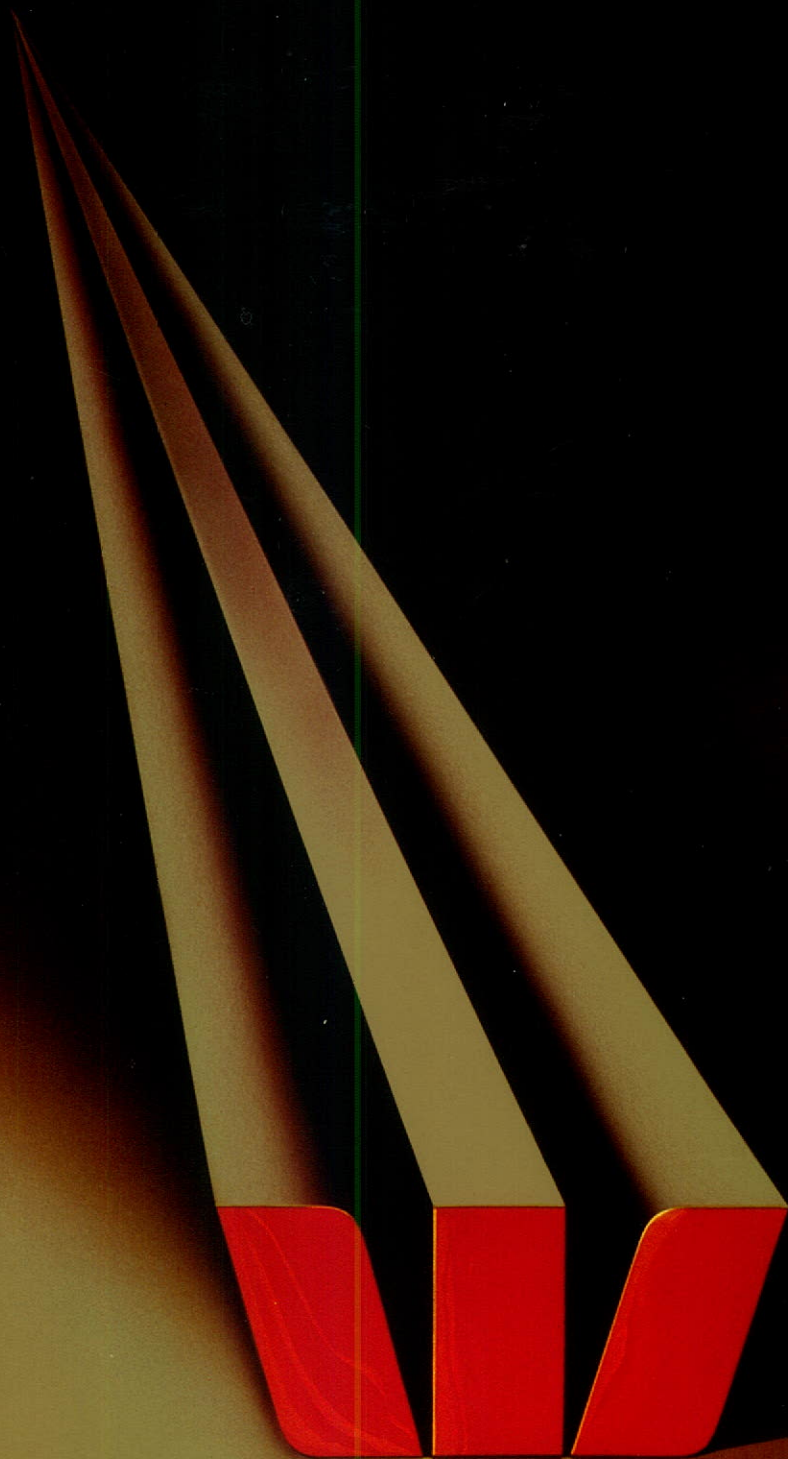
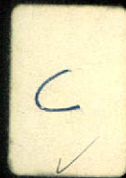


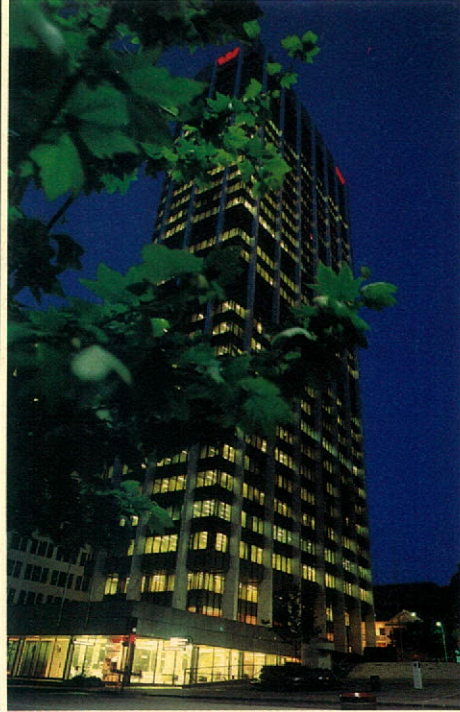
**Bank of New South Wales**

**1981 Annual Report  
and Notice of Ordinary  
General Meeting**



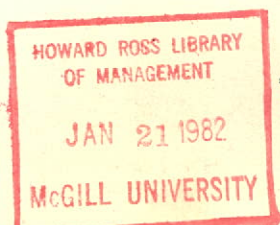
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*Head Office, 60 Martin Place, Sydney.  
Postal Address, GPO Box 1 Sydney NSW 2001  
Australia. Telephone 233 0500*

**B**ANK of New South Wales\* was founded in 1817 and is Australia's oldest company. It amalgamated with The Western Australian Bank in 1927 and the Australian Bank of Commerce Limited in 1931, and in 1981 decided to merge with The Commercial Bank of Australia Limited. The Bank and its group of subsidiaries provide a comprehensive range of banking, financial, investment, travel and related services. The services are tailored to meet the needs of the whole community – individuals, group activity organizations, co-operatives, and companies of all sizes, ranging from partnerships and small businesses to corporations with activities world-wide.



\*Incorporated in New South Wales  
Liability of the members is limited









## Corporate philosophy

To maintain our leadership in the financial markets of Australia and the South West Pacific.

To provide the best in friendly and proficient service in all aspects of our business.

To acknowledge our social responsibilities and special role in the economic life of the community by absolute integrity, efficiency, and good corporate citizenship.

To be a good employer and foster the career development and well-being of all members of our staff.

To earn sufficient profits to achieve a fair return on investment for our proprietors and ensure long-term stability and growth for the Bank of New South Wales Group.

### Photographs:

*Above: The Handybank service, operating 16 hours a day, was extended to Adelaide, Brisbane, and Canberra last year. Next in line are Perth, Hobart, Launceston, Darwin, Wollongong, and Gosford.*

*Left: Through the Corporate Banking Division, a syndicated loan of \$100m was arranged to facilitate the addition of a third potline at the Alcan aluminium smelter, Kurri Kurri, in the Hunter Valley.*

## Achieving our objectives

During the year, the Bank's planning and control processes were further streamlined through the Corporate Planning Department. The prime objective has been to lay the foundations for a sustainable improvement in our ability to service the needs of customers competitively.

Medium-term strategies were refined to facilitate better resource allocation by all operating divisions and to enable the identification of areas where change or innovation was necessary.

Links between medium-term and operational planning at branch, region, and State levels were strengthened. Particular attention was paid to the need for translating plans into action and then monitoring their implementation through effective control systems.

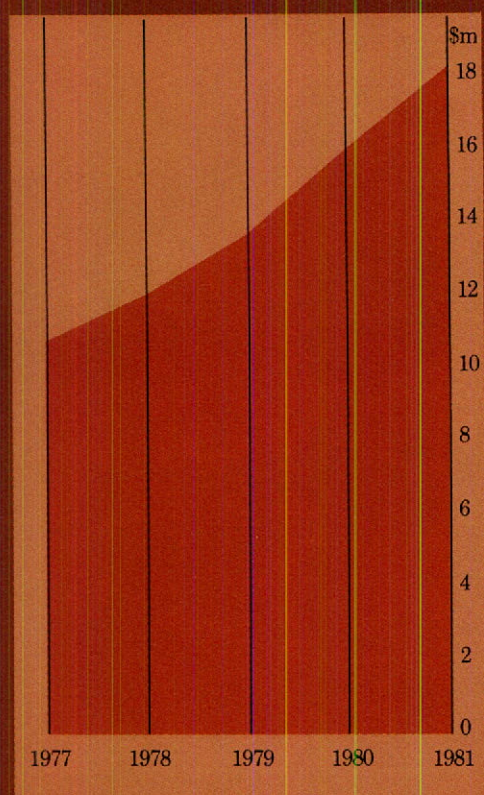
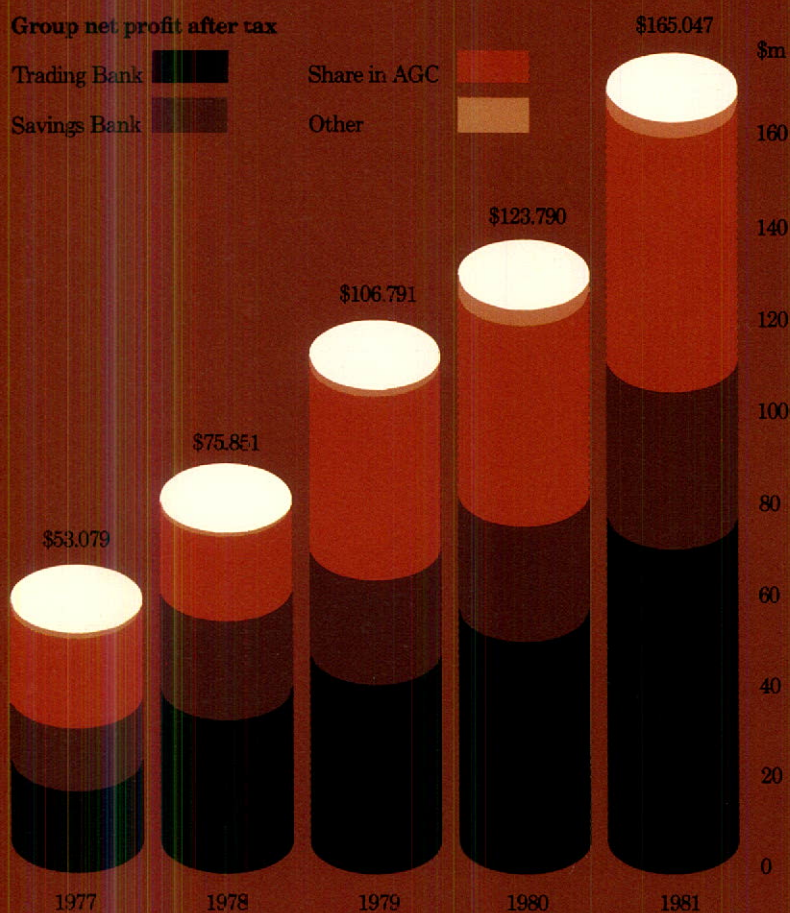
The various initiatives undertaken in the past three years, which include the organization effectiveness program, administrative restructuring, and improved management and planning processes generally, have been designed to enable the Bank to offer a marked upgrading in the quality and range of its products.

## Notice of Meeting

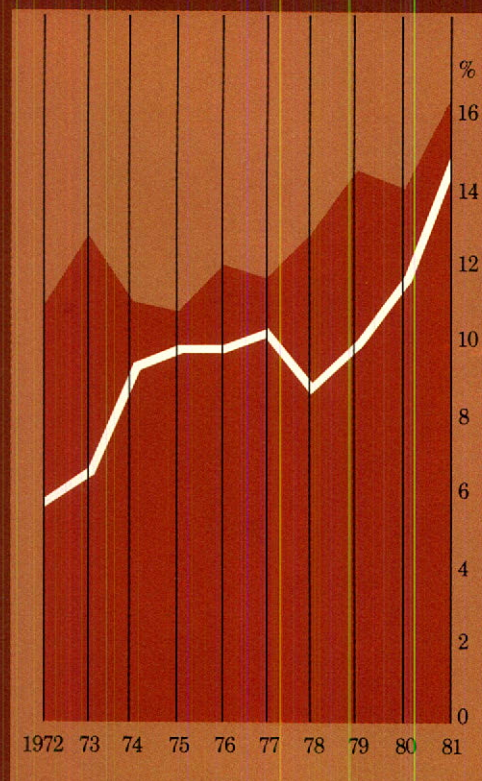
The Ordinary General Meeting of Proprietors will be held at the Wentworth Hotel (the Ballroom), Sydney on Friday 29 January 1982, at 11.00 am.

