

RESERVE FUND.

	£	s.	d.	£	s.	d.
Balance	800,000	0	0	650,000	0	0
Amount to be added from Profits for year ended 31st March, 1910				150,000	0	0
	£800,000	0	0	£800,000	0	0

B. M. LITCHFIELD, CHIEF AUDITOR.

Dated this 8th day of June, 1910.

A. E. MILLS, *pro* GENERAL MANAGER
F. A. MACBEAN, ACCOUNTANT.

Dated this 1st day of June, 1910.

REPORT

OF

PROCEEDINGS AT THE ORDINARY GENERAL MEETING OF THE PROPRIETORS HELD AT THE HEAD OFFICE, WELLINGTON, ON FRIDAY, 17TH JUNE, 1910.

MR. H. BEAUCHAMP, CHAIRMAN OF DIRECTORS. PRESIDED.

With the consent of the meeting, the Annual Report and the Balance-sheet were taken as read.

The CHAIRMAN, in moving the adoption of the Report and Balance-sheet, said :—

Once again it is my pleasant duty to place before Shareholders a Report which, though showing profits to be dealt with somewhat lower in the aggregate than those of recent years, cannot but be regarded as very gratifying, and a Balance-sheet which carries on its face the evidence of a satisfactory financial position, and reflects in almost every detail the Bank's continued prosperity and progress.

A comparison of the figures with those of a year ago gives the following results :—

CAPITAL.—The capital of the Bank still stands at £2,000,000.

THE RESERVE FUND.—For the two years previous to the one now under review the Reserve Fund was added to by £200,000 per annum. The reduced profits for the year have not admitted of our making quite as large an appropriation on this occasion, but we have been able to set aside £150,000—an amount which, under the circumstances, we consider quite satisfactory. The Reserve Fund after this addition will stand at £800,000. With the balance proposed to be carried forward, after payment of dividend, the Reserve Fund and undivided profits will amount to upwards of £864,000.

NOTES IN CIRCULATION, which stand at £919,329, show a slight decrease as compared with the previous year.

DEPOSITS show the substantial increase of £2,140,448, the total under the heading of Deposits standing at £14,687,680. To larger Government credit balances is due the major portion of the increase, but both fixed and free public deposits show very considerable expansion. Fixed deposit rates have been lowered during the year, but, notwithstanding this, the volume of the deposits continues to be well maintained.

BILLS PAYABLE AND OTHER LIABILITIES are less by £344,502—the decrease being mainly in Bills Payable and of no special significance. Cable transfers are increasingly used in the making of London payments, and consequently the amount of drafts at usance sold is a steadily decreasing quantity.

Turning to the Assets side, a strong position is disclosed.

COIN, BULLION, MONEY AT SHORT CALL, ETC.—The increase in deposits rendered advisable a corresponding increase in cash assets. Coin and Cash Balances are greater by £388,688 than at March, 1909; Money at Short Call, Government and Other Securities in London, exceed last year's totals by £2,028,610. Bullion also shows an increase of £30,108. I may say that the totals under this heading, plus the amount of Bills Receivable and Investments in the Colonies, equal 65 per cent. of the total liabilities to the public—a very strong financial position.

BILLS RECEIVABLE, in London and in transit, stand at £2,626,561—an increase of £454,859. The greater volume of produce bills, incidental to the expansion in the Dominion's exports, and enhanced values of same, account for this.

INVESTMENTS IN THE COLONIES stand at £1,144,745—a slight increase on last year's total.

ADVANCES.—Bills Discounted are less by £247,272, and Other Advances by £665,159, than at March, 1909. The growth in the Dominion's exports and the favourable prices obtained for the majority of our staple products have resulted in debtors being able to largely reduce their obligations to the Bank. The shrinkage in advances and the increase in deposits show a very substantial improvement in the position of the public with the Bank, the result of the cautious policy generally adopted throughout the country during the financial stringency of the previous year.

ASSETS REALISATION BOARD ASSETS.—Further sales have been effected during the year, the movement of the accounts being shown in the following table :

	At 31/3/09.	At 31/3/10.
Balances owing by purchasers . . .	£336,931	£286,899
Other assets unrealised . . .	66,778	46,392
	£403,709	£333,291

No reasonable opportunity will be lost of disposing of the balance of the properties.

LANDED PROPERTY AND PREMISES.—During the last few years the growth of the Bank's business has necessitated the erection of new premises at a number of points, and considerable additions and alterations to existing premises. Landed Property and Premises now stand at £359,790—an increase of £13,186 on last year's figures. The Bank has, since 31st March, completed the purchase of the freehold of the Mercantile Bank's Chambers in Collins Street, Melbourne, and the business of our Melbourne Branch will presently be transferred thither. We regard the acquisition of this property as a very satisfactory transaction, and believe that the better position our office will in future occupy in Melbourne will result in an increased and more profitable business being transacted by the Bank in that city.

PROFIT AND LOSS.—After paying the £40,000 interest on Guaranteed Stock and making all necessary appropriations, including provision for the Bank's annual grant to the Provident Fund and bonus to the Staff, as well as allocating the sum of £15,000 in reduction of Bank Premises and Furniture accounts, the net profits amount to £259,385, as compared with £313,150 last year. After adding the amount brought forward from last year (£60,998), and deducting the amount of interim dividend of 5 per cent. on Preference and Ordinary Shares paid in December (£50,000), the sum available for distribution is £270,384, as against £317,248 last year. The Directors now propose to pay a further dividend of 5 per cent. and a bonus of 2½ per cent. on Ordinary Shares (making 12½ per cent. for the year), and a further 3½ per cent. on Preference Shares (making 8½ per cent. for the year). The total amount distributed to Shareholders for the year will therefore be £106,250. Of the balance remaining, it is proposed to transfer, as already mentioned, £150,000 to the Reserve Fund, and to carry forward £64,134.

