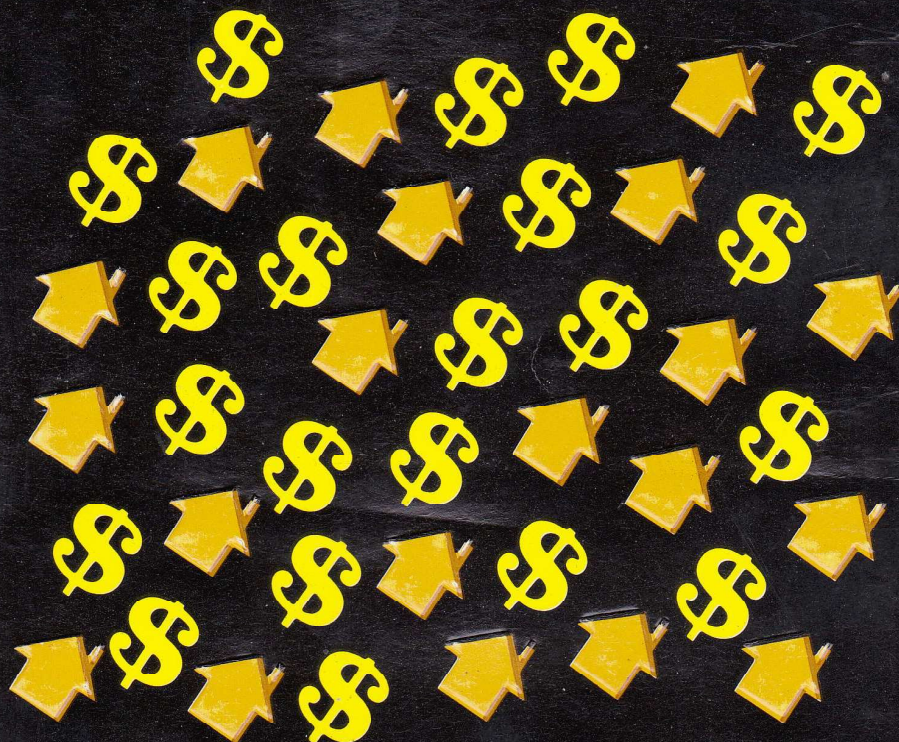




# Annual Report 1980.

State Savings Bank of Victoria.





**STATE BANK**

*The One Hundred and Thirty Ninth*

# **Annual Report**

of the State Savings Bank of Victoria — presented to  
both Houses of Parliament pursuant to Section 109  
of Act No. 6379.





## **COMMISSIONERS:**

### **CHAIRMAN:**

PROFESSOR DONALD COCHRANE, C.B.E., Ph.D., B.COM.

### **DEPUTY CHAIRMAN:**

J. ARNOLD HANCOCK, O.B.E., B.COM., F.C.A.

R. G. HOBAN, O.B.E., LL.B.

SIR JOHN ANDERSON, C.M.G.

I. K. MORTON, B.COM.

D. ROSS

I. G. BAKER, B.COM., A.A.S.A.

## **ADMINISTRATION:**

GENERAL MANAGER: H. E. TORRENS

DEPUTY GENERAL MANAGER (ADMINISTRATION): M. SOUTER

DEPUTY GENERAL MANAGER (FINANCE): A. P. ATKINSON

Chief Manager, Personnel: L. Cooper

Chief Manager, E.D.P.: R. R. Strang

Chief Accountant: J. M. Crofts

Chief Manager, Branch Banking: J. A. Pretty

Chief Manager, Lending: J. F. Ryan

Solicitor: I. F. Purbrick

Chief Manager, Marketing: T. S. Craddock

Chief Valuer: J. W. Taylor

Chief Architect: G. F. O'D. Danne

Assistant Chief Accountant: S. J. Mason

Secretary: A. M. McNaught

Deputy Chief Manager, Personnel: F. T. Meyers

Project Manager: J. L. Horsley

Deputy Chief Manager, Branch Banking: G. S. Walters

Deputy Chief Manager, E.D.P.: G. W. James

Manager, Premises: W. M. S. McKernan

Manager, Mortgage Loans: J. J. Ward

Manager, Personal Loans: B. J. Kincade

Manager, Overseas: P. G. Murray

Senior District Manager: E. T. Wood

Chief Economist: R. J. Thompson

Manager, E.D.P. Planning: E. J. Nicholls

Manager, Branch Mechanization: W. M. Bolton

Manager, Services Division: R. Thomas

Manager, Internal Audit: M. J. Anderson

Manager, Insurance: M. H. Marshallsea

Manager, Current Loans: M. T. Standfield

Manager, Organization and Methods: G. A. Marks

Manager, Bankcard: I. Walter

Manager, Custody: W. L. Symons

Manager, Securities: P. R. Blennerhassett

### **Main Banking Office:**

Elizabeth Street Branch

Manager: J. W. Roach

### **London Office:**

Bush House, Strand,

London WC2B 4RA

Manager: J. G. Kennedy

### **Head Office:**

233 Collins Street,

Melbourne



## The Bank and the Economy

Australian monetary policy for the 1979/80 financial year aimed to inhibit inflation through restricting money supply growth to around 10 per cent and to avoid rising interest rates. Despite constraints, the broadly defined volume of money, M3, (cash and all trading and savings bank deposits in the hands of the public) grew by 12.9 per cent over the year. Trading bank deposits increased 18.7 per cent (13.5 per cent in 1978/79), while savings bank deposits rose by only 7.2 per cent (10.1 per cent in 1978/79).

The State Bank offers competitive facilities over the whole range of savings and trading bank deposits and it achieved a deposit increase of 11.6 per cent for the year. Within this total, the growth rate for savings accounts was less than the Australian average but there were marked increases in term deposits in response to successive upward interest adjustments and, also, in cheque account balances.

Early in the year, monetary policy aims were being realized. However, the steep rises in short term interest rates imposed late in 1979 in the United States to control escalating inflation extended to other countries, and pressures for higher interest rates became the dominant feature in domestic finance for the rest of the year. Disparities between local and overseas interest rates led to higher usage of overdraft limits, and brought a call to statutory reserve deposit accounts in December to limit trading bank lending. At the end of that month, M3 was 12 per cent above its level of a year earlier, while interest rates outside official controls were increasing.

Short term interest rates increased when Treasury Notes were first issued by tender in December, and rates for longer term Commonwealth securities followed. By April, when the tap system for Commonwealth bonds was introduced, rates for medium and longer term securities had risen 1.5 to 1.7 percentage points above their level at the beginning of the year. Somewhat larger increases occurred in semi-governmental rates.

To shield the household sector from higher interest charges, similar interest flexibility was not permitted for savings banks, with the inevitable result that their rate of deposit growth was not only lower than in 1978/79 but was the lowest since 1969/70. The increased margins between the interest rates offered by savings

banks and non-bank financial intermediaries, as well as the higher differential in favour of semi-governmental securities, were the main factors limiting the growth in savings bank deposits. Later in 1979/80, interest rates on this Bank's term deposits were increased 1.0 to 1.25 percentage points while deposit stock interest was increased in two steps by 0.75 percentage points. To cover this increased interest cost, mortgage loan interest rates were increased by 0.5 to 0.75 per cent in March.

During the year, savings banks provided 57 per cent of the housing finance in this State. This was done at rates substantially lower than other lenders although, with depressed cash flows, this was only possible by reducing other investments.

The Bank continued its strong commitment to providing finance for its customers. In advancing 24 per cent more than in the previous year for housing, it provided over one quarter of institutional finance in Victoria for new residential building and for purchase and improvement of existing dwellings. In addition, a steady provision of overdraft finance for small businesses contributed to Victorian business development.

The Bank can only continue to support these activities if interest relativities enable it to offer competitive deposit rates and to receive an income sufficient to cover depositors' interest with a margin for administrative expenses. This support will be curtailed if the Bank is forced to subsidize borrowers at the expense of depositors.