Further information regarding the Meeting, including the business to be dealt with, is contained in the separate *Notice of Meeting* enclosed with this Report.





Growth in consolidated assets



Return on Wales proprietors' funds

Proprietors' funds  
10-year bond rate Australia



# Highlights 1981

## Financial highlights

(consolidated) for the year	1981	1980
Net profit attributable to Bank's proprietors \$m	\$165.0	\$123.8
Return on proprietors' funds	16.5%	14.1%
Net earnings (including minority interests) to total funds employed	1.01%	0.85%
At balance date 30 September \$m		
Total assets	\$18,369	\$16,140
Deposits	\$11,908	\$10,796
Advances & other lending	\$12,522	\$11,008
Public borrowings of subsidiary companies (principally AGC Ltd)	\$2,797	\$2,365
Paid-up capital	\$233.8	\$233.8
Proprietors' funds	\$997.2	\$879.5
Per \$1 share		
Net profit (after taxes & minority interests)	\$0.71	\$0.53
Dividends paid and proposed	\$0.24	\$0.18
Net assets backing	\$4.27	\$3.76

## Operational highlights

Merger offer to shareholders of The Commercial Bank of Australia Limited
Syndicated lending for natural resource projects
Extension of Handybank
New main office in London
Profit by Hong Kong subsidiary
Houston representative office
Construction begun at North Ryde data centre

## Summary of consolidated results

	1981	%	1980	%
	\$000		\$000	
<b>Income</b>				
Interest received	1,746,333		1,419,098	
Less interest paid	1,016,118		777,217	
Net interest income	730,215	63.2	641,881	66.5
All other income (net – including extraordinary items)	425,110	36.8	323,296	33.5
Total income	1,155,325	100.0	965,177	100.0
<b>Expenses</b>				
Salaries	344,294	29.8	302,161	31.3
Other staff expenses	65,122	5.6	68,708	7.1
Operating expenses	287,606	24.9	243,550	25.2
Equipment expenses	54,734	4.7	39,027	4.1
Occupancy costs	57,087	5.0	46,479	4.8
	808,843	70.0	699,925	72.5
Income tax	154,372	13.4	123,756	12.8
Dividends	56,106	4.9	42,079	4.4
Minority interest	20,895	1.8	13,337	1.4
Retained earnings including additions to reserves	115,109	9.9	86,080	8.9
Total expenses, distributions and retentions	1,155,325	100.0	965,177	100.0



# Directors

Members of the Bank of New South Wales Board of Directors at 30 September 1981.

## Sir Noel Foley CBE

*Chairman since 1978 (title changed from President 1981). Director since 1964. Chairman of CSR Ltd. Formerly Chairman and Managing Director of Amatil Ltd.*

## Sir Vincent Fairfax CMG

*Director since 1953. Chairman of Australian Mutual Provident Society and Stanbroke Pastoral Company Pty Ltd, and Director of John Fairfax Ltd. President National Council of The Scouts' Association of Australia.*

## Sir Archibald Glenn OBE

*Director since 1967. Director of Alcoa of Australia Ltd and Newmont Holdings Pty Ltd. A former Chairman and Managing Director of ICI Australia Ltd. Formerly Chancellor of La Trobe University.*

## Sir James Foots

*Director since 1971. Chairman MIM Holdings Ltd. Director The XII Commonwealth Games Australia (1982) Foundation Ltd.*

## P L Baillieu

*Director since 1974. Long term association with the pastoral industry. Chairman Schroder, Darling and Company Holdings Ltd. Director of Consolidated Press Holdings Ltd and Australian Fertilizers Ltd.*

## W R D Stevenson OBE

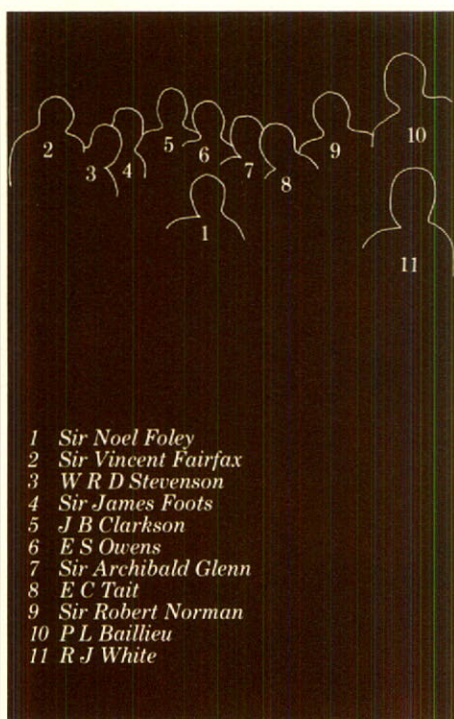
*Director since 1976. Senior partner in one of Sydney's leading law firms. Director of The Commonwealth Industrial Gases Ltd and Crown Corning Ltd.*

## Sir Robert Norman

*Director since 1970. Formerly Chief General Manager of the Bank. A Director of a number of public companies including: The Australian Gas Light Company Ltd, Hanimex Corporation Ltd, Reckitt and Colman Australia Ltd, and the Trustees Executors and Agency Company Ltd.*

## E S Owens CBE

*Director since 1978. Director of a number of public companies including: Monier Ltd (Chairman), ARC Industries Ltd, Byrne & Davidson Industries Ltd, and Renison Gold Fields Consolidated Ltd. Mr Owens is also Chairman of Aussat Pty Ltd.*



- 1 Sir Noel Foley
- 2 Sir Vincent Fairfax
- 3 W R D Stevenson
- 4 Sir James Foots
- 5 J B Clarkson
- 6 E S Owens
- 7 Sir Archibald Glenn
- 8 E C Tait
- 9 Sir Robert Norman
- 10 P L Baillieu
- 11 R J White

## J B Clarkson CBE

*Director since 1980. Executive Chairman Alcan Australia Ltd. Chairman Borg Warner (Aust) Ltd and Export Finance & Insurance Corporation. Director Brambles Industries Ltd.*

## R J White

*Chief General Manager of the Bank*

## E C Tait

*Deputy Chief General Manager of the Bank.*

The following Directors of The Commercial Bank of Australia Limited were appointed to the Board in October 1981.

## S M Kimpton

*Deputy Chairman. Chairman of the CBA Group since 1978 and a Board member for over 15 years. Vice-Chairman of National Mutual Life Association of Australasia Ltd. Director of Henry Jones (IXL) Ltd and Australian Innovation Corporation Ltd. Member of the Board of Management, Alfred Hospital, Melbourne.*

## J S Balderstone

*Deputy Chairman of the CBA Group since 1978 and a Board member for more than 10 years. Director of The Broken Hill Proprietary Company Ltd, Australian Mutual Provident Society, Woodside Petroleum Ltd, ICI Australia Ltd, and Stanbroke Pastoral Company Pty Ltd (formerly Managing Director).*

## S C G Macindoe

*Solicitor and Senior Partner in a Melbourne legal firm. Director of the CBA Group since 1971 and a Director of AUC Holdings Limited Group, Australian Consolidated Industries Ltd and P&O Australia Ltd.*

## Sir David Zeidler CBE

*Formerly Chairman and Managing Director of ICI Australia Ltd. Chairman of Metal Manufactures Ltd, Director of The Broken Hill Proprietary Company Ltd and Amatil Ltd. Vice-President and Hon. Treasurer The Walter and Eliza Hall Institute of Medical Research, Chairman Defence Industry Committee, Deputy National Chairman Queen Elizabeth II Silver Jubilee Trust for Young Australians.*

## Sir Frank Espie OBE

*A mining engineer, formerly Chairman of Bougainville Copper Ltd and Executive Director of CRA Ltd. Directorships include CBA Group, since 1977, Bougainville Copper Ltd, CRA Ltd, ICI Australia Ltd, Tubemakers of Australia Ltd, and Woodside Petroleum Ltd. Vice-President of the Australian Mineral Industries Research Association Ltd, and a Councillor of the Australian Academy of Technological Sciences. Chairman of the National Petroleum Advisory Committee.*

## D W Stride AO

*Formerly Managing Director of the CBA Group. A Director of the CBA and its principal subsidiary companies, since 1971, Chairman of the Australian Dried Fruits Corporation.*

## David Dobbie

*Deputy Chief General Manager of the Bank. Managing Director of the CBA.*







## The Chairman



*Sir Noel Foley*

**T**HIS report is an historic document, for it is the 164th and, if the proprietors accept the Board's recommendation, the last in the name *Bank of New South Wales*. Nevertheless, the report also portends the start of a new era for a greatly enlarged Bank, enriched in scope and expertise by its merger with The Commercial Bank of Australia Limited. The report of the Board of Directors on the next page records the stage to which the merger plans have been advanced since the end of the Bank's financial year. The CBA is now close to being a wholly-owned subsidiary and provision has been made for consolidation of the accounts on 30 September 1982.



I am confident that the merger will benefit customers, proprietors and staff alike. The merger of two distinguished banks into a single corporation with an enhanced deposit base will put it in a stronger position to meet the growing demand for banking and related services.

The need for the Bank to provide effective and competitive services was highlighted by the release in November of the report of the Campbell Committee of Inquiry into the Australian Financial System. The deregulated system advocated by the Committee would, if adopted by the Commonwealth Government, herald a period of momentous change for all financial intermediaries and beneficial development for the community as a whole.

The Committee has provided a coherent set of proposals for a financial system of maximum efficiency in which individual and corporate borrowers and lenders, as well as governments, would have to be guided by the realities of market forces when managing fund flows. Naturally banks would have to face up to a more competitive environment when operating in a system free of distortions. On balance, however, I believe that the loss of advantages for banks alleged to exist in some areas would be outweighed by their ability to compete on an equal footing with other financial institutions.

The recommendations of the Committee are well-argued. It would be dangerous for Australia's financial future if some of the vital ones were shelved for reasons of political expediency or short-term apprehension. In the long run, the implementation of sound growth policies in Australia depends as much on an unfettered flow of funds as it does on the possession of abundant natural resources. To try to cushion one section of the community unduly will invariably lead to the rest being correspondingly disadvantaged.

The past year brought its share of problems in managing the Bank's operations, both within Australia and overseas.

Depressed world trade conditions resulted in a prolongation of the lack of investor confidence in most western industrial nations. In Australia, prospects for strong growth, fuelled by a surge in investment in energy-related resources, called for fiscal and monetary policy restraint.

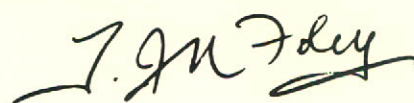
In the event, the over-ambitious target of 9%-11% established for growth in M3 conditioned the market to expect some increase in interest rates.

The delay by the official sector to respond to these market expectations resulted in no net sales to the public of Government securities, other than treasury notes, in the six months to December 1980. Consequently the Reserve Bank had to bear down more heavily on the banking system, including a call to statutory reserve deposits.

Belated yet welcome deregulation of all bank deposit interest rate controls in December 1980 showed the banking system's ability to innovate in a less-regulated environment. Despite that demonstration, quantitative lending controls and the interest rate ceilings on a large segment of lending have been retained.

Strong private capital inflow in the June quarter relieved a very tight liquidity situation for banks and contributed to M3 growth of 12.7%, which was appreciably above the target.

Continued administration of monetary policy by direct controls over the banks in the past twelve months has again illustrated the distortions imposed on the entire financial system. While it is recognized that the Government will take some time to consider and develop the recommendations of the Campbell Committee in detail, the general case for deregulation has been made beyond reasonable doubt.