In view of the considerable reduction in advances and discounts, and of the increase in the deposits, a shrinkage in the profits was only to be expected. The position in regard to certain sources of revenue, usually profitable, was also unsatisfactory during the year, and the Bank was therefore working in the face of adverse conditions. Taking all these circumstances into consideration, we have reason to be well satisfied with the result. The year upon which we have just entered has opened well, and, given a continuance of favourable conditions, we hope to be able, when we meet to consider the next annual accounts, to place before you a report showing somewhat better results.

GENERAL REMARKS.

When addressing you a year ago, in the course of my remarks I said :—

“ It would be idle to deny that a monetary stringency is being felt in New Zealand, and it is most disconcerting to have to admit, in view of the long period of prosperity—covering practically fifteen years—that a sudden drop in values of our primary products for one season only should cause such a financial disturbance as we have been

experiencing. The sudden fall in values, however, was not wholly responsible for this. If we seek other causes, we have to recognise that they will be found in the inordinate prices paid for land and general extravagance amongst all sections of the community.” To-day the conditions are reversed ; the monetary stringency has disappeared, and we have instead an abundance of loanable credits. The cause which led to the stringency of a year ago was, in the main, the sudden fall in values of our primary products, and the cause of the present plenitude of money is the rise in the values of those products and the larger volume of production. The export returns for the year ended 31st March, 1910, compared with the figures for the previous year, show this very clearly. The figures are worth recording, and they are as follows :—

	Year ended 31st March : 1909.	1910.	Increase.
Wool	5,537,861	7,941,655	2,403,794
Sheepskins	527,710	703,180	175,470
Frozen Meat	3,362,725	3,485,256	122,531
Dairy Produce	2,287,654	2,820,568	532,914
Gold	1,942,968	1,992,189	49,221
Tallow	526,952	664,646	137,694
Kauri Gum	444,309	540,729	96,420
Hemp	310,364	373,145	62,781
Timber	366,524	352,840	—*
Grain	146,751	859,967	713,216
Other N.Z. Produce	1,143,827	1,556,261	412,434
	£16,597,645	21,290,436	4,692,791

*Decrease—£13,684.

The only item in the list to show a shrinkage is timber, and the decrease is very small, amounting to only £13,684. Of the total gain of £4,692,791, Wool alone accounts for £2,403,794, equal to more than 50 per cent. This gain is due both to increased output and enhanced prices, the figures approximately being as follows :—

March 31st.	Bales.	Total value.	Average per bale.
1910	524,652	7,941,655	15
1909	486,141	5,537,861	11½
Increase	38,511	£2,403,794	£3½

March 31st.	lbs.	£
1906	144,145,196	6,028,093
1907	165,227,628	7,529,188
1908	157,951,854	6,063,436
1909	179,674,074	5,537,861
1910	204,388,824	7,941,655

The values are those of the port of shipment, and are extremely interesting. Taking a period of five years, the figures are instructive as showing the wide fluctuations to which this commodity is subject :—

Dairy produce shows an increase of over half a million sterling as compared with the previous year, and this industry has in recent years become a very important factor in our export trade. The values of the butter and cheese exported during the past five years are instructive, and are as follows :—

March	Butter.	Cheese.	Total.
31st.	£	£	£
1906	1,443,284	265,084	1,708,368
1907	1,522,113	449,676	1,971,789
1908	1,338,393	792,318	2,130,711
1909	1,422,198	865,456	2,287,654
1910	1,634,864	1,185,704	2,820,568

In four years this industry shows an expansion of over one million sterling, but about half the amount was gained in the last year. A fair proportion, however, was obtained by advance in values.

At one period of the past year, the Frozen Meat trade was in a very precarious condition. The dumping of large supplies on British markets at a time when the consumers were unable to afford even the normal price proved disastrous. Values declined enormously, resulting in big losses to nearly all sections of the trade. At the same time, it must be admitted that the low prices at which our meat was pushed for sale secured for it a splendid advertisement, and the results are to be seen in the higher range of values that have ruled since about October last. Notwithstanding the adverse features referred to, the year closed with a substantial increase in the value of the exports in this line. Continuing the five-year comparison, we obtain the following:—

March	Beef.	Mutton.	Lamb.
31st.	£	£	£
1906	181,519	1,094,107	1,158,591
1907	380,984	1,345,460	1,430,122
1908	420,205	1,230,451	1,457,373
1909	455,012	1,209,590	1,617,934
1910	546,392	1,042,727	1,803,640

The last year's increase, it will be seen, occurs in lamb and beef.

The export of Grain, whole and ground, has risen from £146,751 in 1908-9 to £859,967 in 1909-10, due to the more favourable harvest.

While the exports exhibit so considerable and satisfactory an expansion, it is equally satisfactory to note that the imports have been materially reduced, making the trade balance a distinctly favourable one. Including re-exports and specie, the total value of the exports for the past financial year, amounted to £21,491,809, while the imports for the same period totalled £15,353,581, showing an excess of exports over imports amounting to £6,138,228, sufficient to pay the outside obligations for interest, etc., and also to meet any deficiency that may have arisen in the previous year. This favourable trade situation has naturally been reflected in the banking figures for the year, and the change that has resulted may be seen in the aggregate figures of the Fixed and Free Deposits (excluding Government) on the one hand, and the Advances and Discounts on the other, for a series of years. The figures are as under:—

March	Free	Fixed	Total
31st.	Deposits.	Deposits.	Deposits.
	£	£	£
1906	9,712,019	9,791,160	19,503,179
1907	11,343,582	9,700,511	21,044,093
1908	11,534,879	9,553,694	21,088,573
1909	10,100,938	9,983,942	20,084,880
1910	11,585,410	10,570,352	22,155,762

Last year the total deposits were less than in the previous year by £1,003,693, whilst for the year just closed there is an increase of £2,070,882—an improvement that is almost astonishing and very gratifying to the whole community.

The Advances and Discounts, compared in the same way, show as follows:—

March	Advances	Discounts.	Total
31st.	£	£	£
1906	13,991,822	2,143,483	16,135,305
1907	15,551,547	2,002,808	17,554,355
1908	18,542,310	2,095,795	20,638,105
1909	18,186,909	2,132,562	20,319,471
1910	16,178,128	1,815,317	17,993,445

There is a substantial decrease in the Advances and Discounts, clearly proving that the customers of the Banks have been able to meet their past obligations to the institutions. Other favourable indications are that the Note circulation, which decreased in 1909, has since expanded, whilst the returns of the Treasury for the financial year show a revenue of £9,238,261, or £237,076 more than in the previous year.