Interest rate constraints not only reduce the access of the Bank to the savings market but also effectively deny it access to creditor sections of the community which have no need to establish borrowing qualifications with the Bank for lower interest rate loans. The longer this situation continues, the smaller will be the Bank's influence in the financial markets of this State. As the Bank's share declines, it will be forced to ration funds more stringently and its place will be taken by specialized financial intermediaries not subject to the same controls. More and more, these trends will increase the overall cost of housing and personal finance. As a result, the very measures designed to shield the household sector from higher interest charges will, in fact, achieve the opposite effect.



## Key Statistics

	1980	1979
Depositors' Balances at 30th June	\$3,873,147,002	\$3,469,055,328
Accounts at 30th June	3,896,705	3,803,917
Assets at 30th June	\$4,475,077,021	\$3,922,424,910
Reserves at 30th June	\$ 145,535,104	\$ 127,016,209
New Loans for the Year	\$ 930,320,993	\$ 756,747,472
including Housing Loans,	\$ 439,513,354	\$ 352,635,493
Loans to Public Authorities	\$ 33,072,595	\$ 26,589,600
and Personal Loans	\$ 189,317,450	\$ 157,359,897
Gross Income for the Year	\$ 367,332,511	\$ 327,653,104
Interest paid to Depositors	\$ 194,761,338	\$ 177,729,081
Profit for the Year	\$ 32,892,308	\$ 35,734,137

*\$356.4448 per business day increase of \$173,513,521*  
*newly 1 billion*

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# Sources and Application of Funds for the Year 1979/80

## FUNDS FOR INVESTMENT AND EXPENDITURE WERE RECEIVED FROM:—

	\$	\$
<b>1. Income —</b>		
Mortgage Loans	168,470,478	
Semi-Government, Municipal and Other Public Authorities' Loans	64,066,391	
Commonwealth Government Inscribed Stock	21,293,900	
Personal and Other Loans	95,274,740	
Rents, Fees, etc.	<u>17,049,865</u>	366,155,374
<b>2. Repayments of Principal —</b>		
Mortgage Loans	202,853,101	
Co-operative Housing Societies	725,825	
Semi-Government, Municipal and Other Public Authorities' Loans	17,269,197	
Sales of Commonwealth Government Inscribed Stock	11,381,220	
Personal and Other Loans	<u>359,042,899</u>	591,272,242
<b>3. Increases in Liabilities —</b>		
Increase in Depositors' Balances (after deducting interest credited accounts)	212,625,991	
Increase in Other Liabilities	<u>4,811,284</u>	217,437,275
		<u>\$1,174,864,891</u>

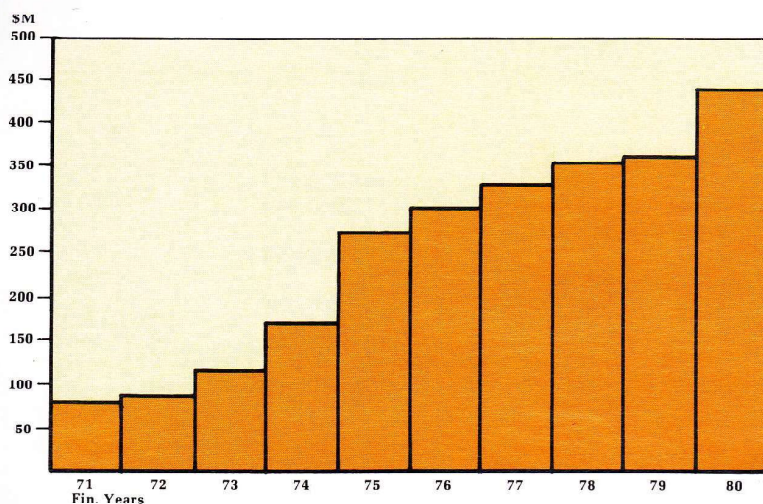


**THESE FUNDS WERE APPLIED TO:—**

	\$	\$
<b>1. New Investments in —</b>		
Mortgage Loans	457,292,744	
Co-operative Housing Societies	12,909,696	
Semi-Government, Municipal and Other Public Authorities' Loans	33,072,595	
Purchase of Commonwealth Government Inscribed Stock	51,860,086	
Personal and Other Loans	<u>375,185,872</u>	930,320,993
 <b>2. Expenses of Management and Other Payments —</b>		133,574,520
 <b>3. Net Capital Expenditure on Premises —</b>		29,492,489
 <b>4. Increase in Net Cash Resources —</b>		
Increase in Liquid Assets	37,939,551	
Increase in Current Assets	<u>146,114,447</u>	
	184,053,998	
Less Increase in Other Current Liabilities	<u>102,577,109</u>	81,476,889
		<u><u>\$1,174,864,891</u></u>

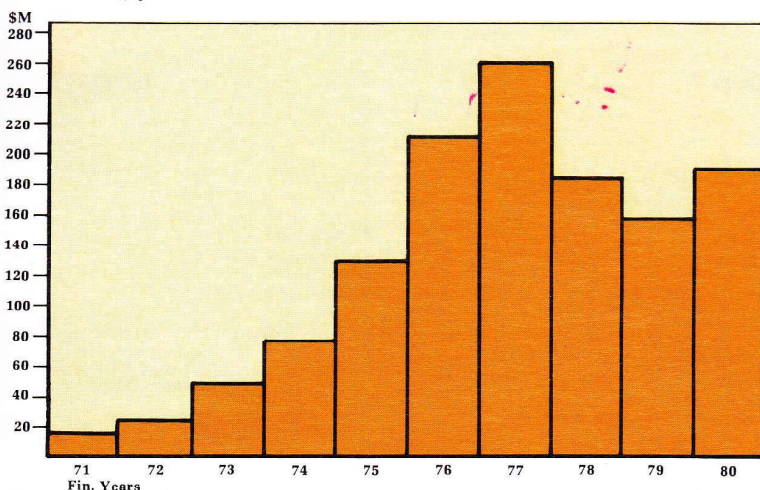


## 10 Years In Graphs and Figures



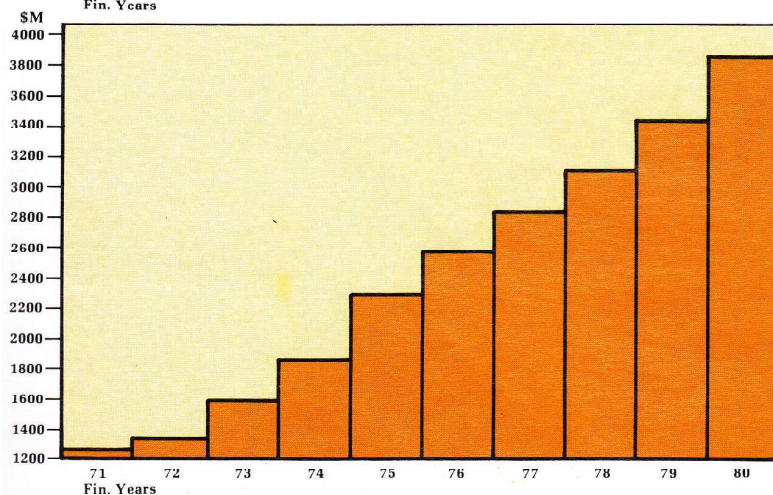
### Housing Loans Advanced

	\$
1971	80,724,377
1972	90,067,643
1973	114,915,562
1974	169,049,049
1975	276,656,028
1976	301,648,016
1977	330,021,157
1978	350,955,913
1979	352,635,493
1980	439,513,354



