ANNUAL REPORT

OF THE

Bank of New Zealand

FOR THE YEAR ENDED

31st MARCH, 1920

AND

REPORT OF PROCEEDINGS

AT THE

ANNUAL MEETING OF PROPRIETORS

ON

18th JUNE, 1920

WELLINGTON:
PRINTED BY THE NEW ZEALAND TIMES COMPANY, LIMITED,
1920.

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Bank of New Zealand

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

BANKERS TO THE GOVERNMENT OF NEW ZEALAND.

AUTHORISED CAPITAL.

Four per cent. Stock Guaranteed by New Zealand Government ..		£1,000,000
"A" Preference Shares	£500,000	
"B" " "	£1,000,000	
		£1,500,000
Ordinary Shares		£3,000,000
		£5,500,000

SUBSCRIBED CAPITAL.

Four per cent. Guaranteed Stock ..		£529,988
"A" Preference Shares, issued to the New Zealand Government ..		£500,000
"B" Preference Shares, issued to the New Zealand Government ..		£250,000
Ordinary Shares		£1,500,000
		£2,779,988

CAPITAL PAID UP.

Four per cent. Guaranteed Stock ..		£529,988
"A" Preference Shares		£500,000
"B" Preference Shares		£250,000
Ordinary Shares—		
150,000, at £6 : 13 : 4 — £1,000,000		
Paid up to £3 : 6 : 8 per share..	£500,000	
Call of £3:6:8 per share, payable 1st April, 1920—Amount paid in Advance	£347,453	
		£847,453
New Ordinary Shares, 75,000 at £6 : 13 : 4, fully paid		£500,000
		£2,627,441
Reserve Fund	£2,500,000	
Undivided Profits	146,520	2,646,520
		£5,273,961

HEAD OFFICE - WELLINGTON, NEW ZEALAND

Directors (Four appointed by New Zealand Government, two elected by Shareholders) — H. BEAUCHAMP, CHAIRMAN, GEORGE ELLIOT, R. W. KANE, WM. REECE, J. H. UPTON, WM. WATSON.

General Manager—H. BUCKLETON.

LONDON OFFICE - 1 QUEEN VICTORIA STREET, E.C. 4

London Board—FREDERIC LUBBOCK, CHAIRMAN.
THE RIGHT HON. LORD CARNOCK, G.C.B., ALEXANDER MICHIE, SIR JAMES MILLS, K.C.M.G.

Manager—ALEXANDER KAY.

Bankers—BANK OF ENGLAND.
THE LONDON JOINT CITY AND MIDLAND BANK, LTD.

Chief Auditor—RICHD. W. GIBBS, (*Appointed by N.Z. Government*)

London Auditor— W. C. SNEATH (*Appointed by N.Z. Government*)

HEAD OFFICE - WELLINGTON.

General Manager:
H. BUCKLETON.

Inspectors:
F. D. CLAYTON, T. E. CORKILL, J. B. HENRY, R. B. RIGG.

Sub-Inspectors:
T. M. BUTTS, F. W. CARTER, C. A. CUFF, J. MACGIBBON, H. ROCHFORT.

Produce Manager: H. A. KEELING.
Accountant: A. McLENNAN.

LONDON OFFICE:

No. 1, QUEEN VICTORIA STREET, MANSION HOUSE, E.C 4

Manager, ALEXANDER KAY. *Asst. Manager*, ROBERT MILL.
Produce Manager, A. L. ROBERTSON.

BRANCHES AND AGENCIES.

IN NEW ZEALAND:

AUCKLAND ... ... *Manager*, A. R. W. P. Green.
Asst. Mngr., A. L. Hempton.
AKAROA ... ... *Manager*, P. E. Lynskey.
ALEXANDRA SOUTH ... ... ,, A. Anderson.
APITI, AGENCY OF KIMBOLTON.
ARATAPU, AGENCY OF DARGAVILLE.
ARROWTOWN, AGENCY OF QUEENSTOWN.
ASHBURTON ... ... ,, Jas. Bevin.
AWANUI, AGENCY OF KAITAIA.
AWATUNA EAST, AGENCY OF KAPONGA.
BALCLUTHA ... ... ,, W. E. Allen.
BALFOUR, AGENCY OF GORE.
BLENHEIM ... ... ,, T. L. Woods.
BLUFF ... ... ,, W. J. Mann.
BULLS ... ... ,, J. P. Hargreaves
CAMBRIDGE ... ... ,, W. H. C. Vickers.
CARTERTON ... ... ,, C. H. Cormack.
CHRISTCHURCH ... ... ,, G. A. U. Tapper.
CLINTON ... ... ,, J. P. White.
CLYDE, AGENCY OF ALEXANDRA.
COROMANDEL ... ... ,, W. C. Woodhouse.
CROMWELL ... ... ,, A. F. Foot.
DANNEVIRKE ... ... ,, G. J. E. Bickford.
DARGAVILLE ... ... ,, D. F. Reid.
DEVONPORT, AGENCY OF AUCKLAND.
DUNEDIN ... ... ,, A. C. Matheson.
DUNEDIN NORTH, SUB-BRANCH ,, H. W. Hilton.
EDENDALE, AGENCY OF WYNDHAM.

EKETAHUNA ... ... *Manager* J. K. Hannah.
ELTHAM ... ... ,, L. B. Grimstone.
FAIRLIE, AGENCY OF TIMARU.
FEATHERSTON ... ... ,, Geo. Fenwick.
FEILDING ... ... ,, G. H. Waymouth.
FOXTON ... ... ,, F. Symes.
FRANKTON JUNCTION, AGENCY OF HAMILTON.
GERALDINE ... ... ,, D. MacGregor.
GISBORNE ... ... ,, Jas. Chisholm.
GLEN OROUA, AGENCY OF RONGOTEA.
GORE ... ... ,, E. A. Pigeon.
GREYMOUTH ... ... ,, A. H. Bath.
GREYTOWN ... ... ,, E. A. Campbell.
HAMILTON ... ... ,, J. H. Hammond.
HAMPDEN, AGENCY OF PALMERSTON (OTAGO).
HASTINGS ... ... ,, A. L. Anderson.
HAVELOCK, AGENCY OF BLENHEIM.
HAWERA ... ... ,, G. A. Burgess.
HELENSVILLE ... ... ,, N. Wallace.
HERIOT, AGENCY OF TAPANUI.
HIKURANGI, AGENCY OF WHANGAREI.
HIKUTAIA, AGENCY OF PAEROA
HOKITIKA ... ... ,, A. Aitken.
HUNTERVILLE ... ... ,, W. Winchester.
HUNTLY ... ... ,, E. H. Payze.
INGLEWOOD ... ... ,, G. H. Hutton.
INVERCARGILL ... ... ,, W. Robson.
KAIAPOI ... ... ,, G. A. Kissling.
KAIKOHE ... ... ,, R. C. Macfarlane.
KAIKOURA ... ... ,, H. H. Featherstone.
KAIPARA FLATS, AGENCY OF WARKWORTH.
KAITAIA ... ... ,, D. S. White.
KAITANGATA, AGENCY OF BALCLUTHA.
KAPONGA ... ... ,, C. H. Severne.
KATIKATI, AGENCY OF TAURANGA.
KAWHIA ... ... ,, E. F. N. Morgan
KELSO, AGENCY OF TAPANUI.
KIHIKIHI, AGENCY OF TE AWAMUTU.
KIMBOLTON ... ... ,, F. A. C. Baddeley
KOHUKOHU ... ... ,, A. D. Murray. (tempy.
KUMARA, AGENCY OF HOKITIKA.
LAWRENCE ... ... ,, R. A. Prisk.
LEESTON ... ... ,, R. M. Robertson.
LEVIN ... ... ,, C. H. Pyke.
LITTLE RIVER, AGENCY OF CHRISTCHURCH.
LOWER HUTT ... ... ,, J. M. Dawson.
LUMSDEN, AGENCY OF WINTON.
LYTTELTON ... ... ,, G. N. Pickett
MAMAKU, AGENCY OF ROTORUA.
MANAIA ... ... ,, J. Taylor.
MANAKAU, AGENCY OF LEVIN.
MANGAWEKA ... ... ,, W. A. Fendall.
MARTINBOROUGH ... ... ,, R. H. Baillie.
MARTON ... ... ,, A. J. Dixon.
MASTERTON ... ... ,, W. D. Horne.
MATAMATA ... ... ,, S. T. Uren.
MATATA, AGENCY OF WHAKATANE.

MATAURA ... ... *Manager*, D. T. Larnach.
MATAWAI, AGENCY OF MOTU.
MATIERE, AGENCY OF OHURA.
METHVEN ... ... ,, B. Roll.
MIDDLEMARCH, AGENCY OF MOSGIEL.
MILLER'S FLAT, AGENCY OF ROXBURGH.
MILTON ... ... ,, G. W. Bain.
MORRINSVILLE .. .. ,, K. G. Hume.
MOSGIEL... ... ... ,, J. Lindsay.
MOTU ... ... ,, W. J. Amies.
MOTUEKA ... ... ,, W. H. Mander
MURCHISON ... ... ,, C. H. Ellis.
NAPIER ... ... ,, F. W. Dawson.
NASEBY ... ... ,, R. Fraher.
NELSON ... ... ,, A. L. T. Jones.
NEW PLYMOUTH ... ... ,, W. Brodie.
NEWTON, (AUCKLAND SUB-BRANCH) ,, H. S. Hough.
NEWTOWN, (WELLINGTON SUB-BRANCH) ,, A. L. Craig.
NGARUAWAHIA .. .. ,, H. C. B. Shera.
NGATEA, AGENCY OF THAMES.
NIGHTCAPS, AGENCY OF OTAUTAU.
NORMANBY, AGENCY OF HAWERA.
OAMARU ... ... ,, L. E. Haines.
OHAEAWAI, AGENCY OF KAIKOHE.
OHAKUNE ... ... ,, N. Gow.
OHURA ... . ,, F. T. Glasgow.
OKATO, AGENCY OF NEW PLYMOUTH.
OMAKAU, AGENCY OF ALEXANDRA.
OPHIR, AGENCY OF ALEXANDRA.
OPOTIKI ... ... ,, C. C. Leys.
OPUNAKE ... ... ,, R. H. Rathbone.
OREPUKI, AGENCY OF RIVERTON.
ORMONDVILLE, AGENCY OF DANNEVIRKE.
OTAHUHU, AGENCY OF AUCKLAND.
OTAKI ... ... ,, H. L. Witchell.
OTAKI RAILWAY, AGENCY OF OTAKI.
OTAUTAU ... ... ,, W. Porteous.
OTOROHANGA, AGENCY OF TE AWAMUTU.
OUTRAM ... ... ,, T. T. Grant.
OWAKA, AGENCY OF BALCLUTHA.
OXFORD ... ... ,, A. H. C. Orr
PAEROA ... ... ,, D. J. Webster.
PAHIATUA ... ... ,, P. Thomson.
PALMERSTON (OTAGO) ... ... ,, Jas. Murray.
PALMERSTON NORTH ... ... ,, Chas. Smith.
PAPAKURA, AGENCY OF AUCKLAND.
PATEA ... ... ,, G. H. Stephenson.
PATETONGA, AGENCY OF MORRINSVILLE.
PETONE ... ... ,, J. M. Dawson (L. Hutt.)
PICTON ... ... ,, W. J. Knell.
PIO PIO, AGENCY OF TE KUITI.
PLEASANT POINT, AGENCY OF TIMARU.
PONGAROA ... ... ,, B. J. S. Brann.
PORT CHALMERS ... ... ,, C. J. B. Scott.
PUKEKOHE ... ... ,, H. Bockett.
PUTARURU, AGENCY OF MATAMATA.