The remarkable recovery which the foregoing facts and figures illustrate and emphasise has naturally caused land values to be maintained at a high level, and, in some cases, to advance; and the unprecedented advance in the values of dairying land in particular has been the cause of considerable concern to bankers and financiers. It has suggested itself to me that some authentic details of what is possible under modern conditions of scientific farming, and with the use of the latest dairy machinery, would be of interest to you. The best result obtainable in New Zealand, of which reliable information is available, is the annual return of, approximately, £11 per acre. This has been achieved on the Waimate Plains, near Manaia, on a 32 acre farm with 24 cows, the actual returns from which, for milk alone, were £360. If from this two-fifths be deducted as the cost of labour, there is a net profit to the land-owner of £216, equal to £6 15s. per acre, or £9 per cow. This splendid result is the exception rather than the rule, for the total return from cows kept for dairying in the Dominion (536,316) only amounts to, say, £4,080,000, made up thus:—

Butter exported for year ended March 31st, 1910 ..	£1,634,864
Cheese	1,185,704
Milk, Butter and Cheese for local consumption, say ..	1,257,927

Or a total of £4,078,495

If from this an average of two-fifths be deducted, the net result is, approximately, £2,448,000, or about £4 10s. per cow, or just about one-half of the best results which I have mentioned. But we cannot take it on the favourable basis of £9 per cow, for a recent investigation has shown that a large percentage of the dairy cows of the Dominion do not average a gross return of £8. Indeed, it is on record that some large herds have given a gross yield of less than £4 per cow. There is a wide margin of difference between the extremes, and it is quite obvious that there is great scope for the scientific expansion of the industry. It is a question, therefore, whether the time has not arrived for the Government to take an active part in a wholesale way in the matter of herd testing. A beginning has already been made which appears to justify Government intervention, and with proper safeguards there seems no reason why herd testing should not be carried out on an extensive and comprehensive scale. The milking machine, and the low rate of interest at which money can be borrowed from the Advances to Settlers Department, have also been factors in enhancing the price of dairy land. The rise in the prices of our dairy products is, of course, mainly responsible for the higher land values in dairying districts. I have had prepared a table showing the annual prices paid for eleven years at one of our leading North Island Cheese Factories. These show an increase of over 50 per cent. in the price paid to the farmer for his butter-fat, the basis on which all milk is paid for:—

Season ended	Per lb. of Butter-fat.
June,	d.
1898	7.71
9	8.80

Season ended	Per lb. of Butter-fat.
June.	d.
1900	10.18
1	9.00
2	9.95
3	11.40
4	8.20
5	9.20
6	12.00
7	12.80
8	12.00

For the five years ended June, 1908, the average price works out at 10.84d. per lb. of butter-fat, and for the ten years to June, 1908, the average is 10.35d. per lb. The lowest price paid in the ten years to 1908 was 8.2d. in 1904, and the highest was 12.8d. in 1907—a margin of difference amounting to 4.6d. per lb. It is true that while the price of all farm products for the past half-century has shown a more or less steady and persistent decline, the prices of dairy products of high quality have shown an almost equally persistent rise. Nevertheless, there is ever present the danger of a relapse, and it is quite possible for the price of butter-fat to decline to the lowest level of the ten years as mentioned, which would represent a fall of about 33½ per cent. Such a decline would cause very serious trouble to farmers who have paid high prices for dairy land, and who have not brought their herds up to the highest possible standard of productivity. The question of the immediate future is, whether more money is to go into the value of the land, or more in the improvement of the milking herds. In my opinion, and speaking broadly, the price of dairy land is on the average quite high enough at present, and to justify same greater attention must be devoted to the feeding and breeding of high-grade stock. This work will take time and money to accomplish, but it must be faced if our dairy farmers are to continue to enjoy prosperity. A year ago I said, "What we want in New Zealand to-day more than cheap money is cheap land," and I am constrained to repeat that. It is cheap land that is attracting immigration to other countries, and if we are to secure an increase of population by immigration we must be able to offer the new-comer some advantages. Notwithstanding the severity of the Canadian climate and the many drawbacks to farming there, people are flocking to that Dominion, attracted mainly by the opportunity offered of securing land at an exceedingly cheap rate. It is becoming a difficult matter for New Zealand to keep its farming population, for many are leaving, and have left, for Queensland and other parts of Australia. The Government could, no doubt, do a great deal by making available for settlement the native lands now lying idle; but I will not pursue this subject further, as I dealt with it to some extent in my remarks last year.

As you are aware, the Bank of England rate (reduced to 3½ per cent. on 2nd instant, and to 3 per cent. on 9th idem) was advanced to 4 per cent. in mid-March, a movement that may be said to be singular, because it is about 32 years since a similar movement was recorded. It is usual to see the bank rate reduced in the first month of the New Year, and to reach its lowest point in June. The cause of the advance was apparently the heavy borrowing on the part of the British Government, and the demand for gold from foreign countries. However, the undertone of the money market has been cheerful all through, the Stock Exchanges have been keeping busy, the capital applications have been on a large scale, whilst British trade shows that there is a decided improvement in the industrial situation, and these are factors that are most encouraging to New Zealand. How the situation is viewed on the Continent of Europe is shown in the report of the Directors of the Dresdner Bank, which states:—

"... The first two months of 1910 have ushered in a somewhat quieter state of business, and it is probable that international commerce will continue to exhibit a certain amount of reserve until the economic conditions and measures of domestic policy, both in the United States of America and Great Britain, shall have settled down. If, however,

as may be assumed, the world is spared political complications of a serious nature, it seems probable that we are on the threshold of a prolonged period of easy money leading up to a further manifestation of the spirit of enterprise which will affect not only trade and industry in general, but also the building trade, which has for so long been dormant. The favourable position of agriculture, we are glad to say, in no small degree contributes to this prospect. Although we do not expect to see in the near future a renewed high tide of industrial activity or a generally pronounced upward movement of prices on our Bourses, we have no reason to doubt that the capital available in banking business will find suitable outlet for lucrative employment."

