both male and female employees was adopted.

#### LONDON STAFF

This year the needs of the London staff have been given special consideration. Besides granting increases in salaries on a generous scale, it was decided, as a mark of appreciation of their splendid services during the difficult and often dangerous years of the war, to grant a special Victory bonus of 10 per cent. It was a special source of pride to us that our London office never left the city, and, except for a brief period when the office became uninhabitable owing to damage by bomb blast, our staff remained for the whole period of the war at No. 1 Queen Victoria Street.

The Board wishes to once again place on record its high appreciation of the excellent services rendered during the year by the staff in New Zealand, Australia, Fiji, Samoa, and London. It fully appreciates that the work entailed on those members of the staff who remained at their posts during the war has been of a very onerous nature, and the fact that the business of the Bank functioned so efficiently is a tribute to their work and enthusiasm.

For and on behalf of the Board of Directors.

A. T. DONNELLY, Chairman.

Head Office, Bank of New Zealand, Wellington.  
24th May, 1946.

## BANK OF NEW ZEALAND

Incorporated by Act of the General Assembly, 29th July, 1861.

## AUTHORIZED CAPITAL

					£	s.	d.
Preference A shares—500,000 at £1	..	..	..	..	500,000	0	0
C long-term mortgage shares—468,750 at £1	..	..	..	..	468,750	0	0
D long-term mortgage shares—937,500 at £1	..	..	..	..	937,500	0	0
Preference B shares—1,375,000 at £1	..	..	..	..	1,375,000	0	0
Ordinary shares—3,750,000 at £1	..	..	..	..	3,750,000	0	0
					<hr/>		
					£7,031,250	0	0
					<hr/>		

## CAPITAL SUBSCRIBED AND PAID-UP

					£	s.	d.	£	s.	d.
Preference A shares	..	..	..	..	..			500,000	0	0
C long-term mortgage shares	..	..	..	..	..			234,375	0	0
D long-term mortgage shares	..	..	..	..	..			468,750	0	0
Preference B shares	..	..	..	..	..			1,375,000	0	0
Ordinary shares	..	..	..	..	..			3,750,000	0	0
					<hr/>					
								£6,328,125	0	0
Reserve Fund	..	..	..	..	3,575,000	0	0			
Undivided profits	..	..	..	..	360,119	17	7			
					<hr/>			3,935,119 17 7		
					<hr/>			£10,263,244 17 7		
					<hr/>			<hr/>		



BANK OF NEW ZEALAND  
BALANCE-SHEET AT 31ST MARCH, 1946

<i>Liabilities</i>		<i>Assets</i>			
£	s. d.	£	s. d.	£	s. d.
<i>Capital—</i>		<i>Coin, Reserve Bank notes, and deposits with bankers..</i>		20,262,116	4 0
Preference A fully paid £1 shares	500,000 0 0	Government notes: Common-wealth, Fijian, and Samoan Administration .. ..	187,398 10 0		
C long-term mortgage fully paid £1 shares .. ..	234,375 0 0	Balances due by other banks ..	520,012 4 4		
D long-term mortgage fully paid £1 shares .. ..	468,750 0 0	Money at call and short notice, Government securities, and other securities in London .. ..	10,490,868 2 9		
Preference B fully paid £1 shares	1,375,000 0 0	Bills receivable in London and in transit .. ..	169,701 8 5		
Ordinary fully paid £1 shares ..	3,750,000 0 0	New Zealand Government securities	13,744,149 9 4		
Reserve Fund (invested in British Government securities) .. ..	..	Australian Government securities	1,089,953 8 6		
Deposits .. ..	..	Fijian Government securities ..	50,000 0 0		
Balances due to other banks ..	..	Municipal and other local bodies' securities .. ..	1,466,695 11 7		
Bills payable and other Liabilities (including provision for contingencies) .. ..	..	Remittances in transit between branches .. ..	4,317,772 12 2		
Provision for taxes .. ..	..	Bills discounted .. ..	..	52,298,667 11 1	
London Office acceptance under credits .. ..	..	Other advances and securities and debts due to the Bank, after deducting provision for bad and doubtful debts .. ..	..	598,014 18 0	
Transfers from long-term mortgage department .. ..	..	Landed property, premises, &c. ..	..	24,100,541 1 0	
Balance of profit and loss .. ..	..	Liabilities of customers for acceptances, <i>per contra</i> .. ..	..	821,514 1 3	
		Long-term mortgage department .. ..	..	14,723 17 4	
				703,125 0 0	
				<u>£78,536,586 8 8</u>	