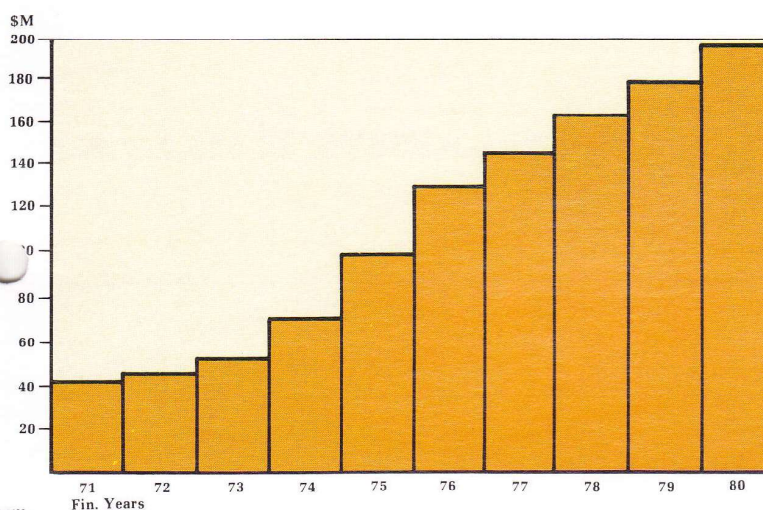
### Personal Loans Advanced

	\$
1971	15,637,626
1972	23,321,555
1973	49,013,244
1974	75,978,663
1975	129,776,126
1976	212,260,627
1977	263,117,422
1978	186,539,033
1979	157,359,897
1980	189,317,450



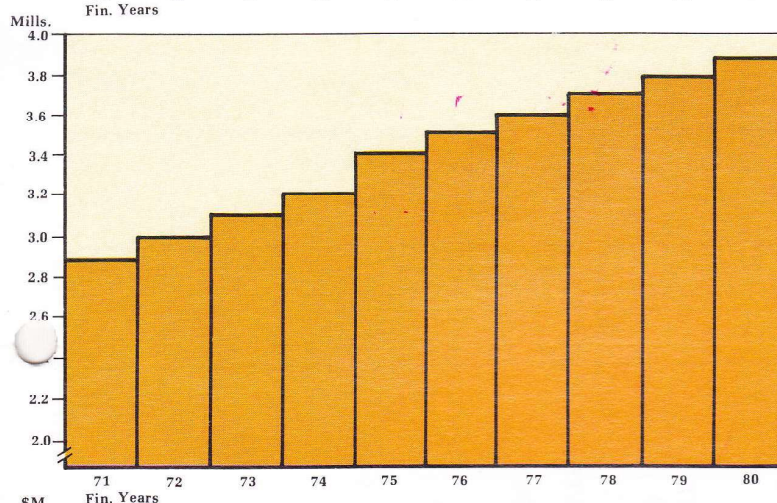
### Depositors' Balances

	\$
1971	1,235,641,020
1972	1,344,716,017
1973	1,615,431,059
1974	1,862,302,383
1975	2,303,770,596
1976	2,575,292,342
1977	2,850,196,414
1978	3,127,894,525
1979	3,469,055,328
1980	3,873,147,002



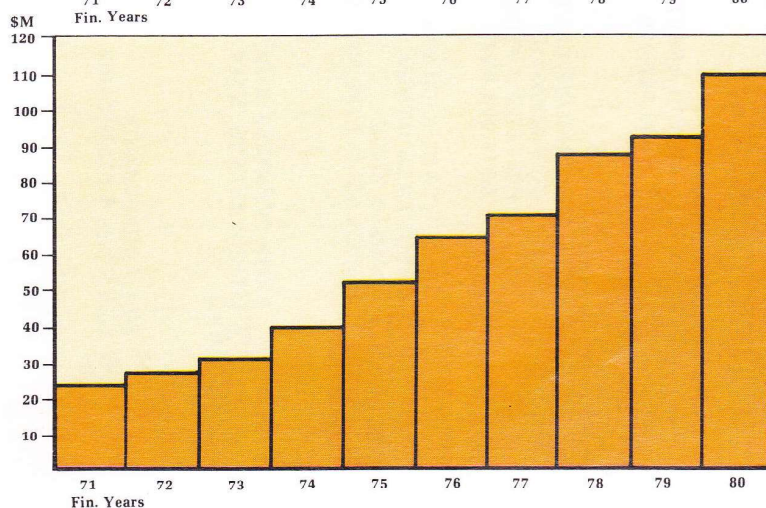
### Interest Paid to Depositors

	\$
1971 .....	43,514,377
1972 .....	47,019,461
1973 .....	53,696,867
1974 .....	68,904,490
1975 .....	99,459,303
1976 .....	131,279,371
1977 .....	147,109,100
1978 .....	163,598,883
1979 .....	177,729,081
1980 .....	194,761,338



### No. of Accounts excluding small inoperative A/C's

1971 .....	2,865,797
1972 .....	2,961,078
1973 .....	3,089,617
1974 .....	3,209,355
1975 .....	3,406,509
1976 .....	3,497,403
1977 .....	3,588,453
1978 .....	3,691,115
1979 .....	3,803,917
1980 .....	3,896,705