QUEENSTOWN ... ... *Manager*, A. J. Campbell.
RAETIHI ... ... ,, R. C. Hay-Mackenzie.
RAHOTU, AGENCY OF OPUNAKE.
RAKAIA ... ... ,, J. Penny.
RANFURLY, AGENCY OF NASEBY.
RANGIORA ... ... ,, W. E. Barton.
REEFTON ... ... ,, F. A. de Tourettes.
RIVERSDALE, AGENCY OF GORE.
RIVERTON ... ... ,, C. L. Fraser.
RONGOTEA ... ... ,, W. L. C. Bakewell.
ROSS, AGENCY OF HOKITIKA.
ROTORUA... ... ... ,, W. W. P. Hall.
ROXBURGH ... ... ,, C. E. Graham.
SANSON, AGENCY OF BULLS.
SHANNON... ... ... ,, G. E. Murphy.
SHORTLAND, (THAMES), AGENCY OF THAMES.
SOUTHBRIDGE, AGENCY OF LEESTON.
SOUTH DUNEDIN, AGENCY OF DUNEDIN.
STRATFORD ... ... ,, W. J. Crawshaw.
SYDENHAM ... ... ,, K. M. Ollivier (temp.)
SYMONDS ST. (AUCKLAND SUB-BRANCH) ,, G. C. St. George.
TAIHAPE .. .. ,, C. L. Dymock.
TAKAKA, (NELSON) ... ... ,, N. Ross.
TAKAPAU (H.B.) ... ... ,, W. G. McDowell.
TANEATUA ... ... ,, A. E. Wiggins.
TAPANUI ... ... ,, F. A. Thomson.
TAUMARUNUI ... ... ,, A. Cameron.
TAURANGA ... ... ,, D. H. L. Corrigan
TE ARAROA (WAIAPU)... ... ... ,, J. de V. Howard.
TE ARO (WELLINGTON SUB-BRANCH) ,, J. D. G. Tripe
TE AROHA ... ... ,, F. L. Kenrick.
TE AWAMUTU ... ... ,, R. W. N. Lord.
TE KOPURU, AGENCY OF DARGAVILLE.
TE KUITI .. .. ,, A. R. Porteous.
TEMUKA ... ... ,, W. G. Adams.
TE PUKE ... ... ,, J. M. Roberts.
THAMES ... ... ,, A. H. Wilson.
THORNBURY, AGENCY OF RIVERTON.
TIMARU ... ... ,, W. M. Hindmarsh.
TIRAU, AGENCY OF MATAMATA.
TOKOMARU BAY ... ... ,, J. Forbes.
TUAKAU, AGENCY OF PUKEKOHE.
TURUA, AGENCY OF THAMES.
URENUI, AGENCY OF WAITARA.
WAIHI ... ... ,, A. T. Kenrick.
WAIKAKA, AGENCY OF GORE.
WAIKOUAITI, AGENCY OF PALMERSTON (OTAGO).
WAIMANA, AGENCY OF TANEATUA.
WAIMATE... ... ... ,, W. Coath.
WAIPAWA... ... ... ,, W. G. Downes.
WAIPUKURAU ... ... ,, E. Broad.
WAIROA (HAWKES BAY) ... ... ,, G. W. Smith.
WAITAHUNA, AGENCY OF LAWRENCE.
WAITAKARURU, AGENCY OF THAMES.

WAITARA	*Manager*,	A. H. Hawkins.
WAITOA, AGENCY OF TE AROHA.		
WAIUKU	,,	W. C. Coote.
WANGANUI	,,	C. N. P. Raine
WARKWORTH	,,	A. E. T. Pickering.
WELLSFORD, AGENCY OF HELENSVILLE.		
WELLINGTON	,,	A. Smith.
WESTPORT	,,	J. H. Mentiplay.
WHAKATANE	,,	A. S. Henderson.
WHANGAREI	,,	A. F. Thomson.
WINTON	,,	A. J. Thompson.
WOODVILLE	,,	C. W. Allen.
WYNDHAM	,,	E. C. W. Porter.

IN AUSTRALIA

MELBOURNE, 347 COLLINS STREET ...	*Manager*	G. C. Lemann.
SYDNEY, 339 GEORGE STREET	,,	S. H. Batchelor.

IN FIJI

SUVA	*Manager for Fiji*,	T. E. Foy.
LEVUKA	*Manager*,	W. A. Rennell.

IN SAMOA

APIA	,,	A. D. Keeling

WELLINGTON, 18 JUNE, 1920.

AGENTS AND CORRESPONDENTS.

AUSTRALASIA.

AUSTRALIAN BANK OF COMMERCE, LIMITED.
BANK OF ADELAIDE.
BANK OF QUEENSLAND, LIMITED.
BANK OF VICTORIA, LIMITED.
COMMERCIAL BANK OF AUSTRALIA, LIMITED.
COMMERCIAL BANK OF TASMANIA, LIMITED.
LONDON BANK OF AUSTRALIA, LIMITED.
ROYAL BANK OF AUSTRALIA, LIMITED.
UNION BANK OF AUSTRALIA, LIMITED.

ENGLAND AND WALES.

BANK OF ENGLAND.
BANK OF LIVERPOOL AND MARTINS, LIMITED.
BARCLAY'S BANK, LIMITED.
BLYDENSTEIN AND COMPANY, B.W., LONDON.
COUTTS AND COMPANY, LONDON.
ISLE OF MAN BANKING COMPANY, LIMITED.
JACKSON AND SONS, J., LIVERPOOL.
KING AND CO., HENRY S., LONDON.
LLOYD'S BANK, LIMITED.
LONDON JOINT CITY AND MIDLAND BANK, LIMITED.
LONDON COUNTY WESTMINSTER AND PARR'S BANK, LIMITED.
MANCHESTER AND LIVERPOOL DISTRICT BANKING COMPANY, LIMITED.
NATIONAL PROVINCIAL AND UNION BANK OF ENGLAND, LIMITED.
UNION BANK OF MANCHESTER, LIMITED.
UNITED COUNTIES BANK.

SCOTLAND.

BANK OF SCOTLAND.
BRITISH LINEN BANK.
NATIONAL BANK OF SCOTLAND, LIMITED.
NORTH OF SCOTLAND AND TOWN AND COUNTY BANK LIMITED.
UNION BANK OF SCOTLAND, LIMITED.

IRELAND.

Belfast Banking Company, Limited.
Hibernian Bank, Limited.
National Bank, Limited.
Northern Banking Company, Limited.
Provincial Bank of Ireland, Limited.
Ulster Bank, Limited.

EUROPE.

Anglo-Egyptian Bank, Limited.
Banca Commerciale Italiana.
Banca Italiana di Sconto.
Bank of France.
Banque de Montreux.
Banque Francaise pour le Commerce et l'Industrie, Paris.
Banque Populaire, Interlaken.
Caisse Generale de Reports et de Depots, Brussels.
Centralbanken for Norge.
Comptoir National d'Escompte de Paris.
Credit Lyonnais.
Credit Ostendais.
Den Danske Landmandsbank Hypothek-og Vekselbank, Copenhagen.
Ionian Bank, Limited.
Kjobenhavns Handelsbank.
Lippmann, Rosenthal and Company, Amsterdam.
London and Brazilian Bank, Limited.
Morgan, Harjes and Company.
Russian Bank (for Foreign Trade).
Skandinaviska Kredit Aktiebolaget.
Societe Generale.
Stockholms Enskilda Bank.
Union Franco Italienne de Credit Co-operatif.

ASIA.

Chartered Bank of India, Australia and China.
Hongkong and Shanghai Banking Corporation.
International Banking Corporation.
King, Hamilton and Co., Calcutta.
King, King and Co., Bombay.
Mercantile Bank of India, Limited.
National Bank of India, Ltd.
Yokohama Specie Bank, Limited.

AFRICA.

African Banking Corporation, Limited.
Anglo-Egyptian Bank, Limited.
Credit Lyonnais.
Mauritius Commercial Bank.
National Bank of Egypt.
National Bank of South Africa, Limited.
Standard Bank of South Africa, Limited.

NORTH AMERICA.

Adams Express Company, New York.
American Exchange National Bank, New York.
American Express Company.
American Foreign Banking Corporation, New York.
Bank of Italy.
Bank of Montreal.
Bankers' Trust Company, New York.
Brown Brothers and Company.
Canadian Bank of Commerce.
Chase National Bank.
Crocker National Bank of San Francisco.
Dominion Express Company.
Drexel and Company.
Equitable Trust Company of New York.
Farmers' and Merchants' National Bank, Los Angeles, California.
Farmers' Loan and Trust Company, New York.
First National Bank of Chicago.

NORTH AMERICA—Continued

First National Bank of San Francisco.
Guaranty Trust Company of New York.
Hanover National Bank of the City of New York.
Hongkong and Shanghai Banking Corporation.
Irving National Bank, New York.
Merchants' National Bank of Boston.
Morgan and Company, J. P.
National Bank of Commerce, St. Louis.
National City Bank of New York.
National Shawmut Bank of Boston.
Northern Trust Company Bank, Chicago.
Philadelphia National Bank.
Riggs National Bank of Washington, D.C.
Standard Bank of South Africa, Limited.

SOUTH AMERICA.

Banco de Chile.
Banco del Peru y Londres.
London and Brazilian Bank, Limited.
London and River Plate Bank, Limited.

WEST INDIES.

The Colonial Bank.

HONOLULU (Sandwich Islands).

Bank of Bishop and Company, Ltd.

PAPEETE (Tahiti).

Banque de l'Indo Chine.

NOUMEA (New Caledonia).

Banque de l'Indo Chine.

REPORT OF THE DIRECTORS.

The Directors submit herewith the Balance-Sheet and Profit and Loss Statement of the Bank for the year ended 31st March last.

The Profits, after providing for expenses of management, all bad and doubtful debts, and other contingencies, and after making provision for the annual donation to the Provident Fund and for a special grant thereto, also for bonus to Staff, are				£490,245	7	4
From this has to be deducted:—						
Interest on Guaranteed Stock				21,199	10	10
				469,045	16	6
Of this sum the Directors have allocated in reduction of Bank Premises and Furniture ...				50,000	0	0
Leaving Balance of Profit for the year ...				419,045	16	6
To which has to be added:—						
Balance brought forward from last year ...				146,224	5	9
				565,270	2	3
From which there has been paid:—						
Interim Dividend at 6 % on "A" and "B" Preference Shares	£45,000	0	0			
Interim Dividend at 6 % on Ord. Shares	60,000	0	0	105,000	0	0
Leaving available for distribution				£460,270	2	3
This the Directors propose should be disposed of as follows:—						
Dividend at the rate of 4 % on "A" Pref. Shares				£20,000	0	0
Dividend at the rate of 7½ % on "B" Pref. Shares				18,750	0	0
Dividend at the rate of 7½ % on Ordinary Shares				75,000	0	0
Bonus at the rate of 4 % on "B" Pref. Shares				10,000	0	0
Bonus at the rate of 4 % on Ordinary Shares				40,000	0	0
Transfer to Reserve Fund ... ... (Making Reserve Fund £2,500,000)				150,000	0	0
Leaving Balance to be carried forward ...				146,520	2	3
				£460,270	2	3

During the year Branches have been opened at Murchison and Sydenham, and the Agencies at Bluff, Clinton, Huntly, Matamata, Mataura, Ohakune, Pongaroa, Takapau, and Warkworth have been made daily Branches.

Agencies have been opened at Kaipara Flats, Little River, Ohaeawai, Patetonga, Urenui, Waitakaruru, and Waitoa.

HAROLD BEAUCHAMP, *Chairman.*

BANK OF NEW ZEALAND.

BALANCE SHEET at 31st March, 1920.

LIABILITIES.

	£ s. d.	£ s. d.	£ s. d.
CAPITAL—			
4% Guaranteed Stock		529,988 10 6	
"A" Preference Shares fully paid. Issued to the New Zealand Government...		500,000 0 0	
"B" Preference Shares fully paid. Issued to the New Zealand Government...		250,000 0 0	
Ordinary Shares, 150,000 at £6:13:4—£1,000,000—paid up to £3:6:8 per Share	500,000 0 0		
Call of £3:6:8 per share payable 1st April, 1920 — Amount paid in Advance	347,453 6 8		
		847,453 6 8	
New Ordinary Shares, 75,000 at £6:13:4, fully paid up		500,000 0 0	
			2,627,441 17 2
Reserve Fund			2,350,000 0 0
Notes in Circulation			5,765,337 10 0
Deposits			37,661,610 15 6
Bills Payable and other Liabilities (including provision for doubtful debts and for depreciation in Investment Securities, also contingencies)			3,708,305 0 11
Reserve for Taxes			340,000 0 0
Balance of Profit and Loss			460,270 2 3
			£52,912,965 5 10

ASSETS.