T J N Foley  
CHAIRMAN

27 November 1981



## *Report of the Board of Directors*



*The Board at 30 October 1981*

**T**HE Directors of Bank of New South Wales have pleasure in reporting on the Bank's affairs and in submitting to the proprietors the Annual Report and audited accounts of the Bank for the year ended 30 September 1981. The highlight of the year was the decision to merge with The Commercial Bank of Australia Limited. As the acquisition of the CBA stock units occurred after the close of the Bank's financial year, the accounts of the CBA are not consolidated in the accounts of the Group herein.



**The Group net profit** after tax for the year, excluding amounts attributable to minority shareholders in subsidiaries, was \$165,047,000, an increase of \$41,257,000, or 33.3% over the previous year's figure and gives a return of 16.5% on year-end proprietors' funds.

The net profit of the *Trading Bank*, excluding intra-group dividends, was \$70,463,000, an increase of \$19,250,000 or 37.6%. The main factors contributing to this result were: the increase in volume of business, close attention to funds management, and improved results from operations overseas.

The *Savings Bank* recorded an increase in net profit of \$9,216,000, to \$34,577,000 (+ 36.3%). Despite a difficult year for deposit growth, the good result was achieved through an improvement in earnings on the mix of assets.

*Australian Guarantee Corporation Limited* had an excellent year and the Bank's share (76.8%) of AGC's profits increased by \$12,489,000 to \$55,721,000 (+ 28.9%).

**The final dividend** will be declared at the Ordinary General Meeting and will be payable on 29 January 1982.

Subsequent to 30 September 1981 the Bank issued 158,675,206 ordinary shares of \$1.00 each fully paid to those stockholders of The Commercial Bank of Australia Limited who accepted the Bank's offer of 26 June 1981 for their ordinary stock units, making the Bank's total issued and paid-up **capital** at this date \$392,449,361.

The Bank is proceeding to acquire, under the compulsory acquisition provisions of the Companies Act, the stock units for which acceptances were not received, and a further 4,746,608 shares each of \$1.00 fully paid will be issued when this process is completed, taking issued and paid-up capital to \$397,195,969.

The Group net profit was provided from the following sources:

	1981	1980
	\$000	\$000
Bank of New South Wales	70,463	51,213
Bank of New South Wales Savings Bank Limited	34,577	25,361
Other wholly-owned subsidiaries	2,549	2,237
Bank of New South Wales (PNG) Ltd (89.9%)	1,737	1,747
Australian Guarantee Corporation Limited (76.8%)	55,721	43,232
<b>Group net profit</b>	<b>165,047</b>	<b>123,790</b>
Extraordinary items (not included in Group net profit above)	6,168	4,369
The net profit of Bank of New South Wales as above	70,463	51,213
Plus intra-group dividends received	39,977	28,269
<b>Total net profit of the parent company</b>	<b>110,440</b>	<b>79,482</b>
to which is added:		
Extraordinary items	2,315	2,558
Balance brought forward from previous year	39,588	32,753
	<b>152,343</b>	<b>114,793</b>
Less dividends already paid out of profits:		
Interim dividend of 12c per share	28,053	18,702
Leaving a balance of	<b>124,290</b>	<b>96,091</b>
which the Directors propose should be dealt with as follows:		
Transfer to reserve fund	33,000	22,000
Transfer to contingencies reserve	8,500	9,000
Transfer to capital reserve	2,315	2,126
Payment of final dividend of 12c per share (making total dividend payment for the year 24c per share)	28,053	23,377
<b>Leaving balance to be carried forward</b>	<b>52,422</b>	<b>39,588</b>



**The Directors** in office at the date of this report are:

Sir Noel Foley CBE  
Mr S M Kimpton  
Sir Vincent Fairfax CMG  
Sir Archibald Glenn OBE  
Mr J S Balderstone  
Mr S C G Macindoe  
Sir James Foots  
Sir David Zeidler CBE  
Mr P L Baillieu  
Mr W R D Stevenson OBE  
Sir Frank Espie OBE  
Sir Robert Norman  
Mr D W Stride AO  
Mr E S Owens CBE  
Mr J B Clarkson CBE  
Mr R J White  
Mr David Dobbie  
Mr E C Tait

A resumé of Directors' interests is shown on page 34 of this report.

On 30 January 1981 the Board of Directors appointed Mr E C Tait a Deputy Chief General Manager and, pursuant to clause 37A of the Bank's Deed of Settlement, a Director.

On 30 October 1981 the non-executive directors of The Commercial Bank of Australia Limited, namely:

Mr S M Kimpton  
Mr J S Balderstone  
Mr S C G Macindoe  
Sir David Zeidler  
Sir Frank Espie  
and

Mr D W Stride  
were appointed directors.

Also, on 30 October 1981, Mr David Dobbie, Managing Director of The Commercial Bank of Australia Limited, was appointed by the Board of Directors a Deputy Chief General Manager of the Bank, and pursuant to clause 37A of the Deed of Settlement, a director.

In terms of the Deed of Settlement

Mr S M Kimpton  
Mr J S Balderstone  
Mr S C G Macindoe  
Sir David Zeidler  
Sir Frank Espie  
and  
Mr D W Stride

hold office only until the next Ordinary General Meeting and, being eligible, have offered themselves for election to the Board.

Mr David Dobbie and Mr E C Tait, in terms of the Deed of Settlement, hold office only until the close of the next Ordinary General Meeting. Their appointment is required to be ratified by resolution of the proprietors passed at that meeting.

Sir Archibald Glenn, Mr P L Baillieu, and Mr E S Owens retire by rotation and have nominated, and are eligible, for re-election.

The election of directors will be dealt with at the Ordinary General Meeting of Proprietors in the order shown on the notice which accompanies this report. The closing date for receipt of nominations for the office of director is 15 January 1982.

#### **Other statutory information**

**The principal activities** of the Bank, its wholly owned subsidiaries, and Bank of New South Wales (PNG) Ltd (89.9% owned) are general and savings banking, including the provision of an extensive range of retail, corporate and international banking services, travel services and unit trust, superannuation, investment management, and custodian services. The 76.8% owned subsidiary, Australian Guarantee Corporation Limited, provides financing facilities in the forms of hire purchase, leasing, personal loans, wholesale, factoring, and general finance.

It also undertakes fire and general insurance, development of and investment in properties, short-term rental of vehicles, and trading in bills of exchange. Partnership Pacific Limited, in which the Bank has a 50% interest, provides a wide range of merchant banking services.

The Bank's interest in Partnership Pacific Limited is not consolidated in the *Group balance sheet and statement of profit and loss* herein, but the value of the interest is included under the item *Shares in other companies - unlisted*.

During the year there was no significant change in the nature of the activities of the Group.

#### **Subsidiaries acquired**

During the year the Bank acquired the capital of:

Shareholding Investments Pty Limited for a consideration of \$2.00. Net tangible assets at acquisition were \$166,257.

Shareholding Investments (NSW) Pty Limited for a consideration of \$2.00. Net tangible assets at acquisition were \$2.00.

During the year Mirvac Pty Limited, 51% of the issued capital of which is owned by AGC (Developments) Limited, a wholly-owned subsidiary of Australian Guarantee Corporation Limited, acquired all the ordinary capital of 33-35 Pitt Street Pty Limited for a consideration of \$3,153,853. Net tangible assets at acquisition were (\$6,147).

**Shares and debentures issued** by corporations in the Group during the year included:

Shares:

*Bank of New South Wales Nominees Pty Limited*  
Authorized capital was increased by \$20,000 to \$84,000.

Issued and paid-up capital was increased to \$84,000 by the issue to parent Bank of 10,000 shares each of \$2.00 fully paid to facilitate the subscription for 20,000 shares each of \$1.00 fully paid in Wales Management Pty Limited.



*Wales Management Pty Limited*  
The authorized capital of the company was increased by \$20,000 to \$40,000.

Issued and paid-up capital was increased to \$34,000 by the issue of 20,000 ordinary shares each of \$1.00 fully paid to Bank of New South Wales Nominees Pty Limited, a wholly-owned subsidiary of parent Bank, to provide funds for its activities.

*AGC (Pacific) Limited* made a bonus issue to Australian Guarantee Corporation Limited of 75,000 ordinary shares of K2.00 each fully paid up arising out of capitalization of asset revaluation reserve.

To provide funds for its activities *Australian Guarantee Corporation (NZ) Limited* issued to Australian Guarantee Corporation Limited for cash

(a) 1,000,000 ordinary shares of NZ\$2.00 each paid to NZ\$1.00 each

(b) 1,750,000 ordinary shares of NZ\$2.00 each paid to NZ\$0.10 each

*The Wales Australia Limited, Hong Kong.* Authorized and issued capital increased by US\$15,000,000 to US\$20,000,000. Paid up capital increased by US\$10,000,000 to US\$15,000,000 by the issue to the parent bank for cash of 2,500,000 shares each of US\$2.00 fully paid and 5,000,000 shares each of US\$2.00 paid to US\$1.00 to enable the Company to apply to become a Licensed Deposit Taking Company.

Debentures:

*Wales Properties Limited*  
Private placement to holders of maturing debentures \$287,700.

*Australian Guarantee Corporation Limited*  
\$627,142,000.

*Australian Guarantee Corporation (NZ) Limited*  
NZ\$66,367,000.

The Directors took reasonable steps, before the accounts were made out:

(a) to ascertain what action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful

debts, and to cause all known bad debts to be written off and adequate provision to be made for doubtful debts and

(b) to ascertain that current assets were shown in the accounting records of the Bank at a value equal to or below the value that would be expected to be realized in the ordinary course of business.

At the date of this report the Directors are not aware of any circumstances which:

(a) would render the amount written off for bad debts or the amount of provision for doubtful debts in the Bank or subsidiary companies inadequate to any substantial extent

(b) would render the values attributable to the current assets in the accounts of the Bank or subsidiary companies misleading

(c) are not otherwise dealt with in the report or accounts which would render any amount stated in the accounts of the Bank or subsidiary companies misleading.

No charge on the assets of any corporation in the Group has arisen since the end of the financial year to the date of this report to secure the liabilities of any other person.

No contingent or other liability of the Bank or subsidiary companies has become or is likely to become enforceable within a period of twelve months after the end of the financial year which, in the opinion of the Directors of the Bank, will or may affect the ability of the Bank or subsidiary companies to meet obligations as and when they fall due.

In the opinion of the Directors the results of the operations of the Bank and its subsidiary companies were not substantially affected by any item, transaction or event of a material or unusual nature.

Since 30 September 1981, consideration has been paid for the purchase of 76,569,178 ordinary stock units and 208,108 preference stock units in The Commercial Bank of Australia Limited pursuant to offer made to stockholders on 26 June 1981.

At the date of this report the Bank is the beneficial owner of

approximately 97.2% of the ordinary capital and 98.3% of the preference capital of The Commercial Bank of Australia Limited, the accounts of which will be consolidated with the accounts of the Bank for the year ending 30 September 1982.

Apart from the interest acquired in The Commercial Bank of Australia Limited since 30 September 1981 and to the date of this report, in the opinion of the Directors, no item, transaction, or event of a material and unusual nature, which would affect substantially the results of the Bank and its subsidiary companies for the next succeeding financial year, has occurred.

No Director since the end of the previous financial year has received or become entitled to receive a benefit (other than normal professional fees received by a firm of solicitors of which a Director is a partner) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

The interests of Directors and their families in the share capital of the Bank do not exceed in the aggregate five per cent.

For and on behalf of the Board of Directors

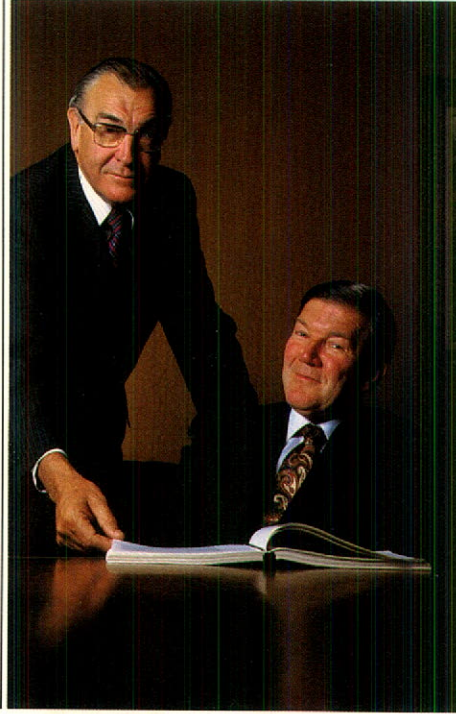
T J N Foley CHAIRMAN

V C Fairfax DIRECTOR

27 November 1981



## Chief General Manager's Report



*Mr R J White (seated), Chief General  
Manager and Mr E C Tait, Deputy Chief  
General Manager*

**A** welcome return to buoyant economic growth in Australia in the 12 months to September presented the Bank with a challenging environment. The surge in investment, accompanied by strong consumer spending, led to intense competition for loan funds, already scarce because of government restrictions on money supply growth and bank lending. Heightened competition from non-bank financial institutions placed consistent pressure on interest rate margins and close attention had to be paid to containing operating costs. In these circumstances, the Bank's outstanding profit result (+33.3%, see page 11) from all of its major activities was very pleasing.