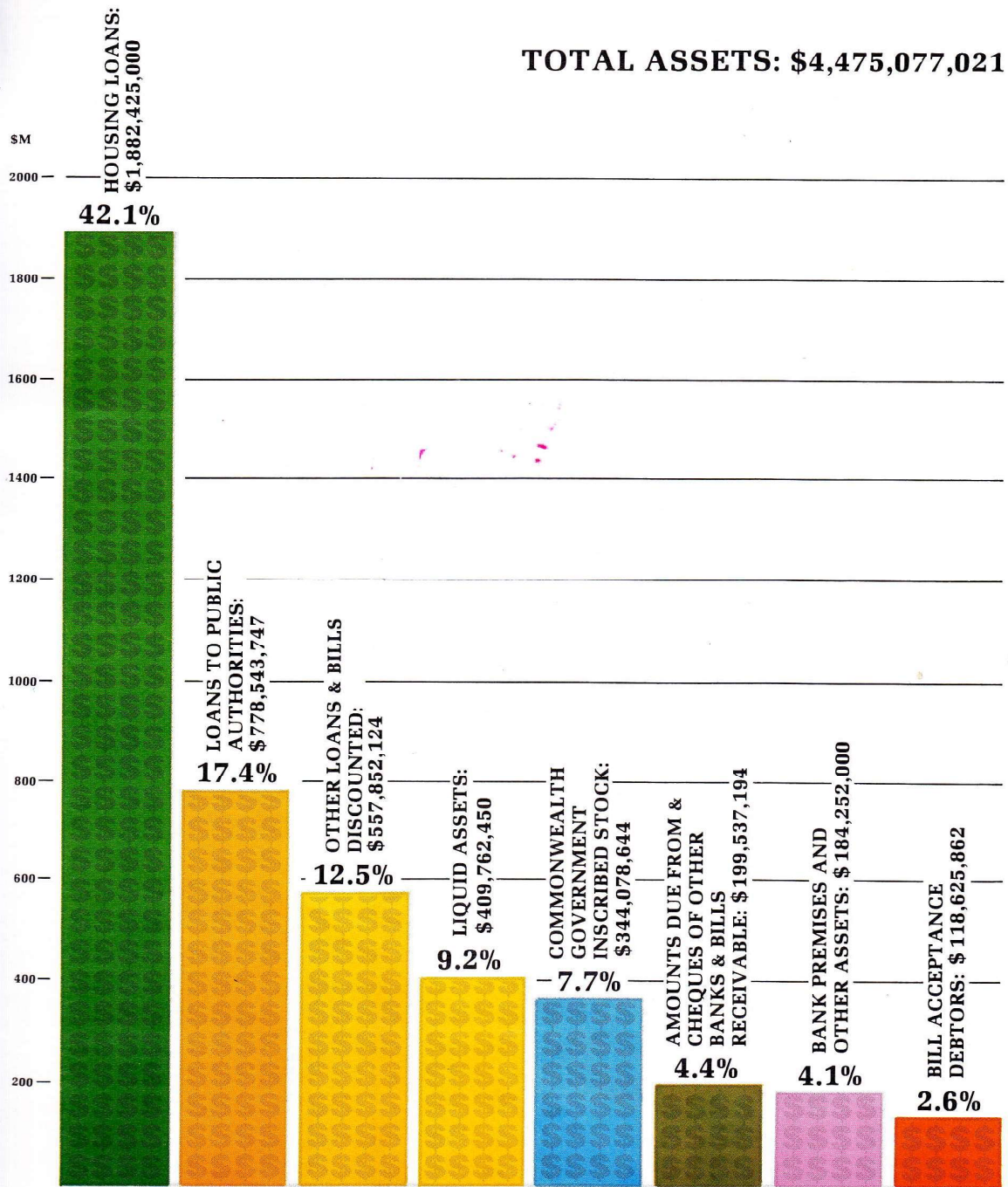


### Expenses of Management

	\$
1971 .....	24,593,717
1972 .....	27,869,818
1973 .....	32,307,297
1974 .....	40,369,647
1975 .....	52,017,175
1976 .....	64,885,198
1977 .....	71,256,722
1978 .....	88,086,241
1979 .....	93,367,871
1980 .....	109,859,702



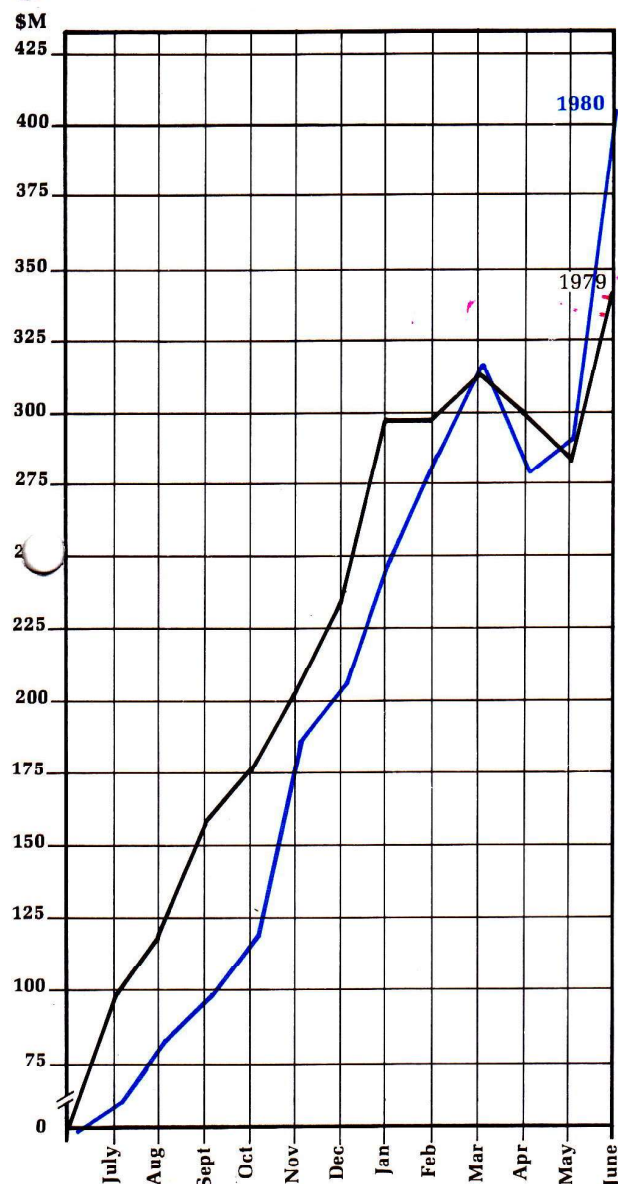
# Distribution of Assets at 30th June 1980



# Depositors' Accounts and Balances



Graph shows progressive variation in balances during 1978/79 and 1979/80. Included are all account balances, Deposit Stock and Term Deposit investments and interest credited.



The amount at credit of the Bank's depositors increased by \$404,091,674 or 11.6 per cent to total \$3,873,147,002 at 30th June 1980. Although the growth rate is higher than the 10.9 per cent achieved in 1978/79, the major part of the increase occurred in cheque account and fixed term deposits rather than in balances of savings accounts. Savings account balances of all banks in Victoria increased by only 5.3 per cent, a significantly lesser rate than that achieved by competing non-bank intermediaries in the savings market. This unsatisfactory position will remain while official constraints prevent banks from lifting interest rates to a level at least high enough to enable their deposit growth rates to equal those of building societies and credit unions, which have greater freedom to determine the conditions under which they operate.

Within official constraints, interest rates moved upward during the year and changes were made on a number of occasions in endeavours to maintain the Bank's position in the market place. In July 1979, the rate of interest paid on the Bank's Deposit Stock, repayable on one month's notice, was 7.25 per cent per annum. Increases in October 1979 and March 1980 lifted the rate to 8 per cent per annum at 30th June 1980. Continuing upward pressure from increasing rates of interest on alternative investments in the new financial year brought two further increases, each of 0.5 per cent, during July 1980, bringing the current rate on Deposit Stock to 9 per cent per annum. Due to the same pressures, interest rates offered on term deposits of less than \$50,000, which were in the range 7.5-8.75 per cent per annum at 1st July 1979, rose to 8.5-10 per cent at 30th June 1980. Further increases in July have brought rates to 9.5-10 per cent per annum offered currently.

Interest added to depositors' accounts and paid to Deposit Stock and Term Deposit holders totalled \$194,761,338, an increase of \$17,032,257 on that paid the previous year. Total operative accounts increased by 92,788 to 3,896,705 at 30th June 1980.

The Bank's Christmas and Calendar Club schemes retained their popularity with members depositing \$33,869,937 for Christmas purchases, holidays, rates and other expenditure items.



## Branches and Agencies

New branches were opened in regional shopping centres at Chirnside Park, Lalor Plaza, Deer Park, Highpoint, Mill Park, Wheelers Hill and Fountain Gate. Other new branches opened during the year were at Wandin North, Dandenong (McCrae Street), South Melbourne (Wells Street) and William Street, City while the Springvale North sub-branch was converted to full branch status.

As a result, the full range of State Bank services is now available at 523 branches throughout Victoria while limited banking facilities are provided at 17 sub-branches and 473 agencies. For customers visiting Great Britain and intending migrants to Victoria, a range of banking and advisory services is provided at the Bank's office in Bush House, Strand, London.

Emphasis was again placed on the programme of upgrading branch premises and 14 existing metropolitan and country branches moved to new buildings erected during the year. In addition, major re-construction was completed at 7

branches and alterations and improvements were carried out at 91 other branches.

In February 1980, the Bank introduced a new concept in branch security with the first Australian installation of the French designed Fichtel Bauche "Fly-up" metal security screen at the Camberwell East Branch. This innovation marked a further step in the Bank's programme of installing deterrent type security measures to minimise the risk of armed hold-ups at its branches.

New Castlemaine branch premises, opened in the centre of the town on November 20, were designed to harmonise with surrounding colonial-style architecture.





Miniature and vintage cars were used to publicise the opening at Alphington on February 25 of the Bank's second drive-in branch. The original drive-in facility has been operating at Doncaster East since 1968.

**BELOW:**

Australia's first 'fly-up' security screen was installed at Camberwell East branch in April, and received Australia-wide media publicity as a bandit deterrent innovation.

**SECOND PHOTO BELOW:**

Automatically activated during a hold-up, a bullet-proof steel screen rises from a counter slot in less than a second. By completely blocking off the space between counter and the ceiling, and thus isolating the staff from the public banking chamber, the screen prevents bandits from staging hold-ups or taking hostages.





