

The main fluctuations in expenses are :—

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Salaries and allowances	Up	71,141
General expenses	Up	63,134
Rates and taxes	Up	7,171
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					£141,446
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An increase in expenses is to be expected with the higher all-round costs prevailing under present-day conditions, but, in addition, there is the extra expense involved in handling a larger volume of business.

In view of the advances being at a high level, as referred to later in this report, and having regard to the uncertainties ahead and the disturbed state of world affairs, it has been considered prudent to strengthen our internal reserves.

BALANCE-SHEET

Deposits : Fixed and Free (£80,681,281).—These show an increase for the year of £10,868,616, almost wholly accounted for by an increase in free deposits, the increase in fixed deposits being £918,266 only.

The following graphs of deposits and advances in New Zealand have been prepared to show our experience during and immediately after the two Great Wars. Graph A shows the trend of deposits and advances from the beginning of World War I and ten years thereafter. It will be seen a peak was reached two years after World War I and a pronounced fall followed.

Graph B shows the position from the beginning of World War II to date.

Coin, Reserve Bank Notes, and Deposits with Bankers (£24,810,947) show a decrease for the year of £1,546,182. Our cash holdings in Australia reduced during the year, due mainly to an increase in advances to customers.

Our balance with the Reserve Bank of New Zealand at £17,577,822 shows a decrease of £289,211, and our holding of Reserve Bank notes at £4,626,138 is down £33,670.

Our statutory deposit with the Reserve Bank of New Zealand amounted to £4,288,748, leaving us with surplus cash in this account at balance date of £13,289,074, compared with a surplus last year of £13,997,100.

No interest is allowed on the balance with the Reserve Bank. This represents idle money which, of course, yields no return, but it serves to emphasize the Bank's substantial liquid funds.

Money at Call and Short Notice, Government Securities, and Other Securities in London (£9,013,020).—This shows an increase of £1,550,000, accounted for by an increase in our call money, but there is no special significance in this.

The moneys at call and short notice service the Bank's day-to-day operations. There are substantial commitments and liabilities against these funds and they are, of course, subject to rapid fluctuations.

The Reserve Bank of New Zealand holds the bulk of the Dominion's overseas funds under the exchange-control system that has been in force for some years.

The Bank's Reserve Fund of £3,575,000, included in the figures under this heading, is invested in British Government securities. There has been no change during the year in our investments in London.

New Zealand Government Securities (£10,589,234).—These show a reduction of £943,329, accounted for by the redemption of stock which fell due during the year.

The Government policy of not permitting the trading banks to subscribe for or take up Government loans is having its effect. Over the last four years the reduction in such securities in the case of this Bank alone is £6,831,460.

Australian Government Securities (£1,086,960) show practically no change during the year.

Fiji Government Securities (£175,500) show a decrease during the year of £26,600, accounted for by the sale of Fiji Government debentures previously taken up.

Municipal and Other Local-body Securities (£1,259,598), a decrease of £112,978, due to repayments at maturity.