In order to accommodate customer requirements in the past year, the Bank had to extend its intermediation beyond the traditional forms of lending. For example, to deploy its limited resources more effectively, the Bank was obliged to make increased use of bank bills for corporate finance and to encourage companies to use fully-drawn advances, rather than discretionary overdrafts.

Boosted by exceptionally strong demand for funds in the September quarter, our Trading Bank loans outstanding in Australia at the end of the year amounted to \$5.1bn, a rise of 16% in 12 months, compared with 13% a year earlier.

Trading Bank deposit growth of 14% to \$6.3bn (+13% in 1980) also accelerated in the September quarter.

In the face of interest rate controls on lending, growth in Savings Bank deposits remained muted (see page 17).

### Interest rates - Australia

A matter of outstanding concern to borrowers during the year has been the rise in interest rates.

It is beyond question that the rise was inescapable. A combination of persistently high inflation, government restrictions on money supply (M3) growth, and buoyant demand for investment funds, ensured that competition for deposits was keen. The increased costs of attracting funds had to be passed on in higher lending rates.

In this volatile environment, it was imperative that the Bank continue to monitor closely the relationship between the rates charged to borrowers and the rates paid for deposits.

To do this, a market rate is calculated regularly from a formula which reflects not only the direct cost of deposits but also the added costs of maintaining the official liquidity ratio and the required Reserve Bank statutory

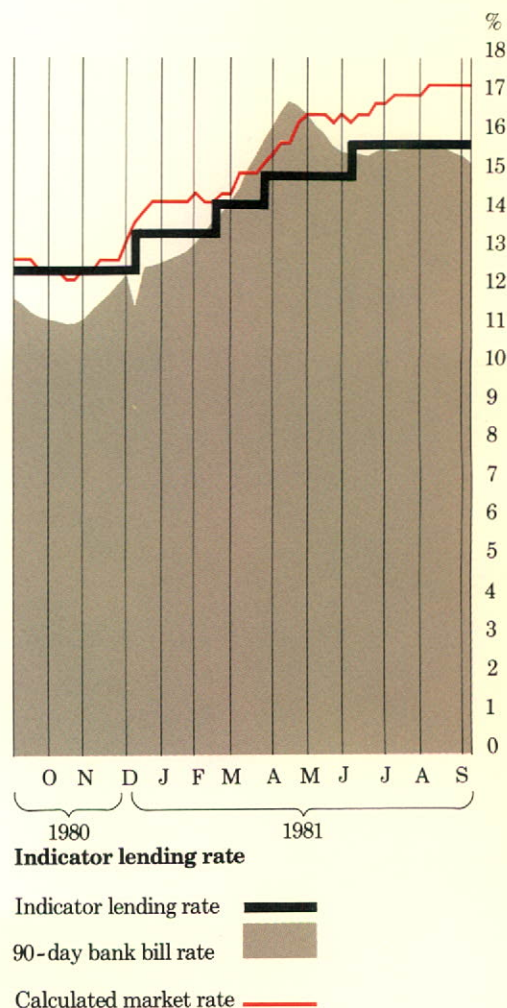
reserve deposit (SRD). At the end of the current year, the Bank was required to maintain at least 18% of its deposits in prescribed liquid assets, and to lodge a further 7% of its deposits in SRD, compared with 6% last year and 3.5% in 1978. The interest paid on SRD is only 2.5%, a rate which has been unchanged since November 1978.

Against the background of the calculated market rate, an "indicator lending rate" is derived as a guide to the rates to be applied to loans of \$100,000 and over. Margins are assessed, depending on such factors as the credit standing of the borrower, the nature of the security held, and the value to the Bank of other earnings from the account. About one-third of loans outstanding are affected by the indicator rate. The remainder of loans are at rates which are controlled by the authorities.

During the year, the indicator rate was increased from 12.5% to 15.75%, yet the latter figure was substantially below what was calculated to be the market rate. Movements in both rates during the 12 months to 30 September are shown in the accompanying graph. For purposes of comparison, the 90-day bank bill rate (on the basis of a six-week moving average) is also shown.

The graph shows that after June the indicator rate was not increased to follow the calculated market rate. The decision to allow this divergence was governed principally by a desire not to add further impetus to the rise in interest rates generally and by a perception of longer-term trends.

The expectation that upward pressures would come off short-term rates after their seasonal peak in May was, to some extent, subsequently confirmed by the drop in the 90-day bank bill rate. The Bank's decision to withhold further increases in its indicator rate may have helped to stabilize the general interest rate structure.











Mr F A Schulte (seated), General Manager Domestic Business and Mr D C Forsyth, General Manager's Assistant

	Sub- Branches	branches	Agencies	Total
New South Wales	407	10	56	473
ACT	11	2	3	16
Victoria	212	—	5	217
Queensland	168	—	25	193
Western Australia	130	1	25	156
South Australia	58	2	1	61
Tasmania	13	—	1	14
Northern Territory	4	—	3	7
Norfolk Island	1	—	—	1
Christmas Island	1	—	—	1
	1,005	15	119	1,139

Photograph left: Mr K J Beresford (right), Manager, Roma (Qld) branch, discusses the progress of the 1981 wheat crop at "Bendemere", Yuleba, owned by Mr and Mrs P L McLennan.

## Domestic business

### Australia

At the end of September, the Bank was represented at 1,139 points throughout Australia, nine more than a year earlier. During the year, seven new branches were opened and four closed.

Throughout the year, competition for deposits was intense for the Domestic Business unit which has the prime responsibility for providing a full range of financial products to the personal sector, small and medium-sized businesses, government and semi-government organizations, and other financial institution customers.

Competition was particularly strong from such non-bank financial institutions as building societies, finance companies, credit unions and the new cash management trusts.

Our ability to attract funds was enhanced when in December 1980 we were given freedom in quoting deposit rates. However, the banks' ability to capitalize fully on the benefits of this freedom was curbed by the retention of uncompetitive interest rate ceilings on small trading bank loans. Moreover, the incentive to take a sustained and aggressive stance in deposit raisings was dampened by the Reserve Bank's quantitative restraints on trading bank lending.

Reduced beef prices, and a poor wheat crop as a result of severe drought, also had an adverse effect on deposit growth in rural branches.

Despite the high interest rate structure, inherent in the Government's policy of containing growth in the money supply as an essential element of its anti-inflationary strategy, demand for loans was high from the rural sector, small businesses, and the personal sector.

Bankcard operations recorded strong growth. The cardholding base rose 16% to almost 750,000, and transactions grew by 26% to 11m with turnover up by 40% to nearly \$600m.

The persistence of interest rate controls for savings bank housing loans resulted in the funds available for housing being severely limited. Savings Bank deposits rose by only 5% to \$3.1bn (+6% to \$2.95bn in 1980). An unacceptably high proportion of applications for loans had to be refused. Savings Bank home loans outstanding at the end of the year amounted to \$1.85bn, an increase of 12%, compared with \$1.65bn (+13%) in 1980.

The Travel Division experienced a difficult year in the face of a shift in consumer preference towards short-haul trips in the Pacific area and domestic tourism, as opposed to European holidays, with a consequent decline in commission revenue. Nevertheless, computerization of operations will lead to increased efficiency and a more streamlined organization to take advantage of any market upturn.

Investment Services achieved record results. Membership of superannuation funds rose by 11,060 to 56,200, with increased contributions of \$23m. Unit sales in the trusts and funds managed by the Bank rose by \$240m. The value of funds under management rose to \$1.6bn and of custodian securities to \$1.95bn.

During the year, customers displayed an enthusiasm for our Handybank installations. The system was extended to Adelaide, Brisbane and Canberra. In the current six months, this new service, operating 16 hours a day, will be opened in Perth, Hobart, Launceston, Darwin, Wollongong and Gosford.

Other successful innovations during the year included:

Upgrading of the statement savings account with a top interest rate of 10%. It can be operated through Handybank as well as across branch counters.

The Wales "bonus plus" scheme, offering a free cheque account to any depositor who maintains \$3,000 or more in a bonus deposit account.

The silver anniversary promotion of the Savings Bank, attracting more than \$50m in investment savings accounts.



## Corporate business

Continued official restraints on lending necessitated a high degree of innovation to ensure that the requirements of customers were satisfied.

Emphasis has been placed on specialization in the Corporate Banking Division to provide effective services for the varied needs of corporate customers. Activities are divided into industry portfolios with technical support groups. This structure permits an active marketing program, essential to meet competition, not only from traditional domestic financial institutions but also from merchant and overseas banks which see corporate business as their prime target.

The role of the specialist has become particularly important in lending to the minerals and energy sector, the area of the most vibrant expansion in the Australian economy. A new dimension to resource lending has been added by the size and technological complexity of projects under construction. Moreover, many resource developments are now being financed on the basis that lenders have recourse only to the assets and revenues of a particular project. The acquisition of specialists, with such skills as mining, engineering, and geology, to add to our team of experienced corporate bankers, has enabled the Bank to be in the forefront of the area of project financing.

During the year, the Bank acted as either lead or co-lead in four major syndicated loans to minerals and energy developers and participated in a further seven. The total debt requirements of these projects amounted to approximately \$2.5bn, with a substantial amount being funded offshore.

The largest of these loans was the US\$1.4bn Woodside Petroleum Ltd. syndication in which the Bank participated as a co-manager. The Bank is currently leading a \$250m syndicated loan,

believed to be the largest Australian dollar project financing raised to date, for the CRA group's Tarong coal project. The Bank also arranged and managed a \$50m project loan for the Oakbridge Limited group's coal developments.

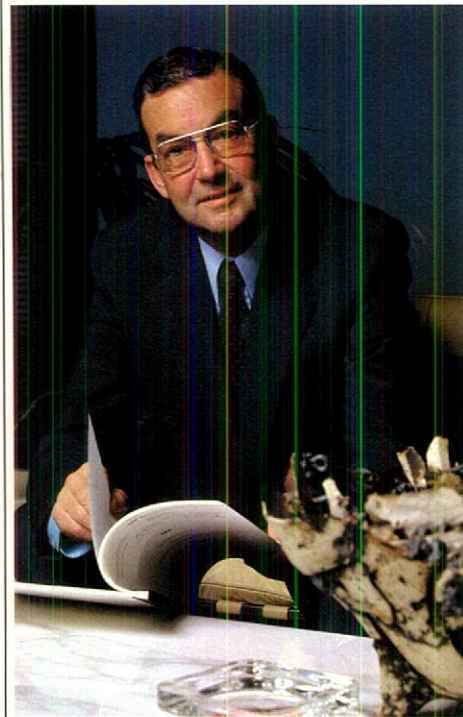
In conjunction with the rapid expansion in borrowing requirements of individual corporations, the incidence of syndicated loans has grown. Our special projects area has been enlarged to handle the management and agency roles of these facilities. The Bank also managed a syndicate of lenders which provided seasonal finance to the Australian Wheat Board amounting to \$1.1bn.

Demand for leasing facilities has been heavy from resource-based industries and public utilities, and the Bank has participated in projects involving aircraft, ships, cranes, buses, rail locomotives, coal draglines, and computer equipment.

Participation has mainly been on an equity basis, but the Bank has developed the capacity to put together leveraged lease transactions in their entirety, including the arrangement of debt and equity participation and management of the lease during its term.