# Loans and Investments

## Housing Loans

The demand for State Bank housing loans increased significantly during 1979/80 and advances reached a record \$439,513,354, an increase of \$86,877,861 or 24.6 per cent on that advanced in 1978/79. This result evidences the importance which the Bank, as by far the largest lender for housing in Victoria, places on its home lending programme. It was achieved despite more restrictive conditions imposed on applications in the second half of the year because demand had grown to a level which the Bank could not support from its deposit flows in the longer term. In May 1980, the Commissioners reluctantly reduced the maximum individual loan obtainable from 4.5 times to 4 times the amount of the average minimum monthly balance, held by the applicant in accounts with the Bank, during the 12 months immediately preceding application.

In determining this action, the significant factors were the demand for State Bank home loan terms and conditions vis-a-vis those of competing financial institutions, the higher amounts of loans being sought by individual borrowers as a result of rising industry costs, and the continued effect of official monetary policies which have restricted the Bank's ability to attract sufficient deposits to sustain lending at current high levels. The change in loan eligibility requirements was the first major one since March 1976. It is seen as the most practicable method of restricting applications to a level commensurate with available funds and it avoids "stop-go" lending which is not in the best interests of either home purchasers, who could not be sure when a loan would be forthcoming, or the home building industry, which depends on a regular flow of loan funds for its activities.

During the year, 18,947 loans were approved for amounts totalling \$466,039,900. Reflecting the depressed state of the home building industry, only \$122,936,680 of this amount was for the erection of new homes and strata units. The purchase of existing dwellings accounted for \$326,437,300 while \$16,665,920 was for home improvements and extensions. The average amount of loan approved to purchase or erect a dwelling increased from \$24,818 in 1978/79 to \$26,581 in 1979/80.

Reversing the trend of interest rate reductions which occurred during 1978, market forces brought about an increase in housing loan rates during the second half of the fiscal year. While the increase for new loans in the most common range (\$12,501 to \$30,000) was 0.75 per cent. per annum, existing borrowers had their interest rates increased by only 0.5 per cent. per annum,

the first increase in the Bank's housing loan rates since August 1974.

At 30th June 1980, long-term loans outstanding to housing borrowers totalled \$1,882,425,000, which represented 48.6 per cent. of depositors' balances.

## Government Housing Assistance Schemes

The Bank gave further support to the Victorian Government's Housing Assistance Schemes by acting as banker for an additional allocation of \$10 million of Government funds, bringing to \$40 million the extent of the Bank's involvement since the schemes were first announced in 1978.

Under these schemes, the Bank lends to Co-operative Housing Societies amounts matching special deposits lodged by the Government. In turn, the societies on-lend the funds to members in low-income brackets who are purchasing or erecting new homes for the first time.

This lending is supplementary to the Bank's own home loan programme.

## Farm Loans

The buoyant conditions which emerged in the rural sector during 1978/79 continued throughout 1979/80 and the demand for farm loans remained at a level well above that of the middle 1970's when depressed conditions persisted. During the year, primary producers were advanced a total of \$8,008,545 for the purchase and improvement of properties and for machinery and stock.

As a shareholder in the Primary Industry Bank of Australia Limited (PIBA), the Bank is able to supplement its traditional lending to primary producers with loans refinanced through PIBA, and does so to the fullest extent of its allotted quota. With this long-term lending, the provision of small business overdrafts and assistance through personal loans, the Bank now offers primary producers a complete range of banking facilities.

At 30th June 1980 long-term loans outstanding to farm borrowers totalled \$35,924,235.

## Personal Loans

Following the removal in September 1979 of an account qualification requirement which had applied to personal loan borrowers since February 1977, total advances during 1979/80 reached \$189,317,450, compared with \$157,359,897 during 1978/79. At 30th June 1980, the net balances of outstanding personal loans amounted to \$271,831,299.

In keeping with increases which applied to interest rates generally, the effective interest rate applicable to the Bank's personal loans was



## Loans and Investments

### Bankcard

State Bankcard experienced further growth during the year as increased numbers of the banks' depositors took advantage of the convenience of the purchase and credit facilities which the Scheme offers.

The extension of Bankcard operations to New Zealand in October 1979 and the recent introduction of Bankcard Visa and Bankcard Master Charge cards further enhance the flexibility of the Scheme and these will be of considerable benefit to the Bank's customers travelling overseas.

The year's operations were conducted on a profitable basis and income earned since inception of the Scheme in October 1974 now exceeds development and cumulative operating costs.

### Insurance Trust Account

The Bank has authority under the provisions of the State Savings Bank Act to insure against fire and other prescribed risks any property which it owns or holds as security for loans.

After allowing for claims paid and admitted and administrative costs, the surplus for the year was \$477,660. The decreased surplus this year was due to greater increases in claims than in premium income and higher rates of stamp duty and fire brigade levy. Unlike most other insurers who add stamp duty and the fire brigade levy to quoted premiums, the Bank quotes all inclusive premiums. Premium rates were not increased during the year to offset the higher costs of stamp duty and fire brigade levy. At 30th June 1980, the balance at credit of the Insurance Trust Account was \$3,800,470 after making provision of \$4,257,556 for claims admitted but not paid, and unexpired premiums.

### Liquid Assets

At 30th June 1980, the liquid assets of the Savings Bank Department, comprising cash on hand, at bankers and in transit, fixed deposits with the Reserve Bank of Australia and other banks, certificates of deposits of other banks, short-term money market deposits and Commonwealth Treasury Notes amounted to \$409,762,450. This represented 10.6 per cent. of depositors' balances.

### Commonwealth Government Inscribed Stock

During the year, the book value of the Banks' holdings of Commonwealth Government Inscribed Stock was increased from \$303,082,974 to \$344,078,644 which represented 8.9 per cent. of depositors' balances at 30th June 1980.

### Merchant Banking

Through its 25 per cent. interest in Tricontinental Holdings Limited, the Bank participates in merchant banking operations which contribute to the development of its identity and influence in business circles generally. The State Bank and The Rural and Industries Bank of Western Australia are the major shareholders. Other shareholders are the overseas banking groups, Security Pacific National Bank (U.S.A.), Credit Lyonnais (France), The Mitsui Bank Limited (Japan) and Skandinaviska Enskilda Bank (Sweden) together with Sir Ian Potter, who is Chairman.

### Money Market Activities

By accepting and discounting bills of exchange under special arrangements made with customers directly or in association with various merchant banks, the Bank plays an active role in the provision of the short term financing requirements of semi-governmental authorities, companies and industrial companies. In this capacity, the Bank has contributed to the provision of supplier credit finance for the State Electricity Commission's Loy Yang project and the Australian Wheat Board's financing of wheat harvest with bills of exchange and promissory notes. At 30th June 1980, outstanding bank acceptances amounted to \$118,625,862, compared with \$30,080,000 at the end of the previous financial year.

Bank endorsement facilities for bills of exchange have also been provided for merchant banks and other financial organizations participating in the short term money markets, the contingent liability on endorsements of bills in circulation at 30th June 1980 being \$31,723,715, compared with \$19,547,764 at 30th June 1979. In its day to day management of cash flows, the Bank discounts and rediscounts bills of exchange and promissory notes and also lends funds on a secured basis, overnight or at 24 hours' call, to dealers in both the official and unofficial short term money markets.

