Under the Finance Emergency Regulations 1940 (No. 2) the trading banks hold current balances of overseas currency as agents of the Reserve Bank and are indemnified by that Bank against loss on alteration of exchange-rates. The necessary adjustment was effected promptly by the Reserve Bank following the return to parity.

Our overseas assets were not written up for Balance-sheet purposes when the New Zealand pound was originally devalued, and consequently no alteration was required when the New Zealand pound was restored to parity with sterling.

Rehabilitation Business

The Bank continues to assist District Rehabilitation Committees in the important work of rehabilitation, and during the year arrangements were completed with the State Advances Corporation of New Zealand whereby the Bank agreed to take over certain rehabilitation loans already granted and to make advances to other ex-servicemen. The arrangements cover only those cases where administration by the Bank is considered advantageous and where the advance complies with the Reserve Bank's advance-control policy.

Drought and Flood Relief

Repayments have been satisfactorily maintained of the drought-relief advances which were made three years ago by arrangement with the Government under Government guarantee, and the small remaining balance should be successfully liquidated.

By arrangement with the Government, advances were made to assist producers who suffered by the extensive flooding in the Gisborne district in May of last year. By arrangement with the Government the Bank also agreed to afford financial assistance to those who suffered damage in the tornado which occurred at Hamilton in August last. In dealing with all cases the Bank co-operated fully with the Government's officers in the affected areas. This method of affording financial assistance to those affected has worked smoothly and satisfactorily, and in most cases the advances will be repaid by the borrowers within a reasonable time.

Produce Department

This Department, which was more or less in abeyance during the war, is again functioning, and performs a useful service in assisting former customers with the marketing of their produce—principally wool.

During the year the Bank resumed publication of its *Produce Circular*, which had been discontinued throughout the war years. The information contained in this circular, which is widely circulated to customers, exporters, and others, covers a wide range of commodities with market reports and quotations.

Australia

Our Australian business has been well maintained and the demand for advances is still strong. Our branches in Sydney and Melbourne are well equipped and give good service to our many New Zealand customers who do business with Australia or visit there.

The proposals of the Commonwealth Government to nationalize the trading banks in Australia and take over all their assets are, of course, fully known to you, and pending the result of the litigation arising out of the proposals we are carrying on our business as usual.

Fiji and Samoa

Our businesses at Suva and Apia have been more than maintained and continue to show increased activity. Very favourable prices are ruling for the principal exports of both places.