The Bank is concerned by the withholding tax constraint on raising finance offshore for on-lending in Australia to companies with a substantial foreign ownership. Interest payments to service such funds are subject to a 10% withholding tax. Many foreign banks are able to obtain tax credits overseas and, thus, can quote to supply funds on the basis that the lender will absorb Australian withholding tax. By contrast, these facilities are not available to Australian banks.

It is ironic that Australian legislation should act in practice to exclude the Bank from financing development from foreign-sourced funds, especially when the Bank has the capacity to marshal such funds at competitive rates through its offices overseas.



*Mr N J R Meldrum, General Manager  
Corporate Business*

*Photograph right: The Buchanan  
Borehole coal mine in the Hunter Valley.  
During the year the Bank stepped up its  
lending for energy projects, in particular  
coal, uranium, and oil and gas.*













*Mr S A Fowler, General Manager  
International Business*

*Photograph left: The Bank is providing  
finance to a consortium of Australian  
construction companies building the Nadi/  
Lautoka water supply, Fiji.*

## International business

Despite the depressed nature of almost all the world's major economies, the Bank performed well in its international operations during the year.

In the United States, a representative office was established at Houston, Texas, and a licence was sought for a limited branch at Chicago, Illinois, the focus for many major companies with strong Australian and New Zealand affiliations. Both offices are expected to be fully operational early in 1982 and will be complementary to the activities of our New York and San Francisco offices.

To assist with advice on the future development of operations in the USA, Mr James D Wolfensohn has been engaged as the Bank's American Adviser. Mr Wolfensohn, formerly an Executive Partner of Salomon Brothers of New York, has an outstanding reputation as an investment banker.

The Bank was recently given the highest credit rating by Moody's Investor Services Inc. A rating is necessary in order to participate in the US commercial paper market which provides access to major institutional investors and the potential to broaden our funding base.

In Asia, both the Singapore branch and the wholly-owned Hong Kong subsidiary, The Wales Australia Limited, expanded their operations ahead of expectations.

Reorganization of the Bank's operations in London, centre for European business, continued throughout the year. Principal activities are now conducted from our new Walbrook House office in the City, instead of from Threadneedle Street, the main London office since 1911.

Revenues showed substantial growth, reflecting a greatly enhanced foreign exchange and money market operation, although costs inherent in the move to new premises were high.

At the beginning of 1981, the newly-established treasury group of the International Division in Australia became fully operational, and a new Chief Manager, Foreign Exchange and Money Markets, Mr Reginald Barham, took up his appointment in London.

## New Zealand

In New Zealand, where the Bank's operations comprise about 9% of the nation's total banking business, Trading Bank deposits rose during the year by 17% to NZ\$860m. The bulk of the growth was in time deposits. Over the same period, total lending rose by 26% to NZ\$640m.

The relatively high growth in lending reflected in large part the activities of a new Corporate Business unit, formed to strengthen the Bank's expertise and expand its participation in major development projects.

Savings Bank business was, however, more subdued, with deposits rising by 6% to NZ\$172m and loans by 12% to NZ\$87m.

In the area of investment services, the Bank introduced a personal superannuation scheme which has proved highly successful in filling a gap in the range of retirement schemes available to the community.

The value of all funds managed under Wales investment management services grew by 33% to NZ\$85m.

A business advisory service was introduced in August to provide a specialist management resource for the development of small to medium-sized business.

New branches were opened during the year at Stortford Lodge, Te Puke and Manukau City Centre. The Bank now has 155 points of representation throughout New Zealand, comprising 125 branches, 2 sub-branches and 28 agencies.

## Papua New Guinea

The subsidiary Bank of New South Wales (PNG) Ltd (89.9% owned with 10.1% local equity) experienced strong demand for



funds throughout the year, with advances rising by 33% to K103.2m. By contrast, deposits grew only marginally to K119.5m and, in the face of intensified competition for funds, interest rates rose sharply.

Notwithstanding the high cost of funds, a record net profit of K1.52m was achieved (K1.43m in 1980).

Because of deteriorating economic conditions, exacerbated by a balance of payments deficit, and in the face of tightening liquidity and increased utilization by loan facilities, it was deemed prudent that the parent Bank make available a standby facility of K12m. As at 30 September 1981, K5m had been drawn under the facility.

The Bank, in line with priorities set by the central bank, continued to play a major role in the provision of seasonal finance for agricultural commodity exporters. In addition, much new lending was directed towards agricultural development, manufacturing, food processing and other import-replacement industries. The Bank also participated in a syndicated Eurocurrency loan of US\$125m to Bougainville Copper Ltd.

New points of representation established during the year included a sub-branch at Kiunga to service the K1 bn Ok Tedi copper and gold mine development and an agency at Gusap, the site of the Ramu sugar project. The PNG subsidiary now has 17 branches and five sub-branches.

Computerization of cheque and savings accounts will take place in 1982 following the formation of Monidata Pty Ltd by all banks and the central bank to provide electronic data processing facilities.

#### **Fiji and Pacific Islands**

In 1981 the Bank celebrated its 80th year of operations in Fiji.

Despite heightened competition from the Government-owned National Bank of Fiji, business in Fiji grew satisfactorily during the year. Demand for funds was heavy with advances growing by

26%, although growth in deposits (+14%) was more subdued. As a result, tight liquidity, which is expected to continue during 1982, was experienced in the final quarter of the year.

Two new products were introduced — the Wales cash card, designed to speed customer service, and “ultra light” invisible signature recording.

An on-line computer network, centralized in Suva, will provide computerized facilities for trading and savings bank operations in all branches by March 1982.

The Bank's branch at Tarawa, Kiribati, has continued to expand. In the face of a decline in economic activity, however, business of the branch at Vila, Vanuatu, remained static.

*Photograph right: A selection of the syndicated Eurocurrency loans in which the Bank has participated through its offshore offices.*

#### **International representation**

The Bank's operations overseas were conducted through 225 offices as at 30 September 1981:

	Branches	Agencies	Representative Offices	Total
<b>South West Pacific</b>				
Fiji	7	14		21
Kiribati - Tarawa	1	2		3
New Zealand	127*	28		155
Papua New Guinea (Bank of New South Wales (PNG) Ltd)	22*	11		33
Vanuatu - Port Vila	1			1
<b>South and East Asia</b>				
Hong Kong (The Wales Australia Ltd)	1			1
Indonesia - Jakarta			1	1
Japan - Tokyo			1	1
Singapore	1			1
<b>Americas</b>				
United States				
- New York	1			1
- San Francisco #	1			1
- Houston			1	1
Cayman Islands	1			1
<b>Europe</b>				
United Kingdom - London	2			2
Federal Republic of Germany - Frankfurt			1	1
<b>Middle East</b>				
Bahrain - Manama			1	1
Total	165	55	5	225

\*Includes two sub-branches in New Zealand and five in Papua New Guinea  
#The Bank's San Francisco office is defined as an agency under Californian regulations.

In addition the Bank is represented in:  
**Tonga** - by the Bank of Tonga in which the Bank of New South Wales has a 20% interest.  
**Western Samoa** - by The Pacific Commercial Bank Ltd. in which the Bank of New South Wales has a 40.6% interest.



KOHAP LTD.  
US\$7,000,000  
Credit Facility

DECEMBER 1980  
The Republic of Cyprus  
100,000

AL ALUMINIUM COMPANY LIMITED  
US \$ 680,000,000  
MEDIUM TERM LOAN  
Guaranteed by  
INDIA  
Lead Managed by  
BANKAMERICA INTERNATIONAL GROUP  
BANQUE NATIONALE DE PARIS  
SOCIETE GENERALE  
STATE BANK OF INDIA  
Managed by  
THE BANK OF TOKYO, LTD.  
DAI NIPPON BANK, LTD.  
BARCLAYS BANK LIMITED  
(INCORPORATED IN ENGLAND)

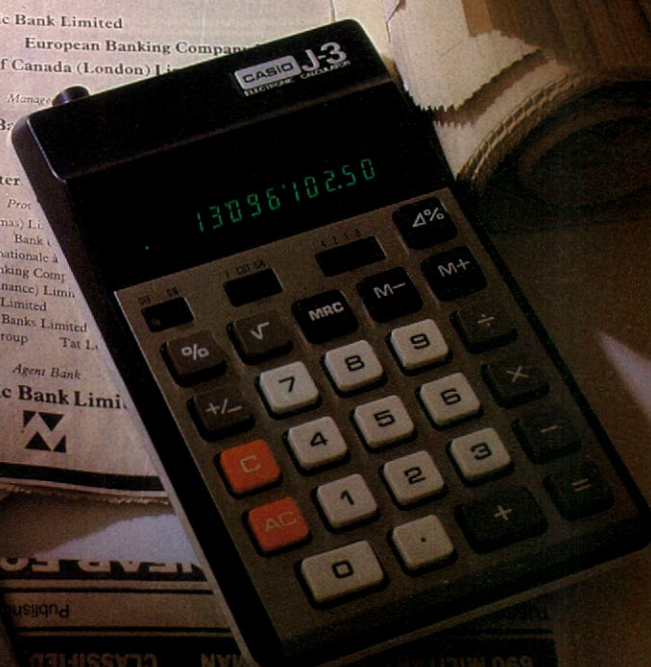
THE FEDERATION OF MALAYSIA  
US\$450,000,000  
TERM LOAN  
LEAD MANAGERS  
BANK BUNIPUTRA MALAYSIA BERHAD  
THE BANK OF TOKYO, LTD.  
LLOYDS BANK INTERNATIONAL LIMITED

\$400,000,000 medium-term Euro-dollar loan  
Republic of Indonesia  
Bank Indonesia  
Lead Managers  
Allied Bank International  
Nordic Bank Limited  
European Banking Company  
The Royal Bank of Canada (London) Limited  
Bank of New South Wales  
Midland and International  
Allied Bank and Trust Company (Bahamas) Limited  
Bank of China, London Branch  
Banque Internationale de Commerce  
The Commercial Banking Company of Hong Kong  
Credit Lyonnais Hong Kong (Finance) Limited  
European American Bank (Bahamas) Limited  
Midland and International Banks Limited  
The Bank of Canada Group  
Agent Bank  
Nordic Bank Limited

BUSINESS TIMES  
Friday, April 3, 1981

长城饭店  
北京, 中华人民共和国

The Great Wall Hotel Joint Venture of Beijing  
U.S. \$72,000,000 Term Loan



SOLIDATED IN  
GASES, IN  
PHILIPPINES  
PROJECT FINANCING FACILITY  
POSCO, Inc. & The Government of Korea

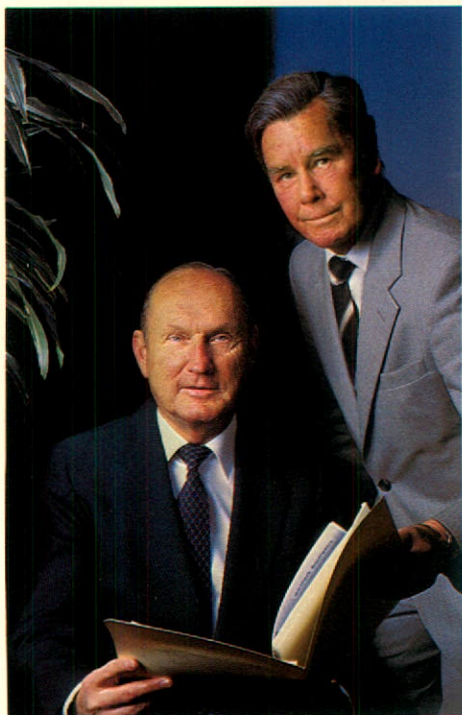
let down

Ben Boyce Real Estate  
336 NEUTRAL BAY  
908 1100  
Richard and Peter Corbett  
690 MILL ROAD









Mr A J McLennan (seated), General Manager Management Services and Mr G P Hessel, Chief Manager Premises

Photograph left: The computer room at 77 King St, Sydney, the central processing point for the Bank's Australian computer complex. Miss Jenny Tung Yep, computer operator (foreground) with Mr Gordon Herriott (Assistant Manager) and Miss Kathy Leach (job-preparation officer).

## Internal operations

### Personnel

Fundamental to the success of the Bank is the professionalism of the staff, working in 14 countries. During the year, we again received excellent support in all areas.