## BANK OF NEW ZEALAND—continued

## LONG-TERM MORTGAGE DEPARTMENT

	£	s.	d.	£	s.	d.
Long-term mortgage fund: Capital ..	..	703,125	0 0	Loans ..	..	..
				Transfers to bank ..	..	..
					£588,628	8 3
					114,496	11 9
					<u>£703,125</u>	<u>0 0</u>

## PROFIT AND LOSS

	£	s.	d.	£	s.	d.
Dividend on C long-term mortgage shares	6,152	6 10		Balance at 31st March, 1945	..	..
Dividend on D long-term mortgage shares	15,380	17 2			£556,255	10 8
Dividend on preference B shares	25,000	0 0			<u>359,722</u>	<u>6 8</u>
Dividend on ordinary shares	150,000	0 0			..	..
Balance carried down	..	..		Balance brought down	..	..
				Profits for year ended 31st March, 1946, including recoveries, and, after pay- ment of and provision for all interest due and accrued on deposits, provision for bad and doubtful debts, and for the annual donation to the Provident Fund are ..	£	s. d.
				Less—	..	2,099,046 7 0
				Salaries and allow- ances at Head Office and 209 branches and agencies ..	£	s. d.
				Directors' re- muneration,	665,230	16 2
					<u>£57,268</u>	<u>6 4</u>

including  
London Board  
and local di-  
rectors in  
Australia ..  
General expenses,  
including rent,  
stationery,  
telegrams,  
postages,  
travelling,  
repairs to pre-  
mises, depre-  
ciation, &c. ..  
Audit Expenses  
Account ..  
Rates and taxes

7,413 9 9

179,592 17 2

3,040 0 0

849,690 0 3

1,704,967 3 4

394,079 3 8

£753,801 10 4

£753,801 10 4

## BANK OF NEW ZEALAND—continued

## RESERVE FUND

	£	s.	d.	£	s.	d.
Balance .. .. .	..	..	..	..	..	..
	3,575,000	0	0	3,575,000	0	0
	£3,575,000	0	0	£3,575,000	0	0

Balance per last statement

NOTE.—London assets are shown in this balance-sheet in sterling, and no provision has been made for appreciation in their relation to New Zealand currency.

## CERTIFICATES

We hereby certify that, having carefully examined the foregoing balance-sheet and statements, we are satisfied that they have been correctly compiled from the books and accounts of the Bank, and that the balance-sheet is a full and fair balance-sheet, properly drawn up, and exhibits a true and correct view of the state of the Bank's affairs at the date thereof.

Dated this 14th day of May, 1946.

I, David Firth Reid, the Chief Auditor of the Bank of New Zealand, do hereby certify—

- (1) That, having carefully examined the foregoing balance-sheet and statements, I am satisfied that they have been correctly compiled from the books and accounts of the Bank.
- (2) That I am also satisfied that the said balance-sheet is a full and fair balance-sheet, properly drawn up, and exhibits a true and correct view of the state of the Bank's affairs at the date thereof.
- (3) That I have verified so much of the cash, investments, securities, and assets of the Bank as at the date of the said balance-sheet were held at the Head Office in Wellington, and have had access to certified returns of so much thereof as were then held at the various branches and agencies of the Bank, or were then in transit.

Dated this 17th day of May, 1946.

P. L. PORTER, General Manager.  
D. FAIRGRAY, Chief Accountant.

D. F. REID, Chief Auditor.

*Approximate Cost of Paper.*—Preparation, not given; printing (706 copies), £22 10s.

By Authority: E. V. PAUL, Government Printer, Wellington.—1946.

Price 6d.]