In New Zealand to-day there is an abundance of loanable credit, and yet, I am bound to say, there is a feeling of want of confidence prevalent in the community. Money is not flowing into those channels which should exist in every new country, and which do exist in New Zealand. The financial situation is infinitely better than it was a year ago, but that in itself is not sufficient. We want the capital available in the country to seek an outlet in industrial and other enterprises. The spirit of enterprise is, however, wanting. To what this unsatisfactory state of things is to be attributed is a matter for speculation and conjecture. Politics are of course outside the province of an address such as this, but it is quite within the scope of my remarks to note the existence of a condition of affairs so detrimental to the development, progress, and financial prosperity of the Dominion, leaving to others the task of seeking out the cause and applying the remedy. New Zealand is a nation in the making, and requires all the capital it can command for its development. It should be careful to do nothing to make capital shy of entrusting itself within its borders. In this connection let me give you a short extract from the speech of the Vice-President of the Bank of Montreal to the Shareholders at the last Annual Meeting on December 6th, 1909. He said:—

"... The most important change from last year in the statement submitted to you is the unusually large increase in deposits, amounting to thirty-six million dollars. Part of it is temporary pending large payments in connection with special transactions: part is the natural increase from depositors as the result of the prosperous condition of affairs in this country; but the largest portion of the increase arises from money brought into Canada from other countries. It is quite possible that if the apprehensions expressed in many quarters as to the consequence of the new methods of British taxation are realised, deposits from this last source may be still further enlarged. It is very important, therefore, that nothing should be done in Canada by injudicious legislation, the exploitation of doubtful enterprises, or otherwise, to stop this flow of capital."

These remarks might very appropriately be incorporated in this speech as equally applicable to the Dominion of New Zealand, and with that observation, I pass from the subject.

DIRECTORS.—As most of you are aware, Mr. William Milne and I were re-appointed by the Government, Directors of the Bank for a further term of two years as from 1st April last. In December next, Mr. William Watson—one of your representatives—retires, and he intends offering himself for re-election. You will notice that our colleague, Mr. James B. Reid, is not with us to-day. He left the Dominion for Europe in April last, but is expected to return hither towards the close of this year. During his residence in London, he will be associated with our Board in that city, and I have no doubt that both he and the members of that Board will profit by the interchange of ideas on Colonial and English banking and other matters.

We desire to again place on record our appreciation of the unremitting care and attention devoted to the Bank's business by the London Board of Directors.

STAFF.—Our General Manager, Mr. William Callender, is absent from New Zealand on well-earned furlough. When in England he will make a thorough inspection of our London Branch, and report fully to the Head Office Board. We look for his return to Wellington in November next. Meantime, his duties are being performed, to our entire satisfaction, by Mr. A. E. Mills—one of our Senior Inspectors—who possesses a wide and intimate knowledge of the ramifications of the Bank in all its Branches.

Season ended	Per lb. of Butter-fat.	
June.	d.	
1900	10.18	
1	9.00	
2	9.95	
3	11.40	
4	8.20	
5	9.20	
6	12.00	
7	12.80	
8	12.00	

For the five years ended June, 1908, the average price works out at 10.84d. per lb. of butter-fat, and for the ten years to June, 1908, the average is 10.35d. per lb. The lowest price paid in the ten years to 1908 was 8.2d. in 1904, and the highest was 12.8d. in 1907—a margin of difference amounting to 4.6d. per lb. It is true that while the price of all farm products for the past half-century has shown a more or less steady and persistent decline, the prices of dairy products of high quality have shown an almost equally persistent rise. Nevertheless, there is ever present the danger of a relapse, and it is quite possible for the price of butter-fat to decline to the lowest level of the ten years as mentioned, which would represent a fall of about 33½ per cent. Such a decline would cause very serious trouble to farmers who have paid high prices for dairy land, and who have not brought their herds up to the highest possible standard of productivity. The question of the immediate future is, whether more money is to go into the value of the land, or more in the improvement of the milking herds. In my opinion, and speaking broadly, the price of dairy land is on the average quite high enough at present, and to justify same greater attention must be devoted to the feeding and breeding of high-grade stock. This work will take time and money to accomplish, but it must be faced if our dairy farmers are to continue to enjoy prosperity. A year ago I said, "What we want in New Zealand to-day more than cheap money is cheap land," and I am constrained to repeat that. It is cheap land that is attracting immigration to other countries, and if we are to secure an increase of population by immigration we must be able to offer the new-comer some advantages. Notwithstanding the severity of the Canadian climate and the many drawbacks to farming there, people are flocking to that Dominion, attracted mainly by the opportunity offered of securing land at an exceedingly cheap rate. It is becoming a difficult matter for New Zealand to keep its farming population, for many are leaving, and have left, for Queensland and other parts of Australia. The Government could, no doubt, do a great deal by making available for settlement the native lands now lying idle; but I will not pursue this subject further, as I dealt with it to some extent in my remarks last year.

As you are aware, the Bank of England rate (reduced to 3½ per cent. on 2nd instant, and to 3 per cent. on 9th idem) was advanced to 4 per cent. in mid-March, a movement that may be said to be singular, because it is about 32 years since a similar movement was recorded. It is usual to see the bank rate reduced in the first month of the New Year, and to reach its lowest point in June. The cause of the advance was apparently the heavy borrowing on the part of the British Government, and the demand for gold from foreign countries. However, the undertone of the money market has been cheerful all through, the Stock Exchanges have been keeping busy, the capital applications have been on a large scale, whilst British trade shows that there is a decided improvement in the industrial situation, and these are factors that are most encouraging to New Zealand. How the situation is viewed on the Continent of Europe is shown in the report of the Directors of the Dresdner Bank, which states:—

"... The first two months of 1910 have ushered in a somewhat quieter state of business, and it is probable that international commerce will continue to exhibit a certain amount of reserve until the economic conditions and measures of domestic policy, both in the United States of America and Great Britain, shall have settled down. If, however,

as may be assumed, the world is spared political complications of a serious nature, it seems probable that we are on the threshold of a prolonged period of easy money leading up to a further manifestation of the spirit of enterprise which will affect not only trade and industry in general, but also the building trade, which has for so long been dormant. The favourable position of agriculture, we are glad to say, in no small degree contributes to this prospect. Although we do not expect to see in the near future a renewed high tide of industrial activity or a generally pronounced upward movement of prices on our Bourses, we have no reason to doubt that the capital available in banking business will find suitable outlet for lucrative employment."