	£ s. d.	£ s. d.
Coin and Cash Balances at Bankers		8,371,535 11 0
Government Notes—Commonwealth, Fijian, and Samoan Administration		297,712 0 0
Notes of Other Banks (Legal Tender)		56,370 0 0
Bullion on hand and in transit		46,668 7 5
Money at Call and Short Notice. Government Securities and other Securities in London ...	19,622,410 15 1	
Bills receivable in London and in transit	661,230 19 11	
		20,283,641 15 0
INVESTMENTS IN THE DOMINION—		
New Zealand Government Securities	3,497,553 10 0	
Municipal Securities	327,210 10 0	
		3,824,764 0 0
Commonwealth and Fijian Government Securities		239,316 13 4
Bills Discounted		1,502,233 9 10
Other Advances and Securities and Debts due to the Bank		17,929,615 0 11
Landed Property, Premises, etc.		361,108 8 4
		£52,912,965 5 10

PROFIT AND LOSS.

	£ s. d.	£ s. d.
Dividend at the rate of 4% on £500,000 "A" Preference Shares, issued to the New Zealand Government in terms of the "Bank of New Zealand Act, 1903"	£20,000 0 0	
Dividend at the rate of 6% on £250,000 "B" Preference Shares, issued to the New Zealand Government in terms of the "Bank of New Zealand Act, 1913"	15,000 0 0	
Bonus at the rate of 3% on "B" Preference Shares	7,500 0 0	
Dividend at the rate of 6% on Ordinary Share Capital	60,000 0 0	
Bonus at the rate of 3% on Ordinary Share Capital	30,000 0 0	
Amount transferred to Reserve Fund...	150,000 0 0	
		£282,500 0 0
Balance carried down		146,224 5 9
		£428,724 5 9
Twelve Months' Interest on Guaranteed Stock ...		21,199 10 10
Amount written off Bank Premises and Furniture		50,000 0 0
Interim Dividend paid 13th December, 1919—		
6% on "A" Preference Shares, £500,000	30,000 0 0	
6% on "B" Preference Shares, £250,000	15,000 0 0	
6% on Ordinary Shares, £1,000,000	60,000 0 0	
		105,000 0 0
Balance, being net Profit for Year	419,045 16 6	
Amount brought forward from last year	146,224 5 9	
	565,270 2 3	
Less Interim Dividend paid as above ...	105,000 0 0	
		460,270 2 3
		£636,469 13 1

	£ s. d.	£ s. d.	£ s. d.
Balance at 31st March, 1919			£428,724 5 9
			£428,724 5 9
Balance brought down			146,224 5 9
Profits for year ended 31st March, 1920, including recoveries, and after payment of, and provision for, all interest due and accrued on deposits, provision for bad and doubtful debts, and other contingencies, for the annual donation to the Provident Fund and for a special grant thereto, also for Bonus to Staff		£1,376,838 6 7	
LESS—			
Salaries and Allowances at Head Office and 212 Branches and Agencies	308,361 16 8		
Directors' remuneration, including London Board	4,650 0 0		
General Expenses, including rent, stationery, telegrams, postages, travelling, repairs to premises, etc.	114,397 3 6		
Audit Expenses Account ...	2,700 1 8		
Rates and Taxes	456,483 17 5		
		886,592 19 3	
			490,245 7 4
			£636,469 13 1

RESERVE FUND.

	£ s. d.
Balance	£2,500,000 0 0
	£2,500,000 0 0

	£ s. d.
Balance per last Statement	£2,350,000 0 0
Amount to be added from Profits for year ended 31st March, 1920	150,000 0 0
	£2,500,000 0 0

RICHD. W. GIBBS,
Chief Auditor.

H. BUCKLETON, General Manager.
A. McLENNAN, Accountant.

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 1st day of June, 1920.

H. BUCKLETON,
General Manager.

A. McLENNAN,
Accountant.

I, Richard Waine Gibbs, 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 2nd day of June, 1920.

RICHD. W. GIBBS,
Chief Auditor.

BANK OF NEW ZEALAND.

ANNUAL MEETING OF PROPRIETORS

HELD AT

Wellington, 18th June 1920.

The Ordinary General Meeting of the Proprietors of the Bank of New Zealand was held at the Head Office, on Friday, 18th June, 1920.

Mr. H. Beauchamp, Chairman of Directors, presided.

With the consent of the meeting, the Report of the Directors and the Balance Sheet were taken as read.

The Chairman, in moving their adoption, said:—

Copies of the Report and Balance Sheet are in your hands, and I will now remark upon the various items where fluctuations in the figures seem to call for any comment from me.

Capital—£2,627,441. Increase £347,453.

This increase represents the amount paid up by shareholders in advance of due date in respect of the call made on 9th January last on the Ordinary Shares Nos. 1 to 150,000 inclusive, the circumstances and conditions of which were mentioned at our meeting on 12th December last. It will be seen that a large number of shareholders availed themselves of the option allowed them of paying up the amount of the call before the due date (1st April) under rebate at 5 per cent. per annum, the whole call, with the exception of £152,546 13s 4d, having been received at the balance date. I may mention that of that amount only £44,261 remained unpaid at 2nd instant.

Our issued ordinary capital is now £1,500,000 and the amount paid up, in respect thereof, at 2nd instant was £1,455,739.

Reserve Fund.—£2,350,000. Increase £150,000.

This increase is the amount added to the Reserve from the profits of the year ended 31st March, 1919. As will be seen by the Report in your hands, we now propose to increase the Reserve Fund by another £150,000, making the total £2,500,000.

Notes in Circulation. — £5,765,337. Increase £2,037,088.

The greater part of this increase is represented by notes not "circulating" at all in the sense of being in the hands of the public. They are notes of ours in the hands of other New Zealand Banks, paid to them in settlement of Exchanges. During the period of the commandeer the transfers of Government moneys in payment of produce have passed through us as the Government's bankers and large amounts have, as a consequence, occasionally to be paid over in settlement. Adjustments are made with other Banks at short intervals by paying in London in redemption of notes issued to other Banks in the Dominion. Sometimes, particularly when a Local War Loan has been raised, the balance has been turned in *our* favour and we have been holders of other Bank settlement notes, but at present the balance is against us, hence the large increase shown.

I mention the matter in order to guard against any misapprehension arising in regard to undue inflation of the New Zealand currency. I do not think there has been any such inflation here. Such increase as has taken place since 1914 in the volume of notes actually in circulation is, I think, due principally to the fact that gold which people used to carry about or keep by them, has found its way into the Banks and has been replaced by Bank notes.

I would point out that the gold actually held by the Banks in New Zealand is sufficient to cover all such Notes

actually in circulation. The New Zealand Note currency therefore is on an unexceptionable basis, being fully represented by gold on hand; and while it may at present be slightly redundant, it cannot, while that position continues, be regarded as inflated. Magnitude does not necessarily imply inflation.

Deposits. — £37,661,610. Increase £5,945,258.

This increase reflects the prosperous condition of the country, and will be more fully dealt with at a later stage of my remarks.

Bills Payable and Other Liabilities.— £3,708,306. Increase £847,915.

An ordinary fluctuation which calls for no special remark.

Reserve for Taxes.—£340,000.

A new item in the Balance Sheet, although not entirely a new provision, since in view of the very heavy liability to which the Bank is subject for taxation, it had been deemed prudent to accumulate a Reserve against it. This Reserve is sufficient to cover the estimated liability for one year in respect of Income Tax, and it has been decided to show it as a separate item in the Balance Sheet.

While referring to this subject, I might mention, as a matter of interest to shareholders, that the Bank paid the following amounts during last year for Rates and Taxes:

	£
Income Tax	285,382
Land Tax	17,123
Tax on Note Circulation ...	146,074
Rates	7,904
Total	£456,483

Turning now to the Assets side of the Balance Sheet we have:

Coin and Cash Balances, Government Notes, Legal Tender Notes, Bullion. — Total £8,772,285. Increase £2,052,520.

Coin, Cash Balances and Government Notes show a large expansion. Legal Tender Notes and Bullion a moderate reduction—leaving the net increase as above.

Money at Short Call and Bills Receivable in London. — £20,283,642. Increase £6,465,587.

This increase represents roughly the growth that has taken place during the year in the Colonial deposits. As explained in my address a year ago, these funds are held in gilt-edged securities, readily realisable at any time.

In ordinary times our exchange operations with Britain and those with foreign countries which have to be settled in London, approximately balance one another. Taking the transactions of a whole year, there is no very great difference between the amounts which we receive in London and those which we pay out there. During the last few years, and especially during the year which has just closed, the value of our exports which have been paid for in London has very greatly exceeded the cost of imports and other payments which have been made there. The tendency has therefore been towards the accumulation of funds in London, and this is the explanation of our now holding so large an amount at that point.

In accordance with our usual custom, provision has been made for the writing down of all our London investments to a figure at which they are readily realisable.

Owing to the increased value of money in London, the funds we have employed there have been yielding a very satisfactory return.

Investments in the Dominion — £3,824,764. Increase £548,602.

This increase is occasioned by the Bank's subscription to the last New Zealand Government Victory Loan.

The assets included under this and the two previous headings—Coin, etc., and Money at Short Call etc.—are equal to 69.75 per cent., or roughly 13s 11d in the £, of the Bank's liabilities to the public.

Commonwealth and Fijian Government Securities.—£239,317. Increase £105,001.

The increase represents further investments made in the loans of the respective Governments.

Advances.—

Bills Discounted	£1.502,233	Increase	£26,483
Advances	£17,929,615	Do.	£539,828
	£19,431,848		£566,311

This increase is comparatively small. The circumstances which have contributed to make it so moderate will be referred to at a later stage of my address.

Landed Property and Premises. — £361,108. Decrease £38,759.

The sum of £50,000 has again been appropriated from profits in reduction of this account. It is this appropriation that causes the decrease shown. The usual outlay in respect of repairs, improvements, etc., is of course continually going on.

Shareholders who have travelled throughout New Zealand and have seen a good many of our offices will understand that the amount at which the Bank's properties stand in our books and in the balance-sheet is a very low figure compared with their actual value. The writings-down for a considerable number of years have been on a very liberal scale, and I think it probable that for some time to come it may not be considered necessary to make further appropriations for this purpose.

Some figures were recently published in one of the Banking Journals stating the proportion which the item "Banking Premises" bears to the Capital and Reserves in the case of a considerable number of Banks throughout the Empire. These figures show that in the case of 22 Banks in the United Kingdom, the Bank Premises represented 20.93 per cent. of the Capital and Reserves. In 17 Banks in Australasia, the proportion was 14.48 per cent. 18 Banks in Canada had 26.30 per cent. of their Capital and Reserves represented by this item.

Comparison with these figures will show that the 7 per cent. of this Bank's own resources which are thus represented is an unusually small proportion, and that it cannot be said that we have an unduly large part of our funds "locked up in bricks and mortar."

Profit and Loss.—The nett profits for the year are £419,046 as compared with £388,022 at 31st March, 1919. This is after paying interest on the Guaranteed Stock, making the usual grant to the Officers' Provident Fund, and also providing for a special grant to that Fund of £100,000, paying bonuses to the Staff, writing £50,000 off Premises and Furniture Account, and making all the necessary provision for Bad and Doubtful Debts and also for depreciation in the value of other Assets.

The amount brought forward from last year was £146,224, making a total of £460,270 now to be dealt with after providing for the £105,000 disbursed in the 6 per cent. dividend of December last.

It is now proposed to pay a further dividend of 7½ per cent. and a bonus of 4 per cent. on the Ordinary and "B" Preference Shares (making with the December dividend already paid 17½ per cent for the year), and a further 4 per cent. on the "A" Preference Shares (making 10 per cent. for the year).

This will make the total dividend and bonus for the year, £268,750. Of the balance remaining, £296,520, we propose to place £150,000 to credit of the Reserve Fund, and to carry forward the residue, £146,520, to the next account.

Dividend.—In view of the increase in the amount available for distribution, after making ample provision for all contingencies, the Directors have felt justified in proposing a small increase in the rates of dividend and bonus on "B" Preference and Ordinary Shares. It is, therefore, recommended in the Report now submitted to you that the total distribution for the year upon these shares shall be 17½ per cent., instead of the 15 per cent. which has been paid for the last nine years upon the Ordinary Shares and upon the "B" Shares since they were created in 1914.

Aggregate Assets. — Before passing from my review of the Balance Sheet figures I desire to direct your attention to the fact that our Aggregate Assets are now nearly £53,000,000, the increase during the year having amounted to £9,699,259.