One of the Bank's advertising posters displayed during the year highlighted the availability of Bankcard facilities throughout Australia. ▶

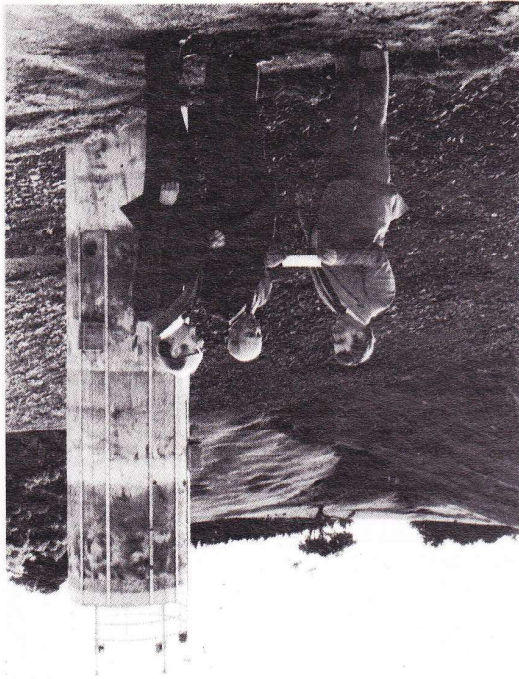
## Loans to Public Authorities

During the year, new loans totalling \$19,853,400 were advanced to semi-governmental authorities, while maturing loans amounting to \$14,138,000 were converted.

Advances to municipalities and local authorities amounted to \$13,219,195 while an increasing number of authorities for whom the Bank acts as sole banker received assistance by way of overdraft accommodation. In keeping with the general increases in interest rates, the Australian Loan Council increased the maximum rates applicable to these loans during the year.

At 30th June 1980, loans outstanding to semi-governmental, municipal and other public authorities totalled \$778,543,747.

A loan of \$200,000 to the Leongatha Water Trust in June brought the Bank's total advances to this local authority to more than \$500,000, representing nearly half of the estimated cost of a new reservoir. Photographed on the site of the project was Leongatha branch manager, Mr. Neil Clement, presenting the latest cheque to the chairman and secretary of the Trust.



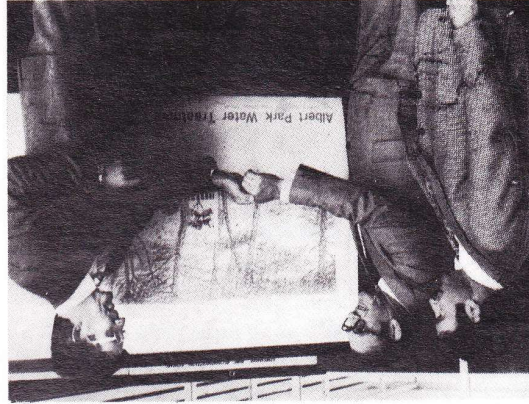
## Overdraft Lending

The Bank's personal loans provide customers with short-term finance for a wide range of consumer and business purposes including home improvements, property purchase (including bridging finance), purchase of motor vehicles, travel, assistance to establish or carry on small businesses and other personal expenses.

In its first full year of operation, overdraft lending to small business customers increased steadily and has proved a valuable addition to the range of services available.

The provision of overdraft facilities to small businesses, introduced in April 1979, caters for a wide range of professional and business people whose activities come within the definition of a small business in Section 2(1) of the Small Business Development Corporation Act 1976. Generally, overdraft accommodation is granted to proprietors who require working capital for day-to-day operations or short-term advances to cover seasonal fluctuations in income and, as such, is used to supplement longer term loans for other purposes.

The interest rate applicable to small business overdrafts with limits of less than \$100,000 was increased by 0.5 per cent, to 10.5 per cent, per annum in February 1980.



Typical of many loans to municipal authorities during the year was an advance of \$150,000 to Warrambool City Council to improve local water and sewerage services. Pictured (right) is Warrambool branch manager, Mr. D. Christie, presenting the loan cheque to Council officials.

BELOW:

# STATE BANKCARD. ANYWHERE IN AUSTRALIA





## State Bank Centre

The structural work on State Bank Centre has now reached the stage where the overall shape of the building and its impact on the city skyline have become increasingly apparent. Occupation of the lower floors of the building during the coming year will enable the transfer of banking operations from Elizabeth House which will be demolished to allow extension of the podium area to the corner of Elizabeth and Little Collins Streets.



State Bank Centre tower reached its peak height of 550 feet above street level in March. The picture was taken from the centre of the Bourke Street, City Mall.

## Migrant Advisory Services

Two new migrant advisory offices were opened during the year at Prahran Market and Richmond branches of the Bank.

The Migrant Promotion staff now comprises 26 officers, operating from 8 branches in suburban Melbourne and one in Geelong, as well as from the Bank's head office Marketing Department.

More than 11,000 customers attended these offices during the year for assistance in interpreting, translating, social welfare and loan enquiries.

## Foreign Exchange Transactions

The Bank's customers continued to make extensive use of the facilities for foreign exchange transactions and an increasing number utilized the services available through the Inter-Bank Foreign Currency Hedge Market (of which the Bank is a participating member) to cover exchange risks associated with forward commitments.

Increased usage of the Bank's letter of credit facilities was made by customers operating import-export businesses.

## Travel Service

A new branch referral system for customer enquiries was introduced in March by the joint Thomas Cook/State Bank Travel Service. Additionally, an experienced travel consultant was appointed Liaison Manager between Thomas Cook and the Bank's branches.

These innovations have led to an increase in bookings through branches and the seven Thomas Cook/State Bank Travel offices.

### BELOW:

A frame from one of the Bank's series of recent television commercials promoting 'no risk' investments.





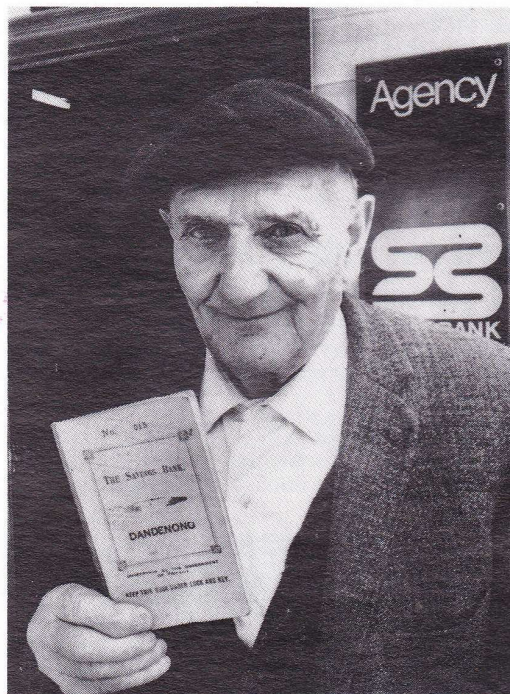
## Staff and Agents

During the year, 771 new officers were recruited to replace those who resigned or retired and to meet staffing needs due to the continued growth and development of the Bank. At 30th June 1980, the Bank employed 6,709 clerical, professional and technical officers, an increase of 257 on the number employed at 30th June 1979.

At a time when considerable public comment is being made about the effects of developing technology on the banking industry, it is significant to note that the Bank's staff continues to increase. It has more than doubled since 1962 when the Bank became the first bank in Australia to process customer transactions by computer. This growth has occurred despite an increasing use of developing technology over that long period. It has been necessary to enable the Bank to cope with the growth in business arising from an increasing population and the introduction of new facilities. Because banking is a service industry, it will continue to be necessary to maintain staff levels to provide that personal contact with customers which they have come to expect. In the absence of this, they will soon look for the alternatives readily available in the competitive market place.

To ensure that staff are well equipped to provide customers with efficient service, particular attention has, for many years, been paid to staff training and development. This programme continued throughout 1979/80 when more than 3,000 officers attended courses in banking procedures at our Staff Training Centre and a further 600 officers of managerial or accountant status attended residential courses in management and supervisory techniques at the Staff College at Baxter.

The goodwill generated by staff has been an important factor in the Bank maintaining its position as one of the leading financial institutions in Victoria. The Commissioners and executive acknowledge with appreciation the courtesy and efficiency displayed by staff and the contribution of our many Agents in promoting the Bank's interests.



Mr. Arthur Adamson, 85, of Beaconsfield, is the Bank's oldest living Agent, and has been successfully operating our Agency in his hardware store for 37 years. He is a Life Governor of five of Melbourne's leading public hospitals.