In New Zealand to-day there is an abundance of loanable credit, and yet, I am bound to say, there is a feeling of want of confidence prevalent in the community. Money is not flowing into those channels which should exist in every new country, and which do exist in New Zealand. The financial situation is infinitely better than it was a year ago, but that in itself is not sufficient. We want the capital available in the country to seek an outlet in industrial and other enterprises. The spirit of enterprise is, however, wanting. To what this unsatisfactory state of things is to be attributed is a matter for speculation and conjecture. Politics are of course outside the province of an address such as this, but it is quite within the scope of my remarks to note the existence of a condition of affairs so detrimental to the development, progress, and financial prosperity of the Dominion, leaving to others the task of seeking out the cause and applying the remedy. New Zealand is a nation in the making, and requires all the capital it can command for its development. It should be careful to do nothing to make capital shy of entrusting itself within its borders. In this connection let me give you a short extract from the speech of the Vice-President of the Bank of Montreal to the Shareholders at the last Annual Meeting on December 6th, 1909. He said:—

"... The most important change from last year in the statement submitted to you is the unusually large increase in deposits, amounting to thirty-six million dollars. Part of it is temporary pending large payments in connection with special transactions: part is the natural increase from depositors as the result of the prosperous condition of affairs in this country; but the largest portion of the increase arises from money brought into Canada from other countries. It is quite possible that if the apprehensions expressed in many quarters as to the consequence of the new methods of British taxation are realised, deposits from this last source may be still further enlarged. It is very important, therefore, that nothing should be done in Canada by injudicious legislation, the exploitation of doubtful enterprises, or otherwise, to stop this flow of capital."

These remarks might very appropriately be incorporated in this speech as equally applicable to the Dominion of New Zealand, and with that observation, I pass from the subject.

DIRECTORS.—As most of you are aware, Mr. William Milne and I were re-appointed by the Government, Directors of the Bank for a further term of two years as from 1st April last. In December next, Mr. William Watson—one of your representatives—retires, and he intends offering himself for re-election. You will notice that our colleague, Mr. James B. Reid, is not with us to-day. He left the Dominion for Europe in April last, but is expected to return hither towards the close of this year. During his residence in London, he will be associated with our Board in that city, and I have no doubt that both he and the members of that Board will profit by the interchange of ideas on Colonial and English banking and other matters.

We desire to again place on record our appreciation of the unremitting care and attention devoted to the Bank's business by the London Board of Directors.

STAFF.—Our General Manager, Mr. William Callender, is absent from New Zealand on well-earned furlough. When in England he will make a thorough inspection of our London Branch, and report fully to the Head Office Board. We look for his return to Wellington in November next. Meantime, his duties are being performed, to our entire satisfaction, by Mr. A. E. Mills—one of our Senior Inspectors—who possesses a wide and intimate knowledge of the ramifications of the Bank in all its Branches.

It is gratifying for me to again testify to the able and loyal manner in which the Staff in New Zealand, Australia, Fiji and London have carried out their responsible duties, and I feel confident you will endorse these remarks by extending to them a hearty vote of thanks. As a tangible proof of appreciation, the Board has already paid the Staff a bonus of 5 per cent.

Gentlemen, 1911 will be the jubilee year of the Bank. Now, assuming that the profits of the Bank for the current financial year can be maintained at the same level as that of last year, we ought to be in a position to show in our next Balance-sheet the Reserve Fund and undivided profits at not less than £1,000,000. This, in my opinion, would justify the Directors in recommending that such an important event as the Bank's jubilee and the creation of so substantial a Reserve Fund, should be signalled by the payment of a slightly increased dividend or bonus, say to the extent of 2½ per cent. This indication will, I trust, inspire you with hope and confidence as to the future.

I now formally move the adoption of the Report and Balance-sheet. If this resolution be affirmed, the dividend and bonus proposed—namely 3¾ per cent. on Preference Shares, making 8¾ per cent. for the year, and 7½ per cent. on Ordinary Shares, equal to 12½ per cent. for the same period, will be payable in Wellington on Monday, 20th instant, and at Branches on receipt of advice. (Applause).

MR. WILLIAM WATSON (one of the Shareholders' representatives on the Board), said:—

I have pleasure in seconding the motion for the adoption of the Report and Balance-sheet, and in doing so congratulate the Shareholders on the result for the year, which enables £150,000 to be added to the Reserve Fund, besides paying the same dividend as last year. And I congratulate you still more on the prospect held out by the Chairman of what is likely to be inaugurated in 1911—our jubilee year. Speaking for myself only (for of course the Board are not yet in a position to determine anything definite), I expect that the Ordinary Shareholders will next year receive 2½ per cent. better return on their shares than they do now, and the expectation is not without a tangible foundation. By a long course of retaining profits, the position of the Bank has been made so strong that the Shareholders are now entitled to expect what, after all, will be only 3 per cent. on the £16 13s. 4d. which each share has cost, and which cost has been used to benefit, in one way or another, the people of this country. Pioneering new country generally has its ups and downs, and this Bank has had adversity as well as prosperity. But fortunately the adversity is of the long past, and I think I may say that, with the developments of the particular kinds of farming for which the various parts of the country are fitted, and a truer knowledge of the values of landed and other securities in the Dominion, the business of banking has steadied down to what is beyond the pioneering stage, although care and ability are always necessary.