Distribution of the Bank's employees at 30 September 1981:

Australia	20,599
New Zealand	2,003
Papua New Guinea	664
Fiji	418
United Kingdom	356
United States of America	66
Kiribati	33
Singapore	26
Hong Kong	22
Vanuatu	11
Japan	5
Federal Republic of Germany	4
Indonesia	2
Bahrain	2
Total	24,211

Staff numbers were 1,039 (+ 4.5%) more than a year earlier.

Women comprise just over half the staff, and policy is to continue to provide training and opportunities for them to progress into supervisory and management positions. During the year, the number of women in career appointment positions more than doubled to 530.

In its international operations the Bank is placing less reliance on Australians and New Zealanders to fill senior positions. In Fiji, for example, three management positions are held by locally recruited staff.

Throughout the Bank, a commitment has been made to team building and improving expertise to provide better customer service. A longer-term goal is to have most managers equipped with an appropriate

tertiary qualification. Financial encouragement is provided to staff to undertake tertiary education in approved areas of study. Undergraduate and post-graduate scholarships are awarded to officers with a high potential.

A cordial relationship is enjoyed with the Australian Bank Employees Union. The Bank has developed and introduced a series of industrial relations seminars for regional personnel managers. The objective is to encourage settlement of day-to-day issues locally wherever possible.

In recognition of smoothing the problems associated with mobility, a Bank-sponsored conference of a wide range of staff members made recommendations which led to improved policies for transfer between one town or city and another. Prior consultations are held with the officers concerned and compensation provisions have been improved.

Formation of staff social and sporting clubs is encouraged, offering fellowship and competition in most regional areas. AGC staff are now involved in the Staff Club.

Last year's *Report for Staff*, which was prepared by a committee of younger employees, won two major awards. They were the inaugural Public Relations Institute of Australia/Unilever Award for "excellence in the business communications area of public relations" and the Enterprise Australia 1981 Gold Seal Award for Reports to Employees.

During the year, Australian staff were given the option of retaining membership of existing provident funds or joining a new superannuation scheme launched in October 1981. The new scheme is available to all employees: men, women, and services staff. It completes the cycle of the introduction in recent years of similar, non-discriminatory funds for United Kingdom and New Zealand employees.



The compulsory retiring age in Australia has been lowered to 60. The new scheme also offers substantially better benefits to dependents of employees who die in service and a greater range of options for the payment of retirement payments.

### Premises

A comprehensive program of constructing new branches and renovating existing ones was sustained during the year to improve conditions for customers and staff alike and to cater for the constant expansion of our business needs.

Among the major new branches completed during the year were Mildura (Vic), Belmore (NSW) and George and Herschel Streets, Brisbane.

Extensive alterations were carried out at Bathurst, Blacktown, Epping and Griffith, all in NSW.

In the current year, alterations and additions are scheduled to begin in 39 branches, mostly in NSW, and construction of another 12 new branches will be undertaken. Two chief offices to be renovated this year are Adelaide and Port Moresby.

Of the Bank's older premises, those at 228 Pitt Street, Sydney and Queen and George Streets, Brisbane, are to be refurbished with care taken to preserve their historical features. The five-floor building in Pitt Street, dating back to the early 1900s, is to have new offices constructed at the rear of the site. The facade and the stained-glass dome over the banking chamber are to be restored and the banking chamber decorated in the style prevailing at the time the building was erected. Modernization of the 50-year old Brisbane building, formerly the chief office, will prolong its usefulness for at least 40 years.

With a view to the containment of costs, research is being undertaken in such fields as modular, prefabricated buildings for temporary premises and housing in remote areas, the introduction of a range of materials for office fittings, such as plastics and fibreglass, and energy conservation.

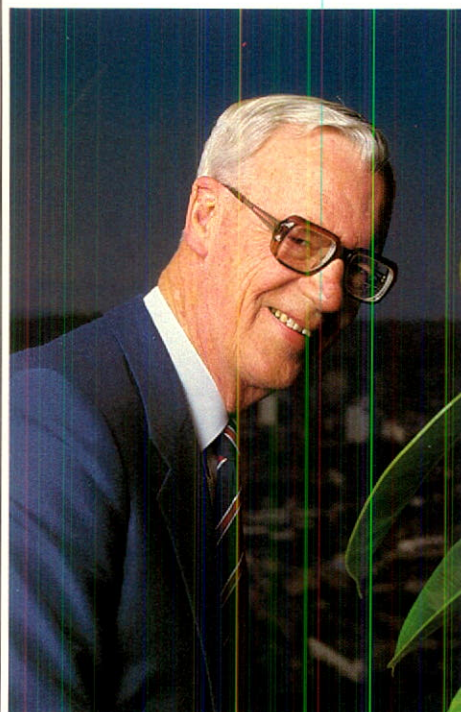
### New Data Centre

Construction has begun on a new data processing facility in the Sydney suburb of North Ryde, scheduled for completion in mid-1983.

The Ryde Data Centre will be the primary point of computer processing for the Bank. It is being built for the sole purpose of housing computers, ancillary processing equipment, and computer research functions. No other bank activities will be undertaken there. Fall-back for production will be provided by a similarly equipped centre at King Street, Sydney.

Facilities at North Ryde will be adequate to provide all equipment necessary for projected production loads and ensure continuity of computer-based operations. They will also be sufficient to allow for the installation of additional (parallel) systems when equipment is being upgraded and for experimental systems to research and develop cost-effective services.

Progress was made during the year in developing the data processing service to the standard required to meet expanding customer needs. Ledger updating for all States except Western Australia was centralized. The service will be extended to WA in November. A further 140 branches in NSW, Victoria, Queensland, and Tasmania were connected to on-line computer processing via telecommunications lines.



*Photographs:*

*Top: Mr J C Keck, General Manager Personnel Services*

*Bottom: Mr I C Matheson (seated), General Manager Finance and Planning and Mr J R Love, Administrative Officer*

*Right: The banking chamber at 341 George Street, Sydney. When the Bank moved its head office to this site in 1853, it had three other branches. Today it has more than 1,000 in Australia alone.*







## Associated companies

Very good results were recorded by all the main companies associated with the Bank.

**Australian Guarantee Corporation Limited** (76.8% owned): In 1980/81, the Bank's finance subsidiary recorded its 21st successive increase in final profit, to \$71.9m. The Bank's share amounted to \$55.1m. The increased (+28%) profit for AGC was achieved despite higher borrowing costs. Results were enhanced by the reduction in bad debt losses, reflecting the recovery in the motor industry compared with the previous year. During the year, gross receivables rose by 18% to \$4.9bn, with pronounced growth in commercial lending, in particular property finance. AGC (Insurances) Ltd contributed an after-tax net profit of \$7.9m, down on the previous year's \$8.3m. This included a pre-tax underwriting loss of \$1.4m, which was not considered unsatisfactory in the light of industry experience.

**Partnership Pacific Limited** (50% owned): In the year to 30 June 1981, operating profit of PPL, Australia's largest merchant bank, rose by 107% to \$8.9m. A dividend of 10% was declared, the first since the company's formation in 1969. The range of services offered by PPL was expanded considerably during the year, especially in the fields of trade finance, foreign currency hedging, project finance and packaging of leveraged leases. In December 1980, the Bank of America NT & SA, one of the founding partners, sold its one-third interest to the Bank of New South Wales and the Bank of Tokyo which are now equal owners of PPL.

**Collins Wales Pty Ltd** (50% owned): The company, formed in association with the Collins House Group to redevelop 360-374 Collins Street, Melbourne, recorded its first operating profit, of \$2.1m, in the year to 30 June 1981. Directors have recommended a dividend of \$2.0m.

**The Wales Australia Limited** (100% owned): Net profit in 1980/81, the first full year for the Hong Kong-based deposit-taking subsidiary, amounted to US\$601,000. No dividend was declared. Good progress was made in putting together a balanced loans portfolio. Emphasis was placed on developing business with Australian and New Zealand related companies domiciled in Hong Kong, particularly for trade finance and related services.

**Wales Properties Limited** (100% owned): Faced with the higher cost of borrowings, the after-tax net profit of this subsidiary in 1980/81 fell by \$0.5m to \$1.3m. No dividend was declared. The company's principal purpose is to finance the ownership and development of buildings in which the Bank has a substantial occupancy. At the end of the year, it had assets valued at \$130.7m.

### Other investments

In addition to Group subsidiaries listed in *Notes to the Accounts*, the Bank has shareholdings of 10% or more in the following companies:

Australia	% Holding
AUC Holdings Limited	11.3
Australian Resources Development Bank Limited	16.7
Charge Card Services Limited	14.3
Old Sydney Town Pty. Limited	25.0
Primary Industry Bank of Australia Limited	12.5
Schroder Darling & Company Holdings Limited	10.0
Overseas	
Bank of Tonga — Kingdom of Tonga	20.0
Databank Systems Limited, New Zealand	13.3
New Zealand Bankcard Associates Limited	33.3
Kuwait Pacific Finance Company Limited, Hong Kong	10.0
Pacific Commercial Bank Limited, Western Samoa	40.6
*Pacific International Trust Company Limited, Vanuatu	20.0
*Since balance sheet date, sale of this holding has been negotiated	

*Photograph right: A Qantas 747SP in the maintenance hangar at Sydney airport typifies the capital equipment supplied to companies and authorities via leveraged leasing deals negotiated by AGC, the leading Wales subsidiary.*

## Prospects for 1982

The banking system's ability to cope with continued strong demand for loans is likely to be constrained for the rest of the fiscal year.

If the Reserve Bank's directive to limit growth in trading bank advances to 12% and the Government's objective that M3 growth should not exceed 11% are to be attained, a growing proportion of lending will have to be funded by non-bank financial institutions.

Such a costly distortion of financial flows would highlight the efficacy of the recommendations of the Campbell Committee of Inquiry into the Australian Financial System, advocating deregulation.

The need is urgent for the Committee's recommendations to be implemented. The longer a decision is delayed, the greater the misallocation of resources will become, for non-bank financial institutions will spawn new techniques to marshal funds which prosper only because of regulations on bank operations.

The re-emergence of upward pressures on inflation is disturbing. Success in curbing these pressures will be fundamental to sustained economic growth. It will also have a profound influence on the volume of private capital inflow, necessary for the replenishment of domestic liquidity in 1981/82.

The need to keep the Bank at the forefront in funding Australia's undoubted growth potential is uppermost in the mind of the Bank's administration.

Our ability to achieve this objective has been enhanced by the merger with The Commercial Bank of Australia which is planned to be complete in 1982/83. The combined resources of the merged Bank will ensure that we maintain our leadership in the financial markets of Australia and the South West Pacific.







