

These figures, which, as mentioned above, relate to our New Zealand business only, show deposits to have increased by approximately £21,000,000 since 1946, while the total of advances and investments in the same period shows an increase of under £2,000,000. The effect of the restrictions which the banks are subjected to as regards advances and investments can be clearly seen, and this is referred to again later in this report.

*Coin, Reserve Bank Notes, and Deposits with Bankers* (£37,468,919) show an increase for the year of £7,166,134. Our balance with the Reserve Bank of New Zealand at £30,049,737 shows an increase of £7,172,279 and our holding of Reserve Bank notes at £5,157,109 is up £357,247.

The following figures show that our surplus funds with the Reserve Bank have, over the past five years, more than doubled:—

*Balance at Reserve Bank*

—	Balance.	Statutory Balance.	Surplus.
	£	£	£
31st March, 1946 .. ..	15,274,493	3,473,619	11,800,874
31st March, 1947 .. ..	17,861,055	3,863,955	13,997,100
31st March, 1948 .. ..	17,577,822	4,288,748	13,289,074
31st March, 1949 .. ..	22,877,458	4,396,881	18,480,577
31st March, 1950 .. ..	30,049,737	4,922,236	25,127,501

The surplus funds lying in the Reserve Bank earn nothing for the Bank of New Zealand, and were it not for the control exercised over bank operations by the Government a certain amount of this money would be used for investment purposes and a certain amount in advances to our customers. It is, of course, obvious that under the current account system which operates in New Zealand these deposits involve the Bank in expense for servicing them, and unless a fair percentage can be let out at interest the business becomes uneconomic. The percentage of our deposits which are in effect lying idle in our hands has moved as follows in the last few years, and the net result is a tendency for our net earnings to decrease:—

*Percentage of Surplus at Reserve Bank to Total New Zealand Deposits*

1946 .. ..	21.60	1949 .. ..	26.75
1947 .. ..	22.70	1950 .. ..	33.22
1948 .. ..	19.03		

*Money at Call and Short Notice, Government Securities, and Other Securities, in London* (£7,173,207).—This shows a decrease of £1,815,823, practically wholly in money at call. This is largely offset by an increase in bills receivable in London and in transit, which at 31st March, 1950, stood at £2,345,192, against £1,230,698 the previous year. Bills receivable represent in the main documentary bills purchased which relate to produce exports from New Zealand such as wool, &c. With the higher prices for wool the relative bills receivable have naturally increased in amount.

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

The Bank's Reserve Fund of £3,575,000 included in the figures under this heading is invested in British Government Securities. The total of our investments in London has not changed to any material extent during the year, but the fall in the market value of gilt edged has been substantial. This reduction was already provided for in our books.