Board of Directors.

The members of the Board appointed by the Government, whose term of office expired on 31st March last, were Messrs. William Reece and David J. Nathan.

It is with great regret that we have to record Mr. Nathan's sudden death on 20th March. He had been a member of the Board for three terms of two years each. His wide experience and business knowledge made him a most useful Director, and his valuable counsel was always made freely available to his colleagues in their deliberations.

The vacancy caused by Mr. Nathan's death has been filled by the Government appointing Mr. George Elliot, of Auckland, who is widely known in business circles, a Director of the Bank. Mr. Elliot is with us to-day, and I have pleasure, on my own and your behalf, in extending to him a cordial welcome. Our old colleague, Mr. William Reece, has, I am pleased to say, been re-appointed a Director. These appointments are for a term of two years from 31st March last.

London Board.

We again place on record our high appreciation of the care and attention devoted by the London Board to the Bank's business there. The personnel of that Board remains unaltered.

General Management.

Mr. William Callender, to whose retirement, after a service of fifty years, reference was made at our last meeting, relinquished his duties on 31st January last, and Mr. Henry Buckleton assumed the position of General Manager on 1st February.

Staff.

When we met you last year, I referred at some length to the relations between the Bank and its Staff and informed you that during recent years the scale of our Officers' pay had been considerably improved and that, to meet the exceptional circumstances of the times, substantial bonuses were being paid to all our Staff, a difference being made in favour of married men and others with dependents.

As the cost of living showed no sign of coming back to what we have been in the habit of regarding as normal figures, the Board decided some time afterwards to have a complete review and revision of all salaries. The pay of every male member of the Staff came under consideration, and the salaries of all were materially increased, the increases granted to the men who were drawing the smaller salaries being greater in proportion than those given to the more highly paid members of the Staff.

These alterations in the scale of pay resulted in a large annual addition to our Charges. Substantial as this amount was, the Board have felt that, in view of the steadily rising cost of the principal necessaries of life, it could not be regarded as final, and a further review of the position has now been undertaken.

As far as the younger male members of the Staff are concerned, this has just been completed and has resulted in a

very substantial increase of pay being granted to all the less highly paid of these young men. It will doubtless be of interest to you if I quote the scale which we have just adopted for the payment of our young men during the first ten years of their service—a scale which is not rigidly adhered to, but is subject to increase in cases of exceptional merit. It is as follows:—

	£
First year	85
Second year	100
Third year	120
Fourth year	145
Fifth year	170
Sixth year	210
Seventh year	225
Eighth year	240
Ninth year	255
Tenth year	270

It will be seen that a youth who joins our service, as is usual, at the age of sixteen, may expect to be drawing a salary of at least £210 when he reaches the age of twenty-one.

I may add that, out of last year's profits, we have paid a bonus of 15 per cent. to married members of the staff drawing £400 a year or less, and 10 per cent. to all other officers. As this bonus was based upon the revised salary list adopted in October, 1919, it amounted to a considerably larger sum than similar bonuses in the past.

While treating thus liberally all the members of the Bank's Staff, it is the constant desire of the Board and of the Executive, to discover those in the Bank's employ who possess special qualifications, and I feel no hesitation in saying that there never was a time when the Bank's service afforded greater opportunities than now for young men of more than average ability who endeavour to qualify themselves for the more important positions.

In fulfilment of a suggestion which I made a year ago, the Board have now arranged to make to the Provident Fund, in addition to the usual annual grant, a special grant of £100,000 out of the profits of the past year. This is by far the largest amount which the Bank has ever contributed to the fund which provides pensions for the staff, and it has enabled the scale of pensions to be very materially increased, so that an officer who has served the Bank for 40 years or more will receive an annual pension of 75 per cent. of the average salary paid to him during the last 25 years of his service, instead of 75 per cent. of the average of 40 years. The minimum pension for those who have completed a full period of service, is being increased from £175 to £200, and the maximum pension to £700.

It has afforded the Board great pleasure to be able, on the Shareholders' behalf, to provide for this material improvement being made in the provision for the old age or disability of those who have served the Bank during the years of their working life. Your cordial approval is confidently anticipated.

As the increased scale of pensions did not come into effect during the past year, the Directors have, out of the Bank's funds, supplemented by a bonus of 10 per cent. the pensions which were drawn last year by retired officers or by widows.

Here I would like to express our warm appreciation of the loyal and efficient services rendered by our staff in New Zealand, Fiji, Samoa, Australia, and London.

General Review.

The observations I have made complete the necessary review of the Bank's affairs and of the figures of the balance sheet, and, before moving the adoption of the report and balance sheet, I now, according to my usual custom, proceed to take a brief review of the general situation.

The Royal Visit.

From an Imperial standpoint, an event of the first importance has been the visit last month to this Dominion of His Royal Highness the Prince of Wales.

It was obviously desirable that the future King and Emperor should acquire knowledge of his future realm and subjects by travel in and among them, and the decision that he should visit these far-off Dominions was sagacious and statesmanlike. His Royal Highness is having the opportunity to gain at first hand information regarding the lives and circumstances of the people in these lands, which it would be otherwise quite impossible for him to obtain. He has also come into direct touch with the leaders of political parties and with the rising public men in these far-flung portions of the Empire; and the knowledge he has thus gained will be of the greatest use to him, and of the greatest benefit to us, when the time arrives that the responsibilities of King and Emperor devolve upon him.

The visit has also had the advantage of enabling his future subjects to know something of their future sovereign; and owing to his singular personal charm, kindliness of heart and general consideration for all classes of the community, he has greatly endeared himself to the people and won golden opinions on all hands. Wherever he has gone, he has been received with enthusiastic manifestations of genuine pleasure and the most unfeigned loyalty; and it is safe to say that, as the result of his visit, the Royal House of Britain stands more firmly established than ever in the affection and admiration of its overseas subjects.

New Zealand Financial Position.

New Zealand has enjoyed a series of years of solid prosperity, and, although the facts and figures have been presented in various forms, it will not be amiss to reproduce some of them in order to emphasise the point.

The banking returns for the past quarter reflect the position very clearly. The free and fixed deposits disclose remarkable movements. The figures for a series of years are as follows:—

March Quarter.	Free Deposits. £	Fixed Deposits. £	Total £
1914	13,475,771	10,554,479	24,030,250
1915	15,958,732	10,870,507	26,829,239
1916	19,091,949	12,182,104	31,274,053
1917	20,970,702	13,385,838	34,356,540
1918	21,614,302	13,891,195	35,505,497
1919	24,363,681	14,485,145	38,848,826
1920	34,814,896	15,850,195	50,665,091

As compared with 1914 the total deposits have more than doubled, but the gain is mainly in the free deposits—i.e., the current account balances, which show an increase equal to more than 150 per cent. The fixed deposits have increased by about 50 per cent. In the six years 1914-1919, the deposits increased by £14,800,000, while in the past year, the gain is nearly £12,000,000. The phenomenal growth in the last year is probably attributable in great measure to the exceptional and large disbursements—upwards of £18,000,000—made by the Government in connection with the repatriation of soldiers, which must have increased Bank deposits to a very substantial extent. It is also due, in some degree, to improved shipping facilities which have enabled a larger quantity of produce to be realised upon by exportation.

The returns of the Post Office Savings Bank afford evidence to the same effect. The figures of the Savings Bank deposit accounts for the same period are as follows:—

At 31st March,	1914	... ... £17,422,563
,,	1915	 19,802,753
,,	1916	 23,147,158
,,	1917	 26,901,830
,,	1918	 30,281,798
,,	1919	 34,454,130

We understand that for the year ended 31st March, 1920, this amount has been considerably augmented, but to what extent we are not in a position to say as the figures have not yet been published.

The discounts and advances of the Banks have grown to a moderate extent only:—

March Quarter.	Discounts. £	Advances. £	Total. £
1914	2,017,107	21,649,643	23,666,750
1915	1,634,418	22,106,144	23,740,562
1916	1,437,655	22,246,237	23,683,892
1917	1,552,863	26,142,067	27,694,930
1918	1,223,465	28,094,431	29,317,896
1919	1,484,612	30,719,032	32,203,644
1920	1,280,188	30,761,854	32,042,042

In the six years the advances and discounts combined have increased by the moderate sum of £8,375,292. In the last year, a decrease is shown.

A glance at the figures of the country's commerce throws a clear light on the causes of the movements in deposits and advances as above disclosed. Our exports and imports have been as follows:—

Calendar Year.	Exports £	Imports. £	Excess of Exports over Imports. £
1910	22,152,473	16,748,223	5,404,250
1911	18,980,185	18,782,608	197,577
1912	21,511,626	20,576,579	935,047
1913	22,810,363	21,653,632	1,156,731
1914	26,253,925	21,144,227	5,109,698
1915	31,430,822	20,658,720	10,772,102
1916	33,281,057	25,045,403	8,235,654
1917	30,613,184	20,742,124	9,871,060
1918	28,438,187	24,131,729	4,306,458
1919	52,573,520	30,308,908	22,264,612

From the year 1914 onwards the excess of exports over imports has been exceptionally large. In the six years 1914-19 the exports have exceeded the imports by the huge sum of £60,559,584, or an average of over £10,000,000 a year.

Here we have disclosed a further source whence banking deposits have been replenished and advances reduced or rendered unnecessary—in short, the explanation of the present easy local financial position and of the prosperous conditions generally prevailing in the country. But he would be a sanguine man who would affirm that similar conditions will prevail over the next ensuing six years. A continuance of such prosperity cannot be expected. It depends upon favourable world conditions, the prospects for which are at the moment, not at all encouraging.

N.Z. Government Revenue and Expenditure.

The returns of Revenue and Expenditure for the year ended 31st March last show a satisfactory position.

The Revenue amounted to	£26,081,340
and the Expenditure to	£23,781,925
Surplus for the year ...	£2,299,415

Both Revenue and Expenditure have shown rapid increase of recent years, the former having more than doubled and the latter nearly doubled during the last five years. The progress disclosed is interesting and I therefore give the yearly figures:

Year ended 31st March	Revenue £	Expenditure £
1915	12,451,945	12,379,803
1916	14,507,530	12,493,107
1917	18,355,194	14,058,770
1918	20,206,222	15,120,288
1919	22,352,372	18,673,599
1920	26,081,340	23,781,925

Adding the surplus for the year	£2,299,415
to the accumulated balance at 31st March, 1919	£15,239,561
we have a total of funds in hand	£17,538,976

of which £15,180,250 are in "Investment Account" and presumably represented by securities on hand in either the Dominion or London. No doubt Repatriation Advances bulk largely in this total.

The net amount of the Public Debt at 31st March last was £193,913,192 to which figure it had increased from £96,644,455 at 31st March, 1915.

European Situation.

Although the Armistice was signed as far back as November 11th, 1918, and the Peace Treaty ratified some time ago, the cloud of war still hangs over a large part of Europe, and the natural spirit of restlessness, engendered by and consequent upon the strain of the five years of war, has not yet died down. Manufacture in the greater part of the Continent is almost at a standstill owing to the impossibility of securing raw materials. Further, the disorganisation of Governments and the exchanges, as well as the difficulty of transport, resulting from a long and arduous struggle, delay and hamper the resumption of international trade. Europe is heavily in debt, taxation is high and oppressive, commodities are scarce and dear, the cost of living is excessive, and hunger and starvation are affecting many millions of people. The position is intolerable and cannot last much longer. There is, however, a ray of hope in the fact that sorely stricken Belgium has made a serious and to a large extent successful effort to repair the ravages of war. The inflated paper currency of the country has been reduced by 300,000,000 francs, and the public debt has been reduced. The production of coal is now equal to the pre-war standard and the industrial production generally is ranging from 35 to 60 per cent. of that of 1913.

War Debts and the Position of the United States of America.