## Profit

### Savings Bank Department

Profit for the year amounted to \$32,859,134, a decrease of \$2,838,499 (8 per cent.) on the amount earned in 1978/79.

As a result of the greater competition for funds and the consequent trend away from demand savings accounts to higher interest bearing deposit stock and term deposits, interest paid to or provided for depositors increased by \$22,408,961. Administrative costs rose by \$20,126,056 mainly because of higher salaries paid to an increased number of staff. Gross income increased by \$39,696,518.

Pursuant to Section 49A of the State Savings Bank Act No. 6379, an amount of \$16,429,567, being half the net profit of the Savings Bank Department was paid to the Consolidated Fund of the State of Victoria.

### Credit Foncier Department

Profit in the Credit Foncier Department was \$33,174 compared with \$36,504 in the previous year. As required by the State Savings Bank Act, the profit was transferred to the General Reserve of the Department.

## Reserves and Provisions

### Savings Bank Department

The General Reserve increased from \$103,243,845 at 30th June 1979 to \$119,673,412 at 30th June 1980 by transfer of \$16,429,567 being one-half of the profit for the year. The provision for Long Service Leave was increased by \$2,056,154 to \$18,301,673 at 30th June 1980.

### Credit Foncier Department

AT 30th June 1980, the General Reserve was \$7,560,019.

## Commissioners

Mr. J. Arnold Hancock, O.B.E., B.Com., F.C.A., was elected **Deputy Chairman** for the year 1980.

Signed at Melbourne  
18th September 1980

D. Cochrane

J. A. Hancock

R. G. Hoban

J. M. Anderson

I. K. Morton

D. Ross

I. G. Baker

**Commissioners of  
the State Savings  
Bank of Victoria**

H. E. Torrens, General Manager



# State Savings Bank of Victoria

## Savings Bank Department

### Balance Sheet as at 30th June 1980

		1980	1979
	(Note)	\$	\$
<b>Liabilities</b>			
Depositors' Balances & Accrued Interest		3,929,395,408	3,517,178,938
Amounts due to Other Banks		85,788,593	80,817,475
Bills Payable		53,177,218	41,291,992
Bill Acceptances		118,625,862	30,080,000
Officers' Provident and Trust Funds		104,002,246	86,514,866
Other Liabilities	(2)	38,623,738	39,567,994
Provision for Long Service Leave	(3)	18,301,673	16,245,519
General Reserve	(4)	119,673,412	103,243,845
		<u>\$4,467,588,150</u>	<u>\$3,914,940,629</u>
Contingent Liabilities	(5)		
<b>Assets</b>			
Cash on hand, at Bankers and in Transit	(6)	39,055,351	31,592,396
Commonwealth Treasury Notes		171,072,746	26,876,100
Bank Fixed and Short Term Money Market Deposits	(7)	199,634,353	289,400,797
Amounts due from and Cheques of Other Banks		133,704,535	97,822,154
Commonwealth Government Inscribed Stock and Bonds	(8)	344,078,644	303,682,974
Credit Foncier Debentures		24,500,000	32,750,000
Municipal and Other Public Authorities' Securities		778,543,747	762,740,350
Loans, Advances & Bills Discounted (after providing for Doubtful Debts)	(9)	2,408,295,691	2,141,450,915
Bill Acceptance Debtors		118,625,862	30,080,000
Bank Premises & Equipment (at cost less amounts written off)	(10)	125,545,023	99,060,787
Bills Receivable		65,832,659	44,146,455
Other Assets	(11)	58,699,539	55,337,701
		<u>\$4,467,588,150</u>	<u>\$3,914,940,629</u>
Contingent Assets	(5)		

### Statement of Profit and Loss for Year Ended 30th June 1980

	1980	1979
	\$	\$
Gross Income for Year	366,975,962	327,279,444
Interest on Depositors' Accounts Credited or Provided	203,144,071	180,735,110
Administrative Expenses	<u>130,972,757</u>	<u>110,846,701</u>
Net Profit for Year	<u>\$32,859,134</u>	<u>\$35,697,633</u>
Distributed as follows:—		
Payment of one half of Net Profit for the year to Consolidated Fund, State of Victoria pursuant to Section 49A of Act No. 6379	16,429,567	17,848,816
Transfer to General Reserve	<u>16,429,567</u>	<u>17,848,817</u>
	<u>\$32,859,134</u>	<u>\$35,697,633</u>

The accompanying Notes form part of these Accounts.

### Balance Sheet as at 30th June 1980

		1980	1979
<b>Liabilities</b>	(Note)	\$	\$
Debentures	(12)	24,500,000	32,750,000
Other Liabilities		159,677	241,227
General Reserve	(4)	7,560,019	7,526,845
		<u>\$32,219,696</u>	<u>\$40,518,072</u>
<b>Assets</b>			
Loans and Advances	(9)	31,981,433	40,283,231
Other Assets	(11)	238,263	234,841
		<u>\$32,219,696</u>	<u>\$40,518,072</u>

### Statement of Profit and Loss for Year Ended 30th June 1980

	1980	1979
	\$	\$
Gross Income	1,977,380	2,457,826
Interest on Debentures	1,620,832	2,084,166
Expenses of Management	<u>323,374</u>	<u>337,156</u>
Profit for year —		<u>2,421,322</u>
Transferred to General Reserve	<u>\$33,174</u>	<u>\$36,504</u>

The accompanying Notes form part of these accounts.

### Notes To and Forming Part of the Accounts of the Savings Bank Department and the Credit Foncier Department.

#### 1. Principal Accounting Methods

##### (a) Basis of Accounting

The accounts of both the Savings Bank Department and the Credit Foncier Department are based on historical costs and are prepared on an accrual basis.

Overseas assets and liabilities have been converted to Australian currency at the rate of exchange current at 30th June 1980.

##### (b) Commonwealth Government Securities

Commonwealth Treasury Notes are recorded at the face value less unearned discount.

Commonwealth Government Inscribed Stock and Bonds are accounted for as follows:—

- (i) Original subscriptions and purchases are recorded at cost.
- (ii) Premiums on purchases are written off book value by half-yearly instalments on interest dates in accordance with schedules amortising the premiums over the period to maturity so that book value at maturity will equal redemption value.
- (iii) Discounts on purchases are written up to a Discount Amortisation Account by half-

yearly instalments on interest dates in accordance with schedules amortising the discounts over the period to maturity so that the total amount written up and debited in that account in respect of each purchase will equal the amount of the original discount at purchase date.

- (iv) When securities are sold, the realized profits or losses are taken into the Profit and Loss Account in the year in which the sales occur.

As these securities are normally held to, or close to, maturity, when they are redeemable or convertible at face value, no specific provisions are required for any difference between book value and market value.

##### (c) Bank Premises and Equipment

Equipment and buildings are depreciated at rates appropriate to their estimated useful life and are shown at written down values.



## Notes To and Forming Part of the Accounts (continued)

### 2. Other Liabilities (Savings Bank Department)

The major items included under this heading are the Insurance Trust Account which was established under the provisions of Section 116 of the State Savings Bank Act 1958 and, pursuant to Section 49A of Act No. 6379, the amount due to the Government of the State of Victoria for one half of the Bank's profit for the year:

	1980	1979
	\$	\$
Insurance Trust Account	3,800,470	3,322,809
Provision for Claims admitted but not paid, and Unexpired Premiums	4,257,556	3,647,212
	<u>8,058,026</u>	<u>6,970,021</u>

One half of net profit due to the State of Victoria	\$16,429,567	\$17,848,816
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### 3. Provision for Long Service Leave

Balance at 30th June 1979	\$16,245,519
Provided this year	<u>2,056,154</u>
Balance at 30th June 1980	<u>\$18,301,673</u>

### 4. Reserve Funds

	Savings Bank Dept. General Reserve	Credit Foncier Dept. General Reserve	Consolidated Reserves
	\$	\$	\$
Balance at 30th June 1979	103,243,845	7,526,845	110,770,690
Added this year	<u>16,429,567</u>	<u>33,174</u>	<u>16,462,741</u>
Balance at 30th June 1980	<u>119,673,412</u>	<u>7,560,019</u>	<u>127,233,431</u>

### 5. Contingent Liabilities

Contingent liabilities for bills endorsed on behalf of customers amounted to \$31,723,715 at 30th June 1980 compared with \$19,547,764 at 30th June 1979. In addition, at 30th June 1980, contingent liabilities for Overseas Letters of Credit, Hedge Contracts and Forward Exchange Contracts amounted to \$4,480,823 and for Bank Guarantees to \$563,445. There are corresponding contingent assets being liabilities to the Bank in respect of these bills endorsed, overseas transactions and guarantees.