# Executive Organization

At 31 October 1981			
Chief General Manager		Robert J White	
Deputy Chief General Manager		E C Tait B COM AASA ACANZ	
General Managers		S A Fowler	<i>International Business</i>
		J C Keck DIP COM AASA	<i>Personnel Services</i>
		I C Matheson B COM FASA	
		FBIA AAUQ	<i>Finance &amp; Planning</i>
		N J R Meldrum	<i>Corporate Business</i>
		A J McLennan AASA	<i>Management Services</i>
		F A Schulte	<i>Domestic Business</i>
<b>Australian Divisions</b>			
New South Wales	<i>Endeavour House 66 Pitt St Sydney</i>	M W J Butcher	<i>Chief State Manager</i>
		D E Willis	<i>Chief Manager Northern Regions</i>
		A J Sanders	<i>Chief Manager Central Regions</i>
		L W Ullman	<i>Chief Manager Southern Regions</i>
Sydney Office	<i>341 George St Sydney</i>	K L Shepherd	<i>Chief Manager</i>
		Barry Mitchell	<i>Manager Sydney Office</i>
Victoria	<i>Collins Wales House 360 Collins St Melbourne</i>	W G Kent B EC FCIS AASA	<i>Chief State Manager</i>
		ABIA	
		D J Sanderson AASA ACIS	<i>Chief Manager Melbourne Office</i>
Queensland	<i>260 Queen St Brisbane</i>	S P McCready	<i>Chief State Manager</i>
		K J Burley	<i>Manager Brisbane Office</i>
Western Australia	<i>109 St George's Tce Perth</i>	A E Thomas	<i>Chief Manager</i>
		S E White	<i>Manager Perth Office</i>
South Australia	<i>2-8 King William St Adelaide</i>	E A Griffith	<i>Chief Manager</i>
		R G Dickinson	<i>Manager Adelaide Office</i>
Tasmania	<i>74 Elizabeth St Hobart</i>	W T Brewer	<i>Chief Manager</i>
		A R Summers	<i>Manager Hobart Office</i>
ACT	<i>Cnr Akuna St and London Crct</i>	J F Muir	<i>Chief Manager</i>
		J S Smith	<i>Manager Canberra</i>
Northern Territory	<i>24-26 Smith St Darwin</i>	D A Walker MIAA	<i>Regional Manager &amp; Manager Darwin</i>
<b>International Divisions and Offices</b>			
UK & Europe	<i>Walbrook House London</i>	D L Murison MBE	<i>Executive Chairman</i>
New Zealand	<i>318-324 Lambton Quay Wellington</i>	R M Humphrys	<i>General Manager</i>
		K F Smyth	<i>Manager Wellington Office</i>
Fiji & Pacific Islands	<i>1 Thomson St Suva</i>	G E Yates B COM	<i>Chief Manager</i>
		B L McKinnon	<i>Manager Suva Office</i>
Papua New Guinea	<i>Bank of New South Wales (PNG) Ltd Cnr Musgrave &amp; Douglas Sts Port Moresby</i>	R L Frost	<i>Director &amp; Chief Manager</i>
		W B Pollitt	<i>Manager Port Moresby Office</i>
United States of America	<i>Pan Am Building New York</i>	H P Kennedy ACANZ	<i>Executive Vice President for USA</i>
		W T L Bergmark	<i>Senior Vice President New York</i>
		P W Muspratt	<i>Agent San Francisco (Mutual Benefit Life Building)</i>
		B M Daglish	<i>Chief Representative Houston (Texas Commerce Tower)</i>
Bahrain	<i>Al Mothanna Ave Manama</i>	Allan Fraser	<i>Chief Representative</i>



*International Divisions and Offices continued*

Federal Republic of Germany	<i>Bockenheimer Landstrasse 51/3 Frankfurt</i>	T E Pietsch	<i>Chief Representative</i>
Hong Kong	<i>The Wales Australia Ltd Connaught Centre Hong Kong</i>	R L Eakin	<i>Director &amp; General Manager</i>
Indonesia	<i>Bangkok Bank Building Jakarta</i>	L J D S Smith	<i>Representative</i>
Japan	<i>New Tokyo Building Marunouchi Tokyo</i>	T H Butler	<i>Chief Representative</i>
Singapore	<i>4201 OCBC Centre Singapore</i>	T C Turner FBIA	<i>Chief Manager</i>

**Head Office Divisions**

Actuary	J R Harris MA FFA	<i>Chief Manager Provident Funds</i>
Audit	R J Bowker AASA ACIS ABIA	<i>Chief Manager</i>
Bankcard	A N Hohne B SC DIP ED TH L	<i>Chief Manager</i>
Chief Accountant	G T McCorkell AASA ACIS	
Corporate Banking	F A Ward	<i>Chief Manager</i>
Corporate Planning	A J Fletcher B SC M SC (ENG) ARCS	<i>Chief Manager</i>
Data Processing	N J Lipscombe	<i>Chief Manager</i>
Development Projects	G P Thompson BA	<i>Chief Manager</i>
Economic Adviser	R J Wood B EC	
Chief Economist	J F Collins B EC	
International	James Clement	<i>Chief Manager</i>
	K E Vallance	<i>Treasurer</i>
Investment	K W Wilson	<i>Chief Manager</i>
Legal	K S Crick B COM	<i>Chief Manager Legal Administration</i>
Lending	G J Pettersen AASA ABIA	<i>Chief Manager</i>
Methods & Services	Harold King	<i>Chief Manager</i>
Network Design	W J McInnis ABIA	<i>Chief Manager</i>
Personnel	R G Leitch	<i>Chief Manager</i>
Premises	G P Hessell	<i>Chief Manager</i>
Public Affairs	W A Palmer	<i>Chief Manager</i>
Retail Banking	P W Douglas FBIA	<i>Chief Manager</i>
Savings Bank	Peter Street	<i>Chief Manager</i>
Secretary	J W MacKellar B COM B EC FBIA AAUQ	
Travel	I C Grieve	<i>Chief Manager</i>

**Solicitors and Auditors**

Solicitors	Messrs Allen Allen & Hemsley
Auditors	H R Beardsmore AM FCA J S Bergman FCA ACIS

**London Advisory Board**

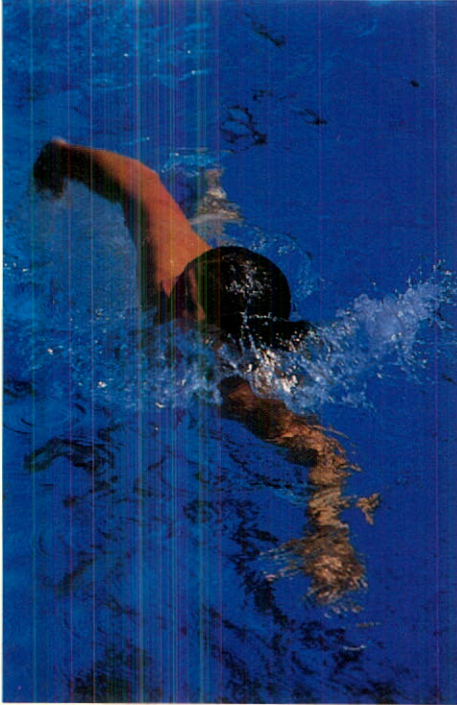
D L Murison MBE	<i>Executive Chairman</i>
F I Geddes MBE	
T H Bevan	
R T Fox	
P G Nicholson	
R A Norman	
L T G Preston	

*A booklet detailing branches, departments, and managers is obtainable on request from the Secretary at Head Office 60 Martin Place Sydney*

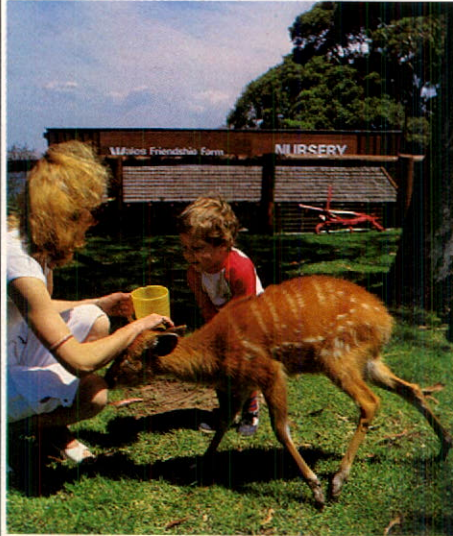


# Community Activities

1.



3.



2.

1. The Bank is providing \$100,000 for the Commonwealth Games and Festival in Brisbane.

2. Following a recent extension of the service to Perth and Wollongong, a fleet of nine units is now sponsored by the Wales helicopter rescue service.

3. A well-established feature at Taronga Zoo, Sydney, for the past five years has been the Wales Friendship Farm.

The Bank is proud of its extensive involvement in community affairs. Support is extended to a wide range of projects in the fields of education, sport, the arts, medical research, and community service.

Notable organizations assisted during the year included: the Art Foundation of Victoria, the Salvation Army, World Wildlife Fund Australia, the National Association for Training the Disabled in Office Work, the Queensland Art Gallery Foundation, and the National Heart Foundation. In addition, the Bank has continued to encourage community service in a tangible way with special awards to Apex, Jaycees, and Lions. Radio stations and suburban newspapers competed for Wales Community Service Awards.

A highlight this year was the announcement by the Bank of a \$100,000 donation towards the staging of the 1982 Commonwealth Games and Festival in Brisbane.

Probably one of the best known features of the Australian outdoor scene is the Wales helicopter rescue service, flying hundreds of missions and instrumental in saving many lives. During the year, the service was extended to the Perth area and approval was given for operation in the Wollongong area, bringing the fleet up to nine units.

The Australian Mathematics Competition for the Wales Awards attracted entries from almost 200,000 secondary school students throughout Australia, New Zealand, Papua New Guinea, and the South West Pacific.

One of the major events in the New Zealand school year is the Bank's schools music contest in which 253 groups entered during 1980. The Governor-General of New Zealand, Sir David Beattie, attended the prize giving ceremony.



# Financial Accounts 1981



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## Proprietors

### Analysis of Shareholding

At 27 November 1981 shareholdings in the Bank numbered 62,950. An analysis of holdings showed:

### Shareholdings

	Number of shareholdings	Number of shares	Percentage of capital
1-1,000	31,303	14,338,473	3.65%
1,001-5,000	24,467	56,772,578	14.47%
5,001-10,000	4,251	29,862,221	7.61%
over 10,000	2,929	291,476,089	74.27%
	62,950	392,449,361	100.00%

Shares were held by:	Number of shareholdings	Number of shares	Percentage of capital
Nominee, investment & trustee companies	1,902	109,951,084	28.02%
Assurance and insurance companies	118	105,248,762	26.82%
Individuals and others	60,930	177,249,515	45.16%
	62,950	392,449,361	100.00%

The average shareholding is 6,234 shares and 94.16% of the capital is held in the names of proprietors domiciled in Australia and New Zealand.

### Limit on Size of Shareholdings

Under the Bank's Deed of Settlement, no person (including corporations) may hold more than eight per cent of the share capital.

**Voting Rights** On a show of hands, every proprietor present in person, every proxy who is not a proprietor, and every duly appointed representative of a corporation who is not himself a proprietor, shall have one vote. On a poll, each proprietor shall have one vote for each share held, subject to a maximum of two hundred thousand votes.

### Directors' Shareholdings

Directors' shareholdings as at 21 October 1981 were:

Bank of New South Wales	Beneficial	Non-beneficial
Mr P L Baillieu	5,600	—
Mr J B Clarkson	4,310	—
Sir Vincent Fairfax	36,400	861,793
Sir Noel Foley	20,300	1,094,225
Sir James Foots	5,600	—
Sir Archibald Glenn	13,122	815,500
Sir Robert Norman	7,000	—
Mr E S Owens	10,000	—
Mr W R D Stevenson	17,172	—
Mr R J White	4,216	36,453
Mr E C Tait	8,120	815,500
<b>Australian Guarantee Corporation Limited</b>		
Sir Robert Norman	6,300	—
Mr R J White	—	4,000
Mr E C Tait	3,653	4,000

## Top twenty shareholders

as at 27 November 1981	Number of shares
Australian Mutual Provident Society	27,772,362
ANZ Nominees Limited	14,678,501
The Mutual Life and Citizens' Assurance Co Ltd	13,104,842
The National Mutual Life Association of Australasia Limited	12,890,580
CTB Nominees Limited	11,138,418
National Nominees Limited	8,532,444
Bank of New South Wales Nominees Pty Ltd	7,444,193
ANZ Custodians Limited	7,000,000
The Wales Custodian Services Pty Limited	6,975,802
Colonial Mutual Life Assurance Society Limited	6,775,334
State Superannuation Board	5,224,909
T&G Mutual Life Society Limited	4,577,650
Government Insurance Office of New South Wales	4,396,845
The City Mutual Life Assurance Society Limited	4,380,000
Perpetual Trustee Company Limited	3,898,882
CBA Nominees Limited	3,655,471
The Prudential Assurance Company Limited	3,475,829
Nauru Phosphate Royalties Trust	3,451,800
Provident & Pensions Holdings Pty Ltd	3,108,623
Permanent Trustee Company Limited	2,563,744
Percentage of total holdings held by twenty largest holders 39.51%	

## Share Registers

The locations of the Registers are:

### Principal Register

Sydney: 60 Martin Place  
Postal address: GPO Box 1 Sydney 2001  
Telephone: 233 0500

### Branch Registers

Adelaide: 2-8 King William Street  
Postal address: GPO Box 2038  
Adelaide 5001

Brisbane: 260 Queen Street  
Postal address: GPO Box 1419  
Brisbane 4001

Canberra: Akuna Street & London Circuit  
Postal address: PO Box 232 Civic Square  
ACT 2608