That the profits for the year ended 31st March, 1910, do not equal those of the previous year need not cause the slightest uneasiness, the causes being patent to all who have scanned the quarterly banking returns, the imports and exports of the Dominion, and the quotations for money in London. Indeed, your Directors could estimate results pretty closely as the months went by; and a writer in a London financial newspaper, knowing nothing beyond the printed returns, gauged the drop in profits fairly well before the balance was struck. Use of the same intelligence will reveal that so far as the current year has gone, there is an improvement on the last: the year ended March, 1909, was an abnormally profitable one.

I entirely concur with the Chairman in his statement regarding the regrettable want of confidence which exists amongst the business community, and the lack of enterprise in developing the resources of the Dominion. He of course does not include agricultural or pastoral affairs, nor do I; but as regards most other enterprises, the matter is beyond doubt. Surely, however, the causes affecting a state of things so adverse to the true interests of all must be sought out, and, ere long, removed.

I am again before the Shareholders for re-election as one of their representatives on the Board of the Bank, and I trust to have the pleasure of obtaining a renewed mark of your confidence at the

meeting in December next, and of occupying during the Bank's jubilee year the seat I have held since 1894. (Applause).

MR. G. M. KEBBELL congratulated the Shareholders on the profit made last year, and expressed the opinion that the dividend had been a little on the conservative side, seeing that there were so many Liberals on the Board. (Laughter). Considering the enormous reserve strength of the Bank he thought it might now be possible to eradicate the item "Four per cent. Guaranteed Stock, £1,000,000" from the Balance-sheet. He wished to know if the value of the new premises purchased in Melbourne was included in the Balance-sheet.

THE CHAIRMAN: No.

MR. KEBBELL pointed out that although the Bank's profits had been reduced, the expenses (apart from salaries) had gone up about £5,000. Was this due to rates and taxes? He had not the slightest doubt it was.

THE CHAIRMAN: I foreshadowed it last year.

MR. KEBBELL: It would be far better to show taxation separately as an item the Directors have no control over. Continuing, Mr. Kebbell said that before the reformation of the Bank, it was run on charitable lines, but since then it had been conducted in business-like fashion. He had lately, however, seen two accounts in the press showing the Bank figuring as a creditor, in one case for a large amount, and in another for a sum running into four figures, the Bank appearing to have no security. Everything, it was said, had a tendency to revert back to its former self, but he hoped this was not occurring with the Bank. He would much sooner see the Bank making less profit than see its name appearing in such circumstances.

THE CHAIRMAN'S REPLY.

THE CHAIRMAN, in reply, said that they were always pleased to have Mr. Kebbell in their midst, because he liked nothing better than analysing a Balance-sheet and passing keen criticism in respect thereto. In regard to the four per cent. Guaranteed Stock, the Directors had frequently referred to the date on which this Stock would mature, namely, in 1914, and long before that the Directors would carefully consider what was to be done in regard to its renewal or otherwise. It would be impossible for him to say at that moment what might be the Bank's policy.

Mr. Kebbell was right in assuming that the increased expenses were largely due to extra taxation. If reference were made to the Profit and Loss Statement, it would be seen that the items "Rates, taxes, telegrams, and postages," amounting to £49,687 6s. 6d., were shown under a separate heading; the major portion of this amount, of course, represented rates and taxes.

As to the lines of safety on which the business of the Bank was conducted, he could assure Shareholders that the Bank was following a particularly cautious and conservative policy. It was quite obvious that they could not carry on such a huge business without making some losses, but during the last few years the losses had been quite microscopic in proportion to the large amount of profit which the institution had earned. In respect to the two accounts mentioned, one of them had already been practically paid off. The Bank wrongly appeared in a local newspaper as an unsecured creditor, whereas it held an ample margin of security, portion of which had already been realised. As to the other, he (the speaker) and one of his colleagues had specially investigated the position, and they were quite satisfied that the Bank did not stand to lose a single sixpence. It had securities which would pay 60s. in the £ on the amount due. (Applause).

The motion for the adoption of the Report and Balance-sheet was then carried.

VOTES OF THANKS.

MR. J. B. HARCOURT moved a vote of thanks to the Staff for the able manner in which they had performed their duties during the past year. This was seconded by Mr. F. Dyer, and carried, Mr. A. E. Mills, acting General Manager, replying.

MR. MARTIN KENNEDY, in moving a vote of thanks to the Chairman, said with a smile, that if he did not speak, some of the Shareholders whom he represented on the Board might think he was dissatisfied with the Chairman's forecast of an increased dividend next year. He assured them

that he was entirely pleased with that part of the Chairman's speech. The question whether there was a want of confidence, as asserted by the Chairman, was one that verged upon politics and was debatable. Bankers were not agreed upon it, some of them saying that there had been a want of confidence, but that it was passing away. The question also arose as to whether it was the bankers or the individuals outside who were lacking in confidence. Surely there was an abundance of people who were prepared to take money if they could get it, and to spend it. As to whether confidence was affected by legislation, that was another matter. If the price of land was too high, surely that was a question of supply and demand. The Government could not encourage people to come here by offering cheap land, as was done in Canada, because the amount of land in this country was not such as to enable this to be done. He did not see how the industries were being discouraged, unless it was by the labour laws, and, speaking as a large employer of labour of many years' standing, he would rather have the labour laws than the strikes, which were the only alternative. He would not like it to go abroad that the Board unanimously endorsed the views expressed in the Chairman's speech in regard to want of confidence. He, for one, was not in accord on the point. He considered there was abundance of confidence, but recovery took some time. Mr. Beauchamp had done such excellent work as Chairman, and the Board had always worked together so harmoniously, that he (Mr. Kennedy) was sorry to have to express views on this question differing from those of his colleagues. The point was, however, one of minor importance as far as the Bank was concerned, and the Shareholders could accept his assurance that the work of the Board had always been conducted with unanimity and with freedom for full discussion.

The vote of thanks was seconded by MR. KEBBELL, and carried with applause.