The inter-ally indebtedness (that is to say, indebtedness between the Governments of the Allied and associated countries) incurred for the purposes of the war, may prove of interest. The sums involved are shown approximately in the table following:—

Loans to	By U.S.A. £	By U.K. £	By France. £	Total. £
United Kingdom ...	842,000,000	—	—	842,000,000
France ...	550,000,000	508,000,000	—	1,058,000,000
Italy ...	325,000,000	467,000,000	35,000,000	827,000,000
Russia ...	38,000,000	568,000,000	160,000,000	766,000,000
Belgium ...	80,000,000	98,000.000	90,000,000	268,000,000
Serbia and Jugo Slavia	20,000,000	20,000,000	20,000,000	60,000,000
Other Allies...	35,000,000	79,000,000	50,000,000	164,000,000
	1,890,000,000	1,740,000,000	355,000,000	3,985,000,000

Assuming that loans from one Ally are not set off against loans to another, the total volume of inter-ally indebtedness is approximately £3,985,000,000. The United States is a lender only. The United Kingdom has lent about twice as much as she has borrowed. France has borrowed about three times as much as she has lent, and the other Allies have been borrowers only. If the United Kingdom were paid half the amount that she has lent, she could easily settle her indebtedness to the United States, but her debtors are quite unable to make repayment; hence, Britain must, out of her own resources, endeavour to meet the situation. The United States is in the favourable position of drawing tribute from all the others, and, her trade balance being heavily in her favour, the American exchange has moved correspondingly heavily against Britain. It must be borne in mind that, while Britain was pouring out for the Allied cause her blood and treasure without stint, the United States of America, already the richest country in the world, was standing aloof, adding enormously to her own wealth by supplying food and munitions to the combatants. It is therefore no cause for shame to Britain, but rather a source of honest pride, that the gold standard is temporarily ineffective, because it is direct testimony to the supreme effort put forth by her in the cause of the world's civilization. But if the exhausted nations of Europe are to recover, and business with them be placed on a satisfactory footing with a prospect of ultimate restoration of normal exchanges, it is necessary that they should be helped to produce goods. This means that they must be supplied with raw materials and, in some cases, machinery, and to do this involves supplying them with large credit. The only country in a position to afford this credit to the necessary extent is the United States, she having suffered less by the war than any other country. At one time it seemed probable that the States would nobly undertake the part, in the healing of the wounds of humanity and the reconstruction of shattered civilization, that circumstances had placed it in her power to perform; but unfortunately, of late, a feeling of indifference seems to have developed and there appears now to be an actual indisposition to afford any help. Mr. Henry P. Davidson, Chairman of the League of Red Cross Societies, recently urged the vital necessity for Congress to appropriate 500 million dollars for use in Central and Eastern Europe to prevent the complete economic, political, moral and physical collapse which was imminent. The views of official America were recently expressed by Mr. Glass, the Secretary of the Treasury, in a statement made just prior to resigning his office to take his seat in the United States Senate. He declared that the Governments of the world must now get out of banking and trade, and that loans of Government to Government not only involve additional taxes or borrowings by the lending Government but also a continuance by the borrowing Government of control over private activities, which only postpones sound solutions of the problems. The Treasury was convinced that the credits required for the economic restoration and revival of trade must be supplied through private channels, and that, as a necessary contribution to that end, the Governments of the world must assist in the restoration of confidence, stability and freedom of commerce, by the adoption of sound fiscal policies.

It is generally considered that, if the United States persists in this attitude, her action will recoil upon herself in loss of export trade and consequent growth of unemployment. Already her export trade has begun to decline, the exports for April being 135,000,000 dollars less than those for March. If this continue, a grave financial crisis there may be anticipated. The rudiments of it are already in evidence in the "price-slashing" that has been forced upon the merchants and in the restriction of credit by the Banks. It is to be hoped that a consideration of these possible effects may yet dispose the States to do something substantial towards the relief of European economic necessities.

Paper Currencies. National Debts and Taxation.

The world's paper currency has increased 600 per cent. since the beginning of the war, while the gold reserve, according to a summary issued by the National City Bank of New York, has increased by only 40 per cent. The face value of the paper currency of 30 principal countries of the world aggregated £1,450,000,000 in 1914, £8,000,000,000 at the date of the Armistice, and £10,000,000,000 in December, 1919, exclusive of the £6,800,000,000 of paper issued by the Russian Bolshevik Government. Meantime the Bank deposits and consequent use of cheques as a circulating medium have also increased, and the world National Debts have grown from £8,000,000,000 in 1914 to £52,000,000,000 in 1919. In the Allied Group, notes in circulation in July, 1914, amounted to £982,440,000, and in December, 1919, to £5,918,200,000, while gold reserves were £752,000,000 and £1,014,200,000 at the respective dates. The note issue of the Central Powers in July, 1914, was £239,400,000, and in December, 1919, £3,754,200,000, and gold holdings respectively £119,000,000 and £65,400,000. The note issue of neutrals in July, 1914, aggregated £233,200,000, and in December, 1919, £484,200,000, while gold reserves were respectively £103,200,000 and £290,200,000.

After the Napoleonic Wars the National Debt of Great Britain was equal to £45 per head. The average debt per head to-day is £178, nearly four times the burden laid upon the country after Napoleon's defeat. Against this present day indebtedness there are, of course, some assets to be set. To her Allies and the Dominions Britain has lent £1,700,000,000. Of this, however, about £600,000,000 has been advanced to Russia, and this may presumably be classed

as a doubtful debt; of the balance, she will be fortunate if she recovers 50 per cent. Before the war the British nation was undoubtedly saving money, and every year had a surplus of nearly £400,000,000 to invest. The aggregate of its wealth was estimated to be at least £17,000,000,000. Against this Britain has had to raise a national mortgage of £8,000,000,000. It is estimated, therefore, that she has borrowed up to 40 per cent. of her accumulated heritage. In a normal year of peace Britain must raise £400,000,000, or more than double her pre-war revenue, for the service of the war debt alone—that is, for interest on the War Loans and the sinking fund of ½ per cent. connected therewith. Facing taxation of, say, £1,000,000,000 annually, Britain is back again at the Napoleonic standard of taxation.

Price Levels.

The question of the cost of living continues to be a "burning" one, and the fact that prices have continued to rise notwithstanding the conclusion of hostilities and the return of the fighting men to peaceful avocations, is leading many to wonder how long existing price levels are likely to be maintained. Some there are who affirm that high prices have come to stay, but in that view I cannot share though I admit that the range of future prices may be somewhat higher than before the War.

In the Napoleonic War English prices rose 75 per cent. and they took eight years to become normal again. In the American Civil War prices rose 100 per cent. and took over twelve years to become normal. How long it will take on this occasion to reach normality it would be impossible for anyone to forecast, but it seems obvious that the process of deflation has set in. In America, Japan, and, to a lesser extent, in Great Britain, prices of commodities have already slumped, the speculative fever has been curbed by the Banks restricting credit, and financial crises have resulted. The changes that have taken place in these countries are bound to have far-reaching effects.

In the matter of regulating prices, some people are disposed to look for relief to Government intervention and control; but while, as a temporary measure, good may result therefrom, it is fairly certain that no permanent relief can be secured in that way. The generally accepted view among people qualified to judge is that the less Government interferes with trade and industry the better. This principle was well enunciated by Lord Macaulay over half a century ago when discussing suggestions that had then been made for Government control of and assistance to trade. He remarked:—

> "It is not by the intermeddling of the omniscient "and omnipotent State but by the prudence and energy "of the people that England has hitherto been carried "forward in civilization; and it is to the same prudence "and the same energy that we now look with comfort "and good hope. Our rulers will best promote the im- "provement of the nation by strictly confining them- "selves to their own legitimate duties, by leaving capital "to find its most lucrative course, commodities their fair "price, industry and intelligence their natural reward, "idleness and folly their natural punishment, by main- "taining peace, by defending property, by diminishing "the price of law, and by observing strict economy in "every department of the State. Let the Government "do this; the people will assuredly do the rest."

These views still find general acceptance among the political economists of our day.

In searching for remedies for the existing evils we naturally first make an endeavour to seek the causes of the evils that we wish to remedy. There we find ourselves at once on debatable ground. One school of economists maintains that currency inflation is at the root of all price inflation. Another school affirms that price inflation is solely the result of the operation of the ordinary laws of supply and demand. For my part, I am disposed to attribute the appreciation in prices from which the world is at present suffering, to no single cause but to a variety of causes, including both of those just mentioned. The question is a very complex one, because a multiplicity of influences are at work to bring about the result arrived at, each exercising a varying degree of effect

according to varying circumstances and the nature of the commodity concerned. It would certainly be wrong to ascribe to any one particular influence the whole responsibility for the unenviable situation in which we now find ourselves. But in looking for remedies, as we undoubtedly must if we are to restore ourselves to more tolerable conditions, we can see broadly individual influences which tend to the perpetuation of price inflation, and if these be dealt with and removed, even though only one by one, we shall be assured that we are gradually traversing the road which will lead us back to more reasonable price levels. Among these remedies the following unmistakably take primary place:—

(1) The exercise of the strictest economy in public and private expenditure.

(2) Honest effort to increase production to the utmost possible extent.

(3) Encouragement and development of every class of industry and uncompromising discouragement of all speculation.

(4) Deflation of the world's currencies, which will to a large extent result from the application of the three remedies first mentioned.

Along these lines it is our duty to proceed if we wish to hasten a return to more normal conditions, and I venture to affirm that, if the above remedies were put generally into active operation, it would not be long before a welcome and substantial change in the situation would become apparent.

Labour and Capital.

Upon our national industry our whole national life depends. A certain standard of production united to a reasonable method of distribution are the first requisites of a nation's physical and moral well-being. We live by winning from Nature the means of life. Production, indeed, is prerequisite to distribution, for without the former the latter is impossible. To-day these two great factors in our national life leave much to be desired.

An intelligent and sincere co-operation between the two great agents of production—Labour and Capital—is absolutely essential to an ameliorated condition of our people, and yet that kind of co-operation, not only in New Zealand but in the Old World, seems to be diminishing rather than increasing. The policy of organised Labour the world over is to fight Capital and not to unite with it. The world is confronted with an unparalleled economic crisis. Want and starvation are stalking through Europe leaving widespread death, misery and suffering in their track. Unfed and unclothed millions are crying in despair for food and raiment. Lack of a reasonable measure of comfort is widespread owing to an insufficiency of the necessaries of life; and before this sad spectacle the mutually destructive struggle between Labour and Capital seems to be growing more and more bitter and intense. Strikes on the shallowest pretences; ever increasing demands for shorter hours; limitation of output and a conflict growing blindly ever more acute between employers and workmen, seem to justify almost a gospel of Despair regarding our social and economic future.

Never before in the history of the world have the needs of increased production been more clamant than to-day —never before were the two partners, Labour and Capital, more bitterly estranged and antagonistic. I do not say that the blame—for the spectacle is a sorry commentary on our civilization—is wholly with one side or the other. Capital has never sufficiently brought to its consideration of the claims and aspirations of Labour the lamp of human sympathy. Recriminations and denunciations in the present great world crisis will serve no purpose but that of intensifying the evils of the estrangement and diminishing the hope of reconciliation. "It is better to strive for the good than to rail at the ill"—to remedy the cause than to denounce it.

Two great desiderata call aloud for recognition: First, more sanity on the part of Labour—it should cease to be so immersed in agitation and so blind to its results; and secondly more genuine evidence of willing co-operation and concession on the part of Capital.

Crusades against the soaring cost of living, profiteer-hunting, fixation of prices—these are but symptoms of the disease of a paralysed or arrested production, and the remedy lies in getting to the root of the evil instead of applying palliatives to the symptoms. If the day of radical changes in the structure of our industrial system is inevitable the sooner it is recognised the better, and the utmost human effort must be made to find a just and permanent modus vivendi.

Much of the present bitterness between the two great agencies must be due to misunderstanding or simply blind antagonism, and our unflinching determination should be to dispel these causes by bringing the parties as much as possible together. I do not ignore the stupendous difficulty of the problem, but it must be faced and solved or national disaster is before us. To this end the proposal that the Prime Minister should call a national industrial conference of both employers and employed is surely a step in the right direction. This would at least disclose more clearly root causes and basic differences and open up a possible path to genuine co-operation and industrial concord.

In a land like this, so richly endowed by Nature with all that is necessary for solid national comfort and happiness; with a sturdy race of purely British blood and a climate that stimulates energy; it is surely deplorable that industrial antagonisms should so paralyse the hands of industry and stifle the creation of wealth that many have to face want where plenty should be their lot and comfort their heritage.