### 6. Cash on Hand, at Bankers and in Transit

	1980	1979
	\$	\$
Cash on hand, at branches and agencies Overseas	38,158,779	31,322,503
Correspondents	399,161	146,173
Reserve Bank of Australia	<u>497,411</u>	<u>123,720</u>
	<u>39,055,351</u>	<u>31,592,396</u>

### 7. Bank Fixed and Short Term Money Market Deposits

	1980	1979
	\$	\$
Interest bearing Deposits with Reserve Bank of Australia	82,980,000	182,850,000
Interest bearing Deposits with Other Banks	12,000,000	11,000,000
Other Banks' Certificates of Deposit	10,250,340	4,515,930
Short Term Money Market Deposits	<u>94,404,013</u>	<u>91,034,867</u>
	<u>199,634,353</u>	<u>289,400,797</u>

### 8. Commonwealth Government Inscribed Stock and Bonds

Book values and market values of holdings of Commonwealth Government Inscribed Stock and Bonds as at 30th June were:

1980		1979	
Book Value	Market Value	Book Value	Market Value
\$344,078,644	\$273,779,606	\$303,682,974	\$252,258,266

The balance of the Discount Amortisation Account, which is included in 'Other Assets', was \$261,524 at 30th June 1980 compared with \$186,140 at 30th June 1979. [Note 1 (b)].

### 9. Loans, Advances and Bills Discounted Savings Bank Department

	1980	1979
	\$	\$
Loans and Advances	2,390,373,097	2,096,283,313
Bills Discounted	22,913,195	49,817,602
Promissory Notes	<u>1,879,399</u>	
	<u>2,415,165,691</u>	<u>2,146,100,915</u>
Credit Foncier Department	<u>\$31,981,433</u>	<u>\$40,283,231</u>

Provision for Doubtful Debts in the Savings Bank Department is deducted from 'Loans, Advances and Bills Discounted' and is based on the extent to which security is held and the arrears experience in each of the items included under this classification.



## Notes To and Forming Part of the Accounts (continued)

Provisions and Bad Debts written off and recovered were as follows:—

	1980 \$	1979 \$
Amount Previously provided	4,650,000	3,050,000
<b>Less</b> Bad Debts written off	573,625	233,531
	4,076,375	2,816,469
Plus amounts recovered	254,147	140,091
Plus amounts charged to Profit and Loss Account	2,539,478	1,693,440
Provision 30th June	<u>6,870,000</u>	<u>4,650,000</u>

In the Credit Foncier Department, the Provision for Doubtful Debts remained unaltered at \$30,000 and has been included in the balance sheet as a deduction from the item "Other Assets". No bad debts were incurred during the years ended 30th June 1979 and 30th June 1980.

### 10. Bank Premises and Equipment

	Freehold & Leasehold Premises & Sites	Equipment, Computers, Motor Cars, Furniture etc.
	\$	\$
Cost at 30th June 1979	104,480,869	9,989,602
Net additions for year	22,517,832	2,393,952
	126,998,701	12,383,554
<b>Less</b>		
Accumulated Depreciation	7,045,852	6,791,380
Written down value at 30th June 1980	<u>119,952,849</u>	<u>5,592,174</u>

### 11. Other Assets

The major item under this heading is the interest due and accrued on investments, as follows:—

	1980 \$	1979 \$
Savings Bank Department	55,052,880	51,700,246
Credit Foncier Department	188,685	210,216

### 12. Credit Foncier Debentures

Debentures with face value of \$24,500,000 issued by the Credit Foncier Department pursuant to Section 60 of the State Savings Bank Act 1958 are all held by the Savings Bank Department.

D. Cochrane  
J. A. Hancock  
R. G. Hoban  
J. M. Anderson  
I. K. Morton

Commissioners  
of the State  
Savings Bank  
of Victoria

H. E. Torrens  
General Manager

Melbourne, 21st August 1980

### Auditors' Reports

We the undersigned Auditors, appointed under Section 20(1) of Act No. 6379, report that we have examined the Head Office accounts of the Commissioners of the State Savings Bank of Victoria, incorporating Balance Sheets from the Branches of the Bank which we have accepted on the signatures of the respective Managers, and of the Credit Foncier Department of the Bank. In our opinion, the above Balance Sheets and Statements of Profit and Loss together with the notes thereon are properly drawn up so as to give a true and fair view of the state of the affairs of the Savings Bank Department and the Credit Foncier Department, according to the best of our information and the explanations given to us.

D. Fisher  
J. R. Ballantyne

Chartered Accountants  
Auditors

Melbourne, 20th August 1980

We the undersigned Auditors, appointed by the Governor in Council under Section 110(2) of Act No. 6379, report that, in respect of both the Savings Bank Department and the Credit Foncier Department, we have obtained all the information and explanations we have required in the course of our examination of the accounts of the Commissioners of the State Savings Bank of Victoria. In our opinion the foregoing Balance Sheets together with the notes thereon exhibit a true and fair view of the affairs of both the Savings Bank Department and the Credit Foncier Department as at 30th June 1980, according to the information and explanations given to us.

B. R. Jamison  
J. K. Boyce

Chartered Accountants  
Auditors

Melbourne, 22nd August, 1980.



# State Savings Bank of Victoria

## Consolidated Assets & Liabilities

As at 30th June 1980

### LIABILITIES

	1980 \$	1979 \$
Depositors' Balances & Accrued Interest	3,929,395,408	3,517,178,938
Amounts due to other Banks	85,788,593	80,817,475
Bills Payable	53,177,218	41,291,992
Bill Acceptances	118,625,862	30,080,000
Officers' Provident & Trust Funds	104,002,246	86,514,866
Other Liabilities	38,552,590	39,525,430
Provision for Long Service Leave	18,301,673	16,245,519
General Reserves	127,233,431	110,770,690
	<u>\$4,475,077,021</u>	<u>\$3,922,424,910</u>
Contingent Liabilities	\$ 36,767,983	\$ 19,547,764

### ASSETS

	1980 \$	1979 \$
Cash on hand, at Bankers & In Transit	39,055,351	31,592,396
Treasury Notes & Inscribed Stock	171,072,746	26,876,100
Bank Fixed & Short Term Money Market Deposits	199,634,353	289,400,797
Amounts due from, & Cheques of, Other Banks	133,704,535	97,822,154
Commonwealth Government Inscribed Stock & Bonds	344,078,644	303,682,974
Municipal & Other Public Authorities' Securities	778,543,747	762,740,350
Loans, Advances & Bills Discounted (after providing for doubtful debts)	2,440,277,124	2,181,734,146
Bill Acceptance Debtors	118,625,862	30,080,000
Bank Premises & Equipment	125,545,023	99,060,787
Bills Receivable	65,832,659	44,146,411
Other Assets	58,706,977	55,288,751
	<u>\$4,475,077,021</u>	<u>\$3,922,424,910</u>
Contingent Assets	\$ 36,767,983	\$ 19,547,764

The Bank's overdraft facilities for small businesses were publicised during the year by this poster displayed at all branches.





# Annual Report 1980.

State Savings Bank of Victoria.