MR. BEAUCHAMP, in thanking the meeting, said Mr. Kennedy was quite right in saying that in all the deliberations of the Board there was the freest discussion, and each Director was encouraged to express his opinions. The institution was not dominated by any single individual, but was controlled by the Board as a whole. He would do all he could to promote the interests of the Bank and to conduct it on fair and legitimate lines.

The proceedings then terminated.



REPORT OF PROCEEDINGS AT THE HALF-YEAR GENERAL MEETING OF THE PROPRIETORS HELD AT THE HEAD OFFICE, WELLINGTON, ON FRIDAY, 9TH DECEMBER, 1910.

MR. H. BEAUCHAMP, CHAIRMAN OF DIRECTORS, PRESIDED.

THE CHAIRMAN said:—At the December meeting of the Bank our business, as most of you are aware, is confined to the election of a Director, and the declaration of an interim dividend.

In respect to the former, I have to announce that the only candidate is Mr. William Watson; and that gentleman having given the necessary notice, I have much pleasure in declaring him to be duly elected. Mr. Watson has occupied a seat on the Board for sixteen years, namely, since 1894.

With regard to our profits for the half-year ended 30th September, these were unfavourably affected by diminution in earning power through the substantial reduction in advances to customers in New Zealand. This reduction will not surprise you when you consider the large surplus of exports over imports (to which I shall refer later on) for the year ended September, 1910. Still, our profits on the whole have been very satisfactory, and the net result is considerably better, compared with the corresponding period in 1909. Such being the case, we feel justified in declaring an interim dividend of six per cent for the past half-year payable on the Ordinary Shares and on the Preference Shares held by the Crown. If profits are maintained (and I see no reason why they should not be), I am hopeful that the opinion I expressed when I had the pleasure of addressing you in June last, as to the return you are likely to get at the close of the current financial year, will be realised.

Our General Manager, Mr. William Callender, returned to headquarters on the 9th ultimo. When in London, he made a thorough inspection of our Branch in that city, and, I am glad to say, was able to report most satisfactorily as to the character of the business transacted by us at that point. We are satisfied that the experience gained by Mr. Callender in London will prove of much advantage to him and to the Bank.

During Mr. Callender's absence, the duties of General Manager were discharged by Mr. A. E. Mills—the Senior Inspector—to the entire satisfaction of the Board.

After serving the Bank ably for forty-two years, Mr. James Baxter has recently resigned his position as Manager in London, and Mr. Alexander Kay (in whom the Board have every confidence) has been appointed to succeed him. We have fittingly recognised and placed on record our appreciation of the long and faithful services rendered by Mr. Baxter.

To strengthen the staff in London, the Board decided to appoint an Assistant-Manager, and it was considered that it would be to the Bank's advantage to have in London an officer with Colonial experience and conversant with the conditions obtaining in the Dominion: effect has been given to this decision.

With these preliminary remarks, I may be permitted to refer briefly to the monetary and commercial conditions as they appear to me.

A year ago I was able to congratulate Shareholders and the country generally on the vastly improved prospects, and I am pleased on this occasion, to be in a position to reiterate those congratulations and to emphasise them. The Banks to-day are flush of loanable credit, as is shown by the marked expansion of the Fixed and Free Deposits and the very insignificant increase in the Advances and Discounts. The figures of the several Banks for the September quarter compare as under:—

FIXED AND FREE DEPOSITS.

	1910.	1909.
	£	£
Bank of New Zealand	11,051,415	10,199,028
Union Bank of Aus., Ltd.	3,221,512	2,790,889
Bank of New South Wales	3,336,191	3,009,416
Bank of Australasia	2,005,910	1,736,224
National Bank of N.Z., Ltd.	3,529,321	3,243,563
	<u>23,144,349</u>	<u>20,979,120</u>

(NOTE: These figures do not include Government deposits).

ADVANCES AND DISCOUNTS.

	1910.	1909.
	£	£
Bank of New Zealand	6,966,691	7,091,411
Union Bank of Aus., Ltd.	3,222,958	3,160,610
Bank of New South Wales	2,516,493	2,505,193
Bank of Australasia	2,794,888	2,756,305
National Bank of N.Z., Ltd.	2,676,566	2,657,188
	<u>18,177,596</u>	<u>18,170,707</u>

Thus, while the Deposits have increased by £2,165,229, the Advances and Discounts show the trifling increase of £6,889.

It may be urged that the Banks have been too particular about securities and could have made larger advances were they less punctilious. This is not true. Every legitimate demand on the Banks has been promptly met, and no one with a reasonable banking security has been refused an advance. Unfortunately, there is still a lack of industrial enterprise, and money is permitted to lie idle in the Banks—or, to put it in another way, people are throwing upon the Banks the responsibility of finding an investment outlet instead of undertaking it themselves.

THE OUTLOOK.—The trade revival which set in about twelve months ago appears to be fairly general. A white paper issued by the Board of Trade gives comparisons of the exports and imports of the principal countries for the first six months of 1910, which show a substantial increase all round. Taking the figures of a few countries, we obtain the following:—

EXPORTS.

	1910.	1909.
	£	£
United Kingdom	204,586,000	176,934,000
Germany	174,077,000	139,439,000
United States of America	163,349,000	161,398,000
Canada	23,792,000	20,010,000
British India	77,820,000	57,549,000
Japan	21,346,000	18,950,000
British South Africa	27,249,000	23,742,000
Australia	33,895,000	29,458,000

IMPORTS.

	1910.	1909.
	£	£
United Kingdom	279,141,000	255,099,000
Germany	209,542,000	204,763,000
United States of America	166,724,000	149,583,000
Canada	43,219,000	33,158,000
British India	40,169,000	37,518,000
Japan	24,459,000	21,845,000
British South Africa	17,840,000	12,967,000
Australia	26,709,000	23,235,000

The trade of New Zealand has also expanded: the figures for the year ended September 30th last compare with those of the three previous years as under (Specie is omitted in each case)—

Year.	Exports.	Imports.
	£	£
1906/7	19,891,846	16,071,887
1907/8	16,370,587	17,750,868
1908/9	18,700,156	14,916,005
1909/10	21,958,964	16,101,886

The excess of exports over imports for the past year amounts to the large sum of £5,857,078, which will account for the growth of deposits in the Banks and the buoyancy of the Treasury returns.