That production in New Zealand has suffered grievously from the causes I have indicated no one can deny, and the following table is but eloquent proof of that conclusion:—

	Exports 1914	Annual Average. 1915-19	Increase or Decrease per cent.
Wool (lbs)	220,472,898	214,008,975	2.9 decrease
Meat (cwt)	3,229,970	3,475,407	7.0 increase
Butter (cwt)	434,067	376,154	13.0 decrease
Cheese (cwt)	863,776	1,070,936	23.0 increase
Tallow (cwt)	490,300	500,516	2.0 increase
Hides (No.)	412,822	359,298	12.0 decrease
Hemp (tons)	23,928	26,493	10.0 increase

At the close of 1919 there were in store 126,722,232 lbs. wool and 2,107,672 cwt of meat, which, under normal conditions, would nearly all have been exported, and should therefore be credited in the above table, in which case the average for 1915-19 would, in respect to wool, be increased by over 25,000,000lbs., and would convert the apparent shrinkage into an actual increase. But, even after making all such allowances, the average increases are not encouraging and, unless a great deal more is accomplished, the pinch of "hard times" will be felt with some severity. The values of our products are declining, and, when the Imperial purchasing scheme terminates, a new set of conditions is bound to arise—a set of conditions that will be full of difficult problems for bankers, business men and producers. Wool, meat, tallow, hides and skins have already receded from the high level reached since the Armistice was signed in 1918. The statistical position in respect to most of these products makes it inevitable that prices must go lower. For instance, in the case of wool, the quantity in hand is far in excess of the consumptive capacity of the available spindles and, even if all the spindles that were in operation prior to the war were in operation now, the weight of wool would be more than could be dealt with in a reasonable time. With the embargo placed on speculation by bankers the world over, spinners are operating only from hand to mouth and they are safe in pursuing such a policy, for the wool is at their call whenever they require it. Meat, too, seems likely to present serious difficulties because of the enormous quantity in store. There is not yet sufficient shipping available to clear the cold stores, and, even if transportation could be arranged, it would not prevent prices from falling. Though some of our products may hold to something like their present values—dairy produce for instance—the general tendency is downwards and, should the decline be anything like 25 per cent., the situation would become one of some seriousness.

In the six years, 1914-19—the years of war prosperity—the exports aggregated £202,590,695, or an average of £33,765,116 per annum. A drop of 25 per cent. would

reduce this to £25,323,837, and bring us down to the level of 1914, when the exports were valued at a little more than twenty-six millions. Such a shrinkage would be immediately reflected in the Treasury Returns and, unless the strictest economy is exercised in every Department of the State, increased taxation would, in that event, seem to be unavoidable. Businesses which have been built up on the basis of inflated prices, and land values that have been rushed upwards on the same basis, would suffer severely in the process of deflation.

Wheat Growing.

At this particular juncture, the growth of cereals—more especially wheat—is the department of agriculture which demands the most general attention. There is an undoubted shortage in the world's supply at the present time, and the prospects for the future are decidedly gloomy. This Dominion should certainly grow all the wheat required for its own consumption; but for several years it has not been doing so. The area under wheat crop has for some time been steadily declining. Ten years ago, there were 311,000 acres devoted to wheat, and the yield was 8,661,100 bushels. Last season it is estimated that the area under wheat crop was only 141,000 acres, and the estimated crop 4,100,000 bushels. In view of the certain deficiency in the world's supply and the consequent probability of high prices ruling for wheat, it is to be hoped that our farmers will be encouraged to sow wheat liberally, so that at least our domestic needs may be supplied if not a surplus made available for export to some of the countries that are faced with starvation. To encourage this industry, we may reasonably look to the Government to guarantee a remunerative price to producers.

Land Values.

In several of my past addresses, I have referred to the high prices paid in this Dominion for country lands and pointed out the danger of basing land values upon current prices ruling for produce. Similar warnings have been uttered by others occupying responsible positions, but so far they have gone unheeded.

The buying and selling of land—especially farm land—has proceeded at a rapid rate, and prices of such land, which were thought a year ago to have reached very high figures, have mounted higher and higher. It is no doubt a matter of common knowledge that many of these transactions are carried through on a very small cash payment, nearly the whole of the purchase money being represented by a mortgage, or a series of mortgages, of which the last vendor holds the latest. The facility with which men possessing little capital have thus been enabled to purchase areas of land much beyond their ability to improve and work, has been a potent factor in putting up the price of land against the buyer who really has adequate means to carry out his undertakings.

Now, making the fullest allowance for the productivity of the soil and our wonderful climate, I am still of opinion that sooner or later this country will suffer severely through the absurdly high rates at which, to satisfy the earth hunger that is existing, country lands have been changing hands within recent times. It may be argued—in fact, is argued by some people—that buyers are justified in giving such prices when they take into account the returns they have received from the soil during the past five years, and I admit that, in some cases, the results have seemed to warrant the prices paid. But, with the existing prospect of dearer money and the certainty of a decline in the purchasing power of the countries that have been devastated by the war, it is neither wise nor prudent to base land values upon the assumption that the late boom prices for our produce are going to continue indefinitely. Many cases have come under our notice where the price recently paid has been double, and in some instances treble, that at which the property had changed hands in 1914. Prices for dairying land have run up to £150 per acre, and we have heard reports that even £200 per acre and more has been paid in some cases. Where the greater part of such purchase-money remains on mortgage, imagine what would be the position of the mortgagor, thus heavily encumbered, in the event of a fall in the price of dairy produce of, say, 25 per cent.

It may be that a mortgage does not occasion a farmer the same concern as it does a business man, for I know of some farms on which no fewer than five mortgages were current at the same time. Needless to say, that class of security does not commend itself to us. Indeed, with the object of checking speculation, this and other Banks in New Zealand are refusing advances to customers to enable them to buy land at these inflated prices unless applicants, by including other property in the security, can make the cover unquestionably ample.

It is significant that many shrewd and well-to-do people are to-day taking the utmost advantage of the present land boom to subdivide and realise upon their holdings.

Repatriation.

A large expenditure has been going on in connection with the work of repatriation of soldiers, and a total of 13,684 men had up to the end of May last, received financial assistance from the State in some shape or form. The outlay incurred has been summarised thus by the Minister of Lands:—

	£
Advances for stock and improvements ...	1,854,634
Advances for purchase of private lands ...	7,181,094
Advances for purchase of town dwellings ...	4,454,708
Cost of estates purchased for settlement under the Land for Settlement Act and offered to soldiers	2,834,198
Cost of estates now being subdivided and prepared for settlement	1,680,571
	£18,005,205

This repatriation work is most desirable. It is in the interests of both the men themselves and also of the country, and it is satisfactory to know that such a great deal has been done.

Immigration.

It seems to me that one of the pressing needs of our country at the present time is population. All classes of the community are suffering from lack of labour, and the present production of field and factory could be, with ease, almost doubled if the necessary labour were available. The energetic prosecution of public works in the country is also greatly impeded by the dearth of necessary labour. The natural increase of the population is much too slow to meet the needs of the country. According to the last census—that of 1916—the European population was then 1,099,449. The increase in ten years from 1906, when the number was 888,578, was equivalent to only 23.7 per cent., or an average increase of only 2.37 per cent. per annum. The average annual increase for the twenty years ended in 1916 was 2.81 per cent. This, of course, includes the increase resulting from ordinary immigration during the period. Such an increase is far too small for a country calling for population to win its latent wealth and develop its capabilities. It has not been the policy of former Governments in recent years to give that encouragement to immigration which the needs of the country seem to demand; but I am glad to say that there is every prospect of greater immigration activity on the part of the present Government. Unless some special effort be made, immigrants will undoubtedly be attracted elsewhere and be lost to New Zealand. The Commonwealth Government, it was recently announced, have an immigration campaign in view and intend to adopt extraordinary measures to divert the surplus male and female population of the United Kingdom to Australia. It is to be hoped that the New Zealand Government will be no less aggressive.

Money Markets.

The conditions of the money markets of the world point to the probability of scarcity of money and consequent higher lending rates in the not distant future. The deflation of the currencies, which is held by most economists to be the essential preliminary to the re-establish-

ment of satisfactory financial conditions and the speedier revival of industry and trade, will inevitably be accompanied by appreciation in the value of money. Reduced supply will mean increased value of the quantity remaining available. A preliminary movement of this nature has already taken place consequent upon the restriction placed by leading banking institutions in various parts of the world upon facilities for speculation. An upward tendency in the value of money is apparent. The Bank of England rate is now 7 per cent., to which it was raised from 6 per cent. on 15th April last. The British Government is paying 6½ per cent. on its Treasury Bills. Its Exchequer Bonds with a currency of two years are reported to be yielding over 7¼ per cent. to the investor, and flat loans with a currency of 25 years and more are returning to the investor £6 6s 9d per cent.

All borrowers, both Government, public and private, must be prepared to pay higher rates for future accommodation. The fairly certain contingency of higher future rates should prompt a very careful scrutiny of the circumstances surrounding all contemplated undertakings, whatever their nature may be, involving the employment of borrowed capital, in order that would-be borrowers may first satisfy themselves that the project in hand is likely to prove sufficiently profitable to justify the heavy handicap which the cost of the necessary capital is likely to impose. In the case of Government undertakings, it is important that the authorities should be on their guard to resist any political pressure designed to force them to embark in ventures which could very well be left to private enterprise.

The Prime Minister, the Right Hon. W. F. Massey, has, on more than one occasion, urged the necessity for economy, and the injunction cannot be too strongly emphasised at the present time both as regards public and private expenditure of every description. Unfortunately, the public does not yet appear to have appreciated this necessity, because expenditure of every kind continues for the most part on as lavish a scale as ever. But in this respect New Zealand is not singular nor by any means the worst offender. The whole civilized world has been indulging in a riot of extravagance, and the reckless outlay has contributed to feed a flame which, if not quenched, may shortly develop into a conflagration which may threaten the very foundations of ordered civilization.

It will be noted that the Minister of Finance has just issued the prospectus of a Government Loan of two millions, with a currency of ten years. The issue price is to be par and the rate of interest five per cent., subject to income tax. The Minister further intimates that another loan, of considerably larger amount than this, is practically certain to be offered locally before the end of this year.

The Minister of Finance is, I believe, wise in not endeavouring to obtain his requirements in Britain or elsewhere outside the Dominion; such borrowing, if practicable, would at present be unduly expensive.

Future of Produce Markets and Trade.

With the cessation of the Imperial Government's purchase of produce, the producers of New Zealand must make the best arrangements they can for the financing and marketing of their produce. The Banks will, no doubt, be called upon to provide, on terms and conditions to be arranged, very large sums for this purpose. That the position is full of difficulty and danger must be obvious to all. The stores are full of produce which cannot possibly be moved before the flush of the next season, shipping is still scarce and likely to remain so, and the terminal markets are glutted so far as meat and wool are concerned. It may be desirable, if not imperative, to look for new markets for wool and meat, but in this connection we can but turn to America, which is the only country apart from Britain that can offer a market. The British Government is itself endeavouring to avail itself of the American market in an effort to quit its own accumulations of wool and meat. The prospects in the United States appear no better than they are in Great Britain. Wool offered in New York registered a sharp decline, and it is yet to be determined whether a reasonably good market can be

secured there for mutton and lamb, although, for the latter, arrangements have been made for several shipments within the next few months totalling, in all, about 500,000 carcases. In respect to frozen meat the United States Bureau of Markets, Omaha, under date 5th March, said:—

> "Following the announcement of the exportation of "three hundred thousand lamb and mutton carcases by "the British Government to the United States early in "the week all Eastern lamb and mutton markets were "sharply lowered. Declines for the week ranged from 2 "dollars at Boston to 4 dollars at New York and Phila-"delphia, with all grades similarly affected and condi-"tions at the close of the week unsettled."

Since the importation of frozen meat has the effect of cheapening that article, there is some hope that the markets of the Eastern States may be capable of absorption, but care will have to be taken in dealing with markets on the Pacific Slope. A San Francisco firm in a circular letter to correspondents says:—

> "We strongly advise against New Zealand shippers "sending any meats to this Coast on consignment unless "they want to get 'stung,' as it is an easy matter to trade "on other people's money. If Coast dealers want lamb "mutton or other meat products they can put up a letter "of credit, otherwise the New Zealand dealers had better "keep their meats in their freezers, as we have known "meat products to have practically eaten themselves up "with storage and other charges when shipped to this "Coast on consignment."