Hobart: 74 Elizabeth Street  
Postal address: GPO Box 229C  
Hobart 7001

London: 6 Greencoat Place  
Postal address: 6 Greencoat Place  
London SW1P 1PL

Melbourne: 360 Collins Street  
Postal address: GPO Box 91B  
Melbourne 3001

Perth: 109 St. George's Terrace  
Postal address: GPO Box 22A  
Perth 6001

Wellington: 318-324 Lambton Quay  
Postal address: PO Box 691  
Wellington NZ



# Consolidated Profit & Loss Statement



For the year ended  
30 September 1981

	Note	1981 \$000	1980 \$000
Discount and interest earned, foreign exchange, commissions and other revenue items		2,165,275	1,738,025
<i>Less:</i> Expenses of management including interest paid and accrued on deposits		1,824,961	1,477,142
<b>Operating profit before income tax</b>	2	340,314	260,883
<i>Less:</i> Income tax expense		154,372	123,756
<b>Operating profit after income tax</b>		185,942	137,127
<i>Less:</i> Applicable to minority interests		20,895	13,337
<b>Operating profit after income tax</b> applicable to proprietors of Bank of New South Wales		165,047	123,790
Extraordinary items	3	6,168	4,369
<b>Net profit after extraordinary items</b> applicable to proprietors of Bank of New South Wales		171,215	128,159
Unappropriated profits from previous years (after adjustment for exchange rate fluctuations 1981 (\$26); 1980 \$33 and adjustment to minority interest in subsidiary 1981 \$36; 1980 \$49)		122,280	140,201
<b>Total available for appropriation</b>		293,495	268,360
<i>Less:</i> Appropriations			
Dividends paid - interim		28,053	18,702
Dividends proposed - final		28,053	23,377
		56,106	42,079
Transfer to reserves	5	53,466	104,011
<b>Total appropriations</b>		109,572	146,090
<b>Unappropriated profits at 30 September</b>		183,923	122,270





at 30 September 1981

	Note	1981 \$000	1980 \$000
<b>Authorized capital</b>			
500,000,000 ordinary shares of \$1 each		500,000	234,000
<b>Share capital and reserves</b>			
Issued and paid up capital 233,774,155 ordinary shares of \$1 each fully paid (1980 233,774,155)	18	233,774	233,774
Reserves	5	579,523	523,484
Unappropriated profits		183,923	122,270
<b>Total share capital and reserves of proprietors of Bank of New South Wales</b>		<b>997,220</b>	<b>879,528</b>
Minority interest in subsidiaries		109,970	91,983
<b>Total shareholders' equity at book value</b>		<b>1,107,190</b>	<b>971,511</b>
Balances due to other banks		331,015	315,295
Bank acceptances		1,097,370	737,953
<b>Public borrowings of subsidiary companies</b>	11	<b>2,797,424</b>	<b>2,364,965</b>
<b>Deposits of customers - current and term</b>		<b>11,908,130</b>	<b>10,795,514</b>
<b>Other liabilities</b>			
Bills payable, accrued expenses and other liabilities		711,458	597,499
<b>Provisions</b>			
Income taxes		94,276	95,422
Proposed final dividend		28,053	23,377
Other	6	293,598	238,039
		<b>18,368,514</b>	<b>16,139,575</b>
<b>Contingent liabilities</b>	17		

*R J White*  
CHIEF GENERAL MANAGER

*G T McCorkell*  
CHIEF ACCOUNTANT



	Note	1981 \$000	1980 \$000
<b>Liquid assets</b>			
Coin, notes and cash at bankers		153,153	141,486
Loans to authorized dealers in short term money market - Australia		22,804	80,893
Money at short call - overseas		50,844	54,416
Cheques and bills of other banks and balances with other banks		327,425	277,116
Bills receivable and remittances in transit		318,447	299,473
		872,673	853,384
<b>Investments - government and other public securities</b>	7	2,681,424	2,617,131
<b>Statutory reserve deposit and term deposits</b>			
Reserve Bank of Australia		438,383	326,343
Overseas		5,948	6,266
<b>Loans, advances, leasing and local bills discounted</b> (after deducting provisions for doubtful debts and unearned income)	12, 13	12,522,303	11,007,711
Properties held for resale	16	84,492	47,289
Bank acceptances of customers		1,097,370	737,953
Other investments	8	90,707	66,636
Premises, sites, furniture and equipment	9	355,205	321,045
Accrued interest and all other assets	14	220,009	155,817
		18,368,514	16,139,575

*T J N Foley* CHAIRMAN

*V C Fairfax*

*J W Foots* DIRECTORS





For the year ended  
30 September 1981

	1981	1980
	\$000	\$000
<b>Source of funds</b>		
Operating profit after income tax expense	185,942	137,127
Extraordinary items (including \$1,514 (1980 \$849) relating to minority interests)	7,682	5,218
	193,624	142,345
<i>Add:</i>		
Proceeds of new share issues	—	60,980
Depreciation and other items in profit and loss account not requiring the outlay of funds during current period	30,347	26,927
<i>Increases in:</i>		
Balances due to other banks	15,720	—
Public borrowings of subsidiary companies	432,459	346,829
Deposits of customers - current and term	1,112,616	1,545,080
Other liabilities (incl. minority interest)	191,035	184,482
	1,975,801	2,306,643
<b>Application of funds</b>		
Dividends paid	55,870	41,816
<i>Increases in:</i>		
Liquid assets	19,289	56,035
Investments - government and other public securities	64,293	151,831
Statutory reserve deposit and term deposits	111,722	31,963
Loans, advances, leasing and local bills discounted	1,514,592	1,851,102
Properties held for resale	37,203	23,362
Other investments	24,071	29,579
Premises, sites, furniture and equipment	38,880	47,452
All other assets	109,881	18,305
<i>Decreases in:</i>		
Balances due to other banks	—	55,198
	1,975,801	2,306,643



For the year ended  
30 September 1981

	Note	1981 \$000	1980 \$000
Discount and interest earned, foreign exchange, commissions, dividends and other revenue items		1,122,437	909,958
<i>Less:</i> Expenses of management including interest paid and accrued on deposits		945,430	777,045
<b>Operating profit before income tax</b>	2, 10	177,007	132,913
<i>Less:</i> Income tax expense	4	66,567	53,431
<b>Operating profit after income tax</b>		110,440	79,482
Extraordinary items	3	2,315	2,558
<b>Net profit after extraordinary items</b>		112,755	82,040
Unappropriated profits from previous years		39,588	32,753
<b>Total available for appropriation</b>		152,343	114,793
<i>Less:</i> Appropriations			
Dividends paid – interim		28,053	18,702
Dividends proposed – final		28,053	23,377
		56,106	42,079
Transfer to reserves	5	43,815	33,126
<b>Total appropriations</b>		99,921	75,205
<b>Unappropriated profits at 30 September</b>		52,422	39,588





at 30 September 1981

	Note	1981	1980
		\$000	\$000
<b>Authorized capital</b>			
500,000,000 ordinary shares of \$1 each		500,000	234,000
<b>Share capital and reserves</b>			
Issued and paid up capital 233,774,155 ordinary shares of \$1 each fully paid (1980 233,774,155)	18	233,774	233,774
Reserve fund	5	228,500	195,500
Other reserves	5	220,512	209,700
Unappropriated profits		52,422	39,588
<b>Total share capital and reserves</b>		<b>735,208</b>	<b>678,562</b>
Balances due to other banks		327,572	312,642
Bank acceptances		1,097,370	737,953
Amounts due to subsidiary companies		57,497	72,250
<b>Deposits of customers - current and term</b>		<b>8,511,980</b>	<b>7,559,819</b>
<b>Other liabilities</b>			
Bills payable, accrued expenses and other liabilities		438,097	322,552
<b>Provisions</b>			
Income taxes		54,248	46,869
Proposed final dividend		28,053	23,377
Other	6	131,310	105,509
		<b>11,381,335</b>	<b>9,859,533</b>
<b>Contingent liabilities</b>			
	17		

*R J White*  
CHIEF GENERAL MANAGER

*G T McCorkell*  
CHIEF ACCOUNTANT



	Note	1981	1980
		\$000	\$000
<b>Liquid assets</b>			
Coin, notes and cash at bankers		147,448	133,769
Loans to authorized dealers in short term money market			
- Australia		—	68,960
Money at short call - overseas		50,844	54,416
Cheques and bills of other banks and balances with other banks		319,911	276,847
Bills receivable and remittances in transit		286,242	267,162
		804,445	801,154
<b>Investments - government and other public securities</b>	7	1,239,685	1,106,302
Statutory reserve deposit with Reserve Bank of Australia		438,383	326,343
Statutory deposit accounts - overseas		5,948	6,266
<b>Loans, advances, leasing and local bills discounted</b> (after deducting provisions for doubtful debts and unearned income)	12, 13	7,107,044	6,275,393
Bank acceptances of customers		1,097,370	737,953
Subsidiary companies			
- Shares	8, 18	242,897	233,905
- Advances		65,412	52,252
Other investments	8	33,157	27,760
Bank premises, sites, furniture and equipment	9	184,235	164,780
Accrued interest and all other assets	14	162,759	127,425
		11,381,335	9,859,533

*T J N Foley* CHAIRMAN

*V C Fairfax*

*J W Foots* DIRECTORS



## 1. Summary of the significant accounting principles and policies

**a) Historical cost:** The accounts are drawn up in accordance with the convention of historical costs, except where otherwise indicated and therefore do not reflect changes in the purchasing power of money or current valuations of non monetary assets.

**b) Bases of accounting:** Bank of New South Wales is incorporated by a Special Act of Parliament and is a 'prescribed corporation' in terms of the Banking Act, 1959 (as amended). The Bank is not required to comply with the accounting provisions of the Companies Act, 1961 but accounts have been drawn up generally in accordance with the requirements of the Ninth Schedule of the Companies Act, 1961 and with accounting standards so far as they are considered appropriate to banking companies.

**c) Currency:** All amounts are expressed in Australian currency and have been rounded off to the nearest thousand dollars unless otherwise stated. Overseas assets and liabilities have been translated to Australian dollars at the rates of exchange ruling at balance date. Gains and losses arising on translation and from foreign exchange dealings by the Bank have been included in the Profit and Loss Statement as part of the operating profit.

**d) Consolidation:** The Group accounts include all companies in which the Bank holds or controls more than half the issued ordinary share capital. All intercompany accounts and transactions have been eliminated. A list of subsidiaries is shown in note 19. The Group interests in listed and unlisted companies which are not subsidiaries are included in *other investments* in the balance sheet and dividend income only is included in profit.

### e) Bad and doubtful debts:

#### Banking

The annual charge against profits for bad and doubtful debts is based on the bad debts experience of the current year and the past four years, the average volume of advances during the current financial year, and a margin for growth in advances. All known bad debts are written off against the provisions in the year in which they are recognised.

Further details are provided in note 12.

The specific provision is to cover all identified doubtful debts whilst the general provision is to cover non-identified losses and latent risks inherent in the overall portfolio of advances and other lending transactions.

#### Non-banking

All losses are written off when determined. Specific provisions are

made for advances recognised to be doubtful. A general provision is also maintained at a level appropriate to the composition of receivables to cover potential losses not identified.

**f) Leasing:** Finance leases in the banking sector are accounted for under the finance method whereby results are taken to account progressively over the life of the lease in proportion to the outstanding investment balance. The asset is shown in the balance sheet under *loans, advances, leasing and local bills discounted*.

Leverage lease transactions have been entered into by the Group. The amount taken to profit and loss account in any year is based on the balance of each such lease at the beginning of that financial year, together with benefits which accrue during the course of such leases as a consequence of surplus cash flows. Amounts invested as an equity participation are recorded net of the long term debt (for which there is no recourse in the event of default by the lessee) and included in the balance sheet in *loans advances leasing and local bills discounted*.

**g) Premises, sites, furniture and equipment:** Shown at cost or valuation less depreciation and amounts written off. Depreciation of these assets (excluding land) is principally calculated on a straight line basis at rates appropriate to the estimated useful life.

Surpluses arising from revaluations of premises and sites (including revaluations prior to sales within the Group) are added to the premises revaluation reserve. Profits realised by the Banking Group from