The expansion in trade necessarily calls for considerable capital, and the records of the year show that extensive demands have been made upon the British investor. For the nine months ended September 30th, the new capital raised in Great Britain amounted to £216,755,300, as compared with £148,768,000 for the corresponding period of 1909, and £141,215,300 in the nine months of 1908.

The destination of the new capital compares as under:—

	1910.	1909.
	£	£
United Kingdom	54,845,500	16,277,500
British Possessions	69,321,600	64,767,100
Foreign Countries	92,588,200	67,723,400
	<u>£216,755,300</u>	<u>£148,768,000</u>

During the past nine months Canada obtained £31,883,900 and Australasia only £7,359,000. In nine months Canada, the United States, Argentine and Brazil have raised over £90,000,000 from the British investor, and the future demands of these countries are likely to be as large as ever.

It is generally considered by those competent to express an opinion that the keen demand for capital must, in the near future, cause the rates for money to harden, and already we see factors at work to bring about this result. The fall in consols to £78 15s., yielding the investor about £3 3s. 6d. per cent., may be in part attributed to the political outlook; but, taken in conjunction with the fact that other gilt-edged securities have declined, it shows that investors expect a higher rate of interest than formerly. Borrowing in the London market, except at higher rates, will, I fear, be a difficult operation. In particular, local bodies, with commitments, may find this a troublesome matter.

The outlook for our primary products is not perhaps quite as good as it was this time a year ago. Still, it is by no means unfavourable.

Wool is lower than it was a few months ago, and the main reason for this decline appears to be the absence of American competition. On 23rd ult. our London Office telegraphed us as follows:—“The sales have opened with strong competition and large attendance of buyers. There is a good demand for all kinds of wool. Prices are unchanged.”

The high cost of living in the United States has checked business in many directions, but a recent cable message is more reassuring:—

“Bumper corn crops and heavy receipts of cattle and hogs at the stock yards have caused a decline of foodstuffs throughout the United States.”

This will probably result in increased activity, and wool is bound, sooner or later, to be favourably affected by the demands of America.

Another advice from a New York correspondent reads :—

Politics, crops, and the money market all look better. Wall Street's fears that the Corporations will be harshly dealt with by Government are diminishing. A large maize crop is practically assured, and there is little danger of any serious money squeeze if speculation can be kept down.

It may not be generally known what a gigantic barrier is erected against the importation of wool (raw and manufactured) into the United States of America. For the year ended 30th June, 1910, when the imports under this head amounted in value to approximately £14,000,000, the *ad valorem* rate of duty equalled 59.23 per cent. as against 63.18 per cent. in 1909. A writer in "The Economist," referring to this matter, says :—

The woollen tariff is no doubt the most cruel and criminal of all the schedules, because it means that in the frightfully severe winters of the Northern States the poorest class of labourers are clothed entirely in wretched shoddy, and many even of the well-to-do have to put up with cotton blankets. Some calculations have been made of the high rate of mortality caused in the winter months by this want of warm clothing.

The Democrats are making (as they have been for many years past) strenuous efforts to obtain a substantial reduction in this impost. If they are successful I need not point out what an important bearing it would have upon our trade relations with the United States.

BUTTER has not quite responded to the sanguine opinions held by those in the trade, yet prices realised by producers leave a handsome profit. This industry is continuing to expand most satisfactorily.

FROZEN MEAT has maintained a good market, but, in view of the increase in American and Australian supplies, it is a question whether this market will hold at its present comparatively high level. In this connection it is interesting and instructive to note the strong and persistent agitation for cheaper meat now prevailing on the Continent of Europe—particularly in Austria. It is to be hoped that this may ultimately be the means of enabling us to find additional and profitable markets for that article. Already one or two small shipments of frozen mutton and lamb have been admitted into Austria and sold at high prices.

Taking a comprehensive view of the outlook, I think New Zealand will have a prosperous New Year ; and it is to be hoped that that prosperity will not result in a condition of value-inflation and extravagance in general. Rather may we hope that endeavours will be made during good times to establish enterprises and build up industries.

Concluding, I have to announce that the interim dividend will be payable to Shareholders in Wellington on Monday next, 12th instant, and at Branches on receipt of advice.

MR. W. WATSON thanked Shareholders for again returning him to the Board, and said that no doubt they would be satisfied that the hopes held out to them at the last meeting with regard to an increased dividend were justified by the outlook, and that the Bank was making steady progress.

MR. M. KENNEDY, in proposing a vote of thanks to the Chairman (Mr. Beauchamp), said it was highly satisfactory that existing indications and the profits of the Bank for the half-year warranted the Board in declaring an increased dividend. The fifteen per cent. they had been so long looking for was certainly in sight. They had been often told that even when the fifteen per cent. was reached they would not be satisfied, but would want a further increase the following year. That was not so ; that would not be wise. If there were any ground for expectations of that kind it would only advance the market price of shares to an extent not warranted. The speaker had been described as aggressive in advocating increased dividends. He took this opportunity of saying that, no matter how long he might be on the Board, before advocating any increase on a dividend of fifteen per cent., he would want to see the reserve strengthened to such an extent that no exception could be taken to the augmented dividend.

MR. T. S. WESTON, in seconding the motion, said that the Shareholders felt how much they were indebted to the care and attention given by Mr. Beauchamp to the management of the Bank. They realised that, as Chairman, more was thrown upon him personally than on some of the Directors, and all who knew anything of the extent of the Bank's business realised that Mr. Beauchamp's whole heart and soul was in his work.

In acknowledging the vote of thanks, Mr. Beauchamp said he quite recognised that without adequate assistance he would accomplish very little. He was, however, ably assisted by his colleagues and by a particularly good Staff, all of whom, from the General Manager to the junior clerks, had the interests of the Bank at heart. The Directors had done their best in recent years to improve the conditions of the service, and he (the Chairman) ventured to believe that it was now one of the most attractive in Australasia.