The circumstances of the time demand that business men should rather take in sail than crowd on canvas; and all would be well advised not to stretch their financial commitments too far. The civilized world has been suffering from an excess of "idle fancies" which have contributed to a mass of social and economic theories that have clouded people's minds and led many of them actually to believe that they can and will live and prosper by these theories rather than by work. There are certain economic principles by which men and nations live and prosper, and never before, at least in living memory, was there such a need to bring back a full recognition of these principles. The world's need for reconstruction is real and pressing, and the attitude so generally prevailing toward work and production must undergo a change unless disorganization or perhaps disaster is to eventuate. Diminished production, decreased thrift and curtailed credit furnish the essential elements of a financial crisis and such a crisis seems inevitable in the not distant future unless we abandon dreaming and settle down to work and the practice of thrift. "Increase production and avoid extravagance" should be the slogan for the people of New Zealand.

Gentlemen, I now move that the Report and Balance Sheet as submitted to the meeting be adopted. If this be agreed to, the dividend will be payable at Wellington to-morrow, and at Branches on receipt of advice.

At this stage, before the motion for the adoption of the Report and Balance Sheet is seconded and put, may I be permitted to make the following statement, which will be of considerable interest to you. It is this:—The question of the re-arrangement of the Bank's capital and reserve fund has lately engaged the serious consideration of the Board, and tentative proposals have been discussed with a view to securing the introduction of legislation during the ensuing session of Parliament which, if given effect to, will be of mutual benefit to the Government and the shareholders. In the meantime, pending the decision of the Government, I am not at liberty to disclose the nature of these proposals; but I have no doubt that if they are passed by Parliament in the form to be submitted by the Board, they will meet with your approval. There is no intention to materially alter the status quo as between the Government and the shareholders.

As a result of this announcement, I venture to hope that the public will not get too exalted an idea of the value of the shares. (Applause).

Mr. W. Watson said:—

According to our custom, now time honoured, it is my turn to second the motion for the adoption of the Report and Balance Sheet, which I have much pleasure in doing.

The Chairman has left little to say regarding the business of the Bank, but as one of your elected Directors I may, without transgressing obligations of secrecy, briefly state my own views as to the prospects and value of your property.

The general position of the institution I regard as, commercially speaking, unassailable. Intrinsic value of security rather than current value is our watchword, and full precautions have been taken against any decline in present market values.

You will have noted with pleasure the large increase of business since last year, and you will also note that in the proposed distribution of profits £150,000 is allocated to Reserve Fund and £50,000 to writing down Premises and Furniture, the latter being already much below Government valuation. And looking back for many years you will note that the same procedure has been adopted. Now, as these constant additions to Reserve Funds and writings down of property practically mean accretions to the capital with which the Bank trades, the benefits of them must in the long run accrue to the Government and yourselves, whatever shape such benefits may take. These increases to the Bank's funds carry corresponding earning power, and therefore it only requires a calculating rather than a sanguine mind to compute the value of the goodwill, which is an important asset not taken into account in the Balance Sheet. In the present day Banks and Insurance Companies do not confine their operations to any one country, and looking ahead only a very few years to the prospects of the Bank of New Zealand, they appear to me as very good.

I take credit to myself for having, before the establishment of the present Board, singled out your present General

Manager, Mr. Buckleton, for rapid promotion. His subsequent career has proved his merits, and your interests are safe in his hands.

I congratulate the Staff in New Zealand, London, and elsewhere, on what we have been able to do for them by way of well deserved increases to salaries, allowances, and pensions. Here I would say to those who have the responsibility of advising youths as to the choice of careers in life, that they should not miss enquiring what the Bank has to offer in admitting officers to its Staff.

I intend to stand again for re-election to the Board at the meeting to be held in December next, and trust to receive the usual mark of your confidence. (Applause).

Mr. R. B. Jackson (Nelson) asked how the money at short call in London was invested.

The Chairman stated that at 31st March the Bank had £19,600,000 invested at short call in London, and of this £11,650,000, or 60 per cent., was in Treasury Bills, which at present bear a rate of $6\frac{1}{2}$ per cent. He did not think they could have a better investment. (Hear, hear.)

Dr. Prendergast Knight said that he had much pleasure in congratulating the Chairman on the results of the past seven years' operations since the arrangement was come to between them for increasing the capital of the Bank. He congratulated him on the fact that that increase had now taken place. (Hear, hear.)

He thought that all present would agree with him that the present tenure of office by Directors was too short. Two years at Wellington was too short altogether. (Hear, hear.) If the Bank had to go to the Government for legislation, as just indicated by the Chairman, he thought that it should be borne seriously in mind that the reasons that had led shareholders to agree that Directors should have a longer tenure than two years had been fully justified by the experience of the past seven years. (Hear, hear.) During that period two gentlemen had had their careers as Directors terminated,

though they had gained great knowledge and experience of the Bank's affairs, and were in a position to render still more useful service to the institution. They were not reappointed on retirement; but he was glad to say that both had since been reappointed by the Government or by the shareholders. Shareholders were of opinion that seven years would be the proper period of tenure for Directors; but four years at least should be the minimum period, which would allow of one Director retiring each year. The Government had four Directors, so that it could very well give its Directors a four-years' tenure of office. (Hear, hear.) He pointed out that only half of the shareholders' Directors, and only half of the Government Directors of seven years ago now remained with them; but he was glad to see that most of the Shareholders' Committee of 1913 were still there. He congratulated shareholders and the Directors and Staff upon the very great increase that had taken place in the Bank's business. The position of the Bank showed that it was in fact, as well as in name, *the* Bank of New Zealand. (Applause.) He congratulated the Board on the increases of salaries and pensions, and assured them that the shareholders fully agreed with them in the practical appreciation they had thus shown of the good work of the Staff. (Applause.)

Mr. M. F. Barnett (Christchurch), said that there was one little item omitted by the Directors in their report that he should like to touch upon, and that was the question of the Directors' fees. The amount of their fees had not been altered for a number of years, and when they were fixed the position of the Bank was very different from what it was to-day. (Hear, hear.) He had seen a statement recently that a big institution—not a Bank—operating in New Zealand, with headquarters in London, had agreed to pay its Directors £5000 a year, free of income tax, though it was a very much smaller institution than the Bank of New Zealand. He thought that the Directors of the Bank were much underpaid, particularly the Chairman, who, if it was the same in the Bank of New Zealand as in other institutions, had generally to do most of the work. He hoped, therefore, that the Chairman, in any revision of fees that might be made, would have special consideration. He thought that the Directors' fees should be very substantially increased. (Hear, hear.)

Mr. John Mill (Port Chalmers) said that he thoroughly agreed with what the previous speaker had said. He therefore moved:—"That in the opinion of the shareholders the time has now arrived in the history of this Bank when the Directors should receive the same remuneration as the Directors of our neighbour Bank, the National. We shareholders recognise that it is due to the business ability of our Home and Colonial Directors that the Bank now occupies the premier position of any other similar institution, and we feel that the services rendered by the Directors should be adequately rewarded by increased remuneration." The Directors, he said, deserved very well indeed of the shareholders and of the Government. Their business had been brought up from a very poor position to the present position in which they had £2,500,000 in reserve. (Applause.) At the time he referred to, he was offered 300 shares in the Bank by a man who said that he would give him 5s per share to take them off his hands. He had said "No" to the offer. He thought he had enough Bank of New Zealand shares then, but he did not think he had enough now. (Laughter.) He had much pleasure in moving the resolution, and he was sure that it would be carried unanimously, because they all knew that the Directors had done justice both for them and for the country. (Applause.)

The Chairman said that he must get the Report and Balance-sheet adopted before the resolution just moved could be dealt with.

The Report and Balance-sheet were unanimously adopted.

Mr. Mill again moved his resolution.

Mr. D. Jones, in seconding the resolution, said that one Bank at Home was paying its Directors £10,000, free of income tax. He was very glad to hear the Chairman's remarks about how well the Board had treated the Staff of the Bank, and he thought that the Directors also were entitled

to a substantial increase. (Hear, hear.) He did not think the resolution should state how much. That was for the Government to say. He had, however, very great pleasure in seconding the motion.

Mr. J. C. Hanna (London) supported the resolution, saying that the directors of institutions doing one-third of the business of the Bank of New Zealand were drawing one-third more in fees. He thought it should be put on record that the fees should be at least doubled. It was absurd to pay all the Directors of the Bank, including the Directors in London, fees amounting to a paltry £4,650 a year. (Hear, hear.)

Mr. Frank Dyer asked how much was now paid to the Directors, and was informed that the Chairman was paid £750, on which he paid income tax, and the other Directors £450 each, also subject to income tax.

Mr. Hanna: It is ridiculous.

Dr. Prendergast Knight said that he was astonished that the Auckland Directors would come to Wellington to attend the fortnightly meetings of the Board for such a paltry remuneration. (Hear, hear.)

Mr. J. H. Upton: It is not for the remuneration we come to Wellington fortnightly. We would not come for the remuneration. But there is a little credit about belonging to the Board of Directors of the Bank of New Zealand; and, besides, we have the pleasure of meeting the shareholders twice a year. (Laughter and applause.)

Mr. R. W. Kane said that the remuneration of the Directors was fixed by Act of Parliament, and any resolution the meeting passed could not increase it. What the meeting could do was to pass, say, a recommendation to the Government that the remuneration should be increased.

The Chairman said that he understood that the resolution was intended to be a recommendation to the Government.

Mr. Mill: Yes.

Mr. Mill then put the resolution, which was carried by acclamation.

The Chairman said that all the members of the Directorate had to say was that they were very grateful indeed to the mover and seconder of the resolution and to the other speakers for the exceedingly kind remarks they had made upon that somewhat delicate question. Whether effect would be given to the recommendation or not he did not know; but, in any case, he was quite satisfied that the interests of the Bank would have precisely the same care from the Directors that they had had in the past. (Applause.)

Dr. Prendergast Knight proposed a cordial vote of thanks to the Staff, including the new General Manager (Mr. Buckleton) and the new Government Auditor. It was a very great pleasure to the shareholders to know they had in the service of the Bank two such gentlemen, and that their Chief Auditor came from the Service and not from outside. The Staff which had produced such a balance-sheet as they had before them that day deserved their best thanks. (Hear, hear.)

Mr. J. Mill seconded, stating that as a result of his experience both here and in London, he was convinced that the Bank of New Zealand was one of the best-managed Banks, so far as the Staff was concerned, that he had ever known. He paid a high tribute to the ability and courtesy of the London Assistant Manager of the Bank (Mr. Robert Mill.)

Mr. J. C. Hanna said that he desired to make one or two brief observations on the Balance-sheet and statement of accounts that had just been presented. If they took their minds back to the early 'nineties of last century, with the attendant financial anxieties of that period, and compared the position as it stood then with the position as it stands to-day, the most optimistic amongst them must be amazed at the rapid strides the Bank had made during the intervening period. Thirty years ago the total assets, including the Estates Company's liability of £1,850,000, stood in round figures at £10,000,000, on which, after deducting fixed charges

and about £12,000 for rates and taxes, the net profit equalled about ½ per cent. If they turned to the Balance-sheet at present in their hands they would find that, while the Estates Company's liability had completely disappeared, the total assets aggregated £53,000,000; and on that amount, after deducting the whole of the administrative expenses and the huge sum of £456,000 for rates and taxes, the net profits were a shade under 1 per cent. But in considering the earning power of the Bank, it would be well to keep in mind two points: firstly, that they had cash and liquid securities to represent the high ratio of 63 per cent. of their total assets, and obviously on the liquid resources of this or any other Bank the return in normal times—and the present times were anything but normal—was necessarily a moderate one. Secondly, since 1891 the taxation under all heads had increased by 600 per cent. In other words, had the liquid reserve ratios and the rates of taxation been maintained on a level with those current in 1891, the Bank to-day would have shown an increased earning power of 1½ per cent.—an increase of practically 300 per cent. (Hear, hear.) He ventured to say that if their friends had told them in the early 'nineties that the Bank of New Zealand would in the future pay its shareholders increasing dividends, set aside large sums to strengthen the Officers' Pension Fund, freely write down its landed property and premises, and at the same time accumulate a reserve of 2½-millions all in 30 years, they would simply have laughed at them. (Applause.) It was an easy matter at a meeting such as this to say pleasant things about the administration of the Bank. Whether they were deserved or not was entirely a different matter. But in reviewing the business of the Bank for recent years, they had abundant evidence, backed up by solid results, to justify their thanks to the Directors and the Staff for their services during the past and recent years. (Applause.) He congratulated the Directors on the appointment of Mr. Buckleton, a man of recognised capacity, to the position of General Manager. (Hear, hear.)

The Chairman said that it had been extremely interesting to hear the remarks made by Mr. Hanna, who had been one of the early officers of the Bank, had filled a most responsible position, and was very well acquainted with the position of the Bank at the troublous period referred to. He was very glad to see him at this meeting and to hear such interesting facts, though well-known to some of them, as he had given them. (Hear, hear.)

He then put the motion:—"That a cordial vote of thanks be accorded to the Staff for their services during the past year," and asked Mr. Buckleton to reply on behalf of the Staff.

The resolution was carried unanimously.

Referring to Mr. John Mill's remarks regarding the London Staff, the Chairman exhibited a handsome silver salver, which is to be presented to Mr. Robert Mill by the New Zealand returned soldier members of the Bank's Staff. He said that he understood that Mr. Robert Mill was no relative of the shareholder who had just eulogised him so highly. Mr. John Mill: "Not unless you go back to Adam." (Laughter.)

Mr. Buckleton, in reply, said:—Mr. Chairman and Gentlemen,—On behalf of the Staff of the Bank I express our appreciation of the vote of thanks which you have just passed. Ever since the commencement of the war, the Staff have in various ways had a most strenuous time; and it is a great satisfaction to us all that the Board have recognised this in granting liberal increases to salaries and by making the handsome donation of £100,000 to the Pension Fund. It is always a source of pride to belong to a great and successful institution, and our Bank is now one of the great Banks of the world. We are proud to be members of its Staff and to do our share in upholding and advancing its interests. Now that we are settling down after the strenuous period of the war, the Staff are looking forward to improved conditions, and the deserving ones will not look in vain, as the Board hold very strongly to the view that men of promise are entitled to opportunities of acquiring experience which will lead to rapid and substantial promotion. You have mentioned, Mr. Chairman, and so has Mr. Watson, that

employment in the Bank's service offers good prospects, and I unreservedly endorse those statements.

I desire also to express on behalf of the Pensioners of the Bank their gratitude to the Board for the generous treatment they have received.

I also take this opportunity of expressing the satisfaction of the Executive with the manner in which the Women Clerks of the Bank have discharged their duties.

I have to thank Dr. Knight and Mr. Hanna for their very kind references to myself.

Mr. Watson has mentioned that years ago he marked me out for rapid promotion. I can only say that I hope his foresight will prove of advantage to the Bank.

The Chairman thanked the shareholders for their patient hearing of his somewhat lengthy address, and the meeting then concluded.

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Map of the

SOUTH ISLAND
NEW ZEALAND

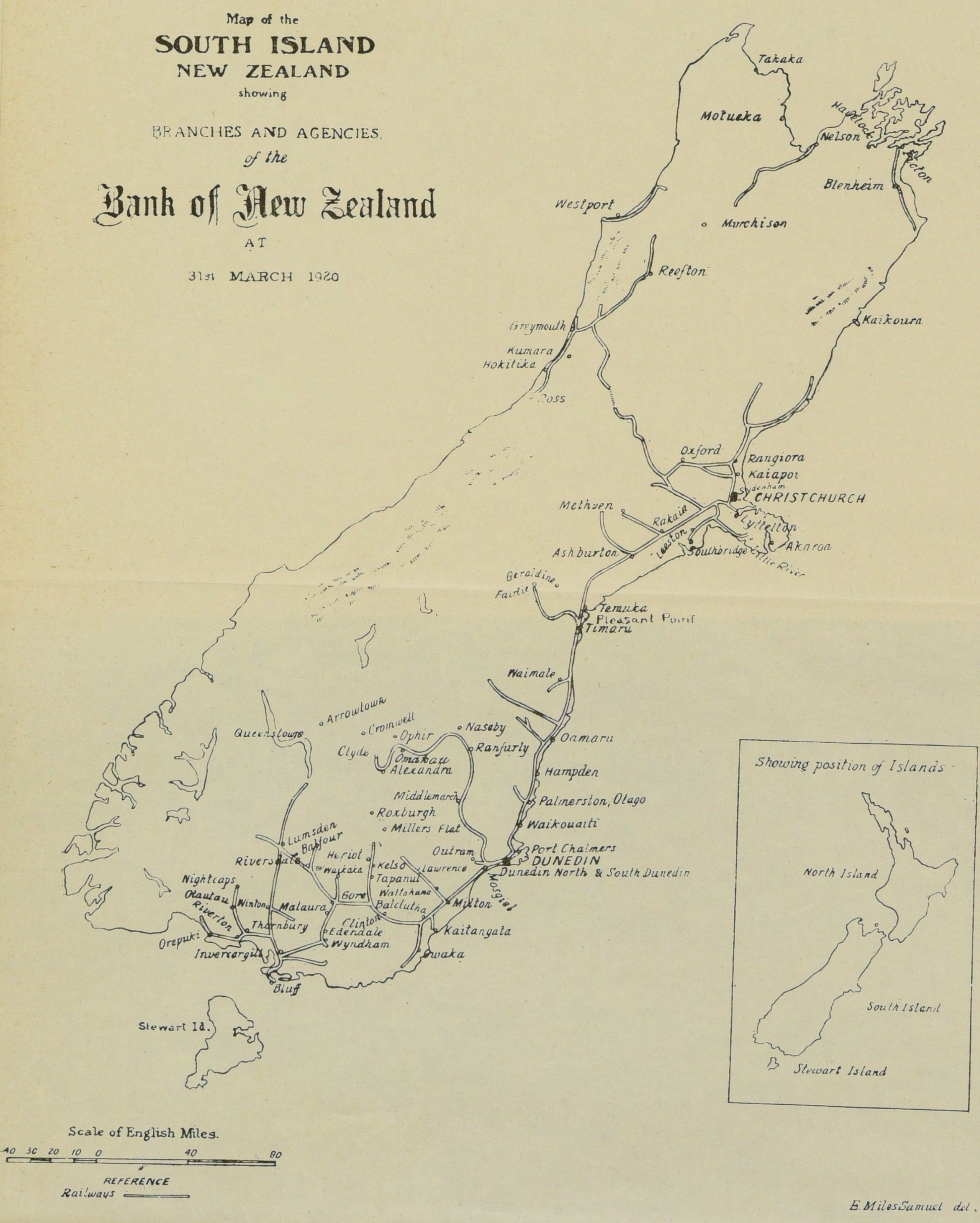
showing

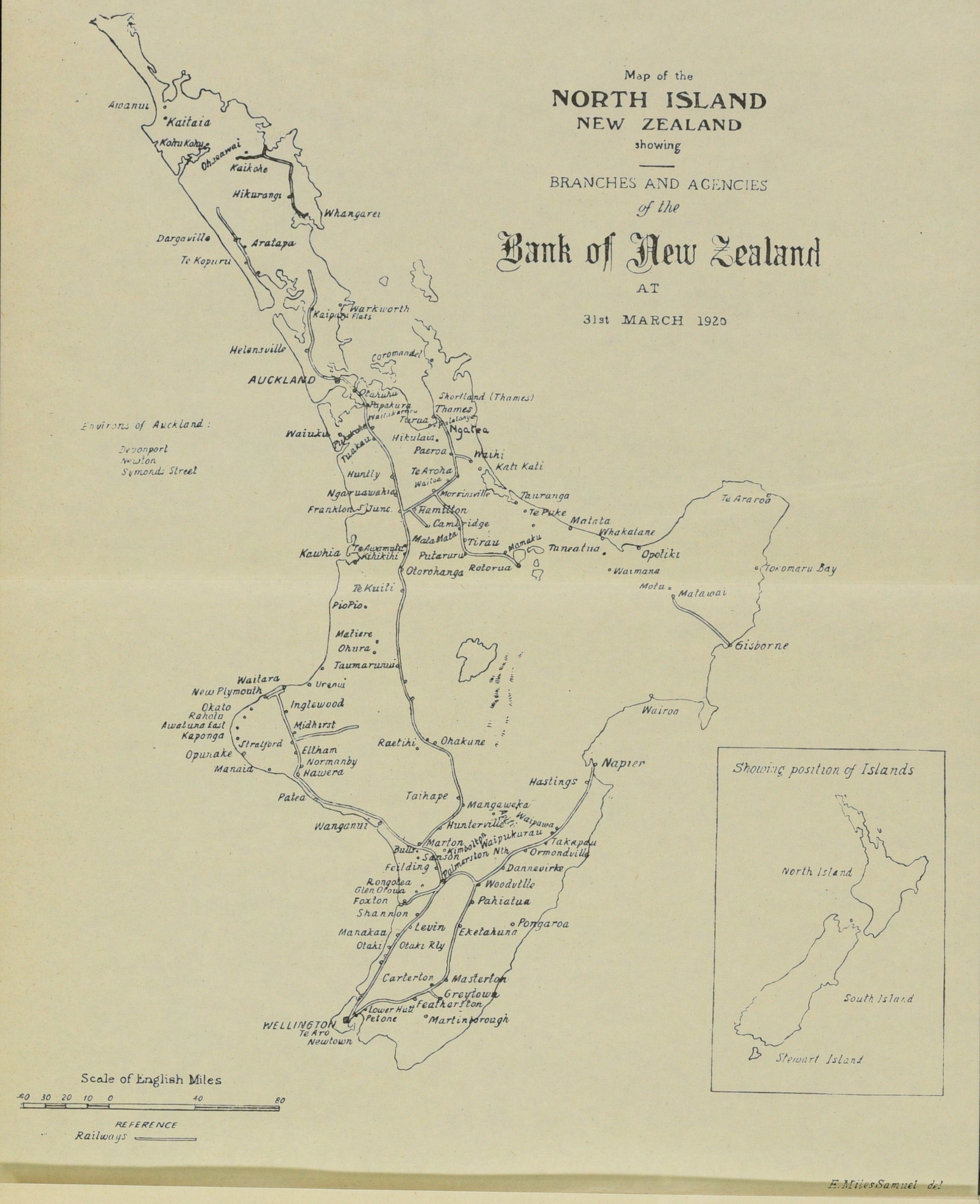
BRANCHES AND AGENCIES
of the

Bank of New Zealand

AT

31st MARCH 1920




Map of the
NORTH ISLAND
NEW ZEALAND
showing
BRANCHES AND AGENCIES
of the
Bank of New Zealand
AT
31st MARCH 1920
Awanui
Kaitaia
Kohukohu
Ohaeawai
Kaikohe
Hikurangi
Whangarei
Dargaville
Aratapu
Te Kopuru
Warkworth
Kaipara Flats
Helensville
Coromandel
AUCKLAND
Otahuhu
Papakura
Shortland (Thames)
Thames
Environs of Auckland:
Devonport
Newton
Symonds Street
Waiuku
Tirau
Ngatea
Tuakau
Hikutaia
Paeroa
Waihi
Katikati
Huntly
Te Aroha
Waitoa
Ngaruawahia
Morrinsville
Tauranga
Frankton Junc.
Hamilton
Te Puke
Cambridge
Matata
Whakatane
Te Ara roa
Kawhia
Te Awamutu
Kihikihi
Matamata
Tirau
Mamaku
Taneatua
Opotiki
Putaruru
Rotorua
Otorohanga
Waimana
Tokomaru Bay
Te Kuiti
Motu
Matawai
PioPio
Matiere
Ohura
Gisborne
Taumarunui
Waitara
New Plymouth
Urenui
Okato
Rahotu
Awatuna East
Kaponga
Inglewood
Midhirst
Wairoa
Opunake
Stratford
Eltham
Raetihi
Ohakune
Napier
Manaia
Normanby
Hawera
Hastings
Patea
Taihape
Mangaweka
Wanganui
Hunterville
Waipawa
Marton
Kimbolton
Waipukurau
Takapau
Bulls
Sanson
Ormondville
Feilding
Palmerston Nth
Dannevirke
Rongotea
Glen Oroua
Woodville
Foxton
Pahiatua
Shannon
Levin
Pongaroa
Manakau
Eketahuna
Otaki
Otaki Rly
Carterton
Masterton
Greytown
Lower Hutt
Featherston
WELLINGTON
Petone
Martinborough
Te Aro
Newtown
Showing position of Islands
North Island
South Island
Stewart Island
Scale of English Miles
40 30 20 10 0 40 80
REFERENCE
Railways
E. Miles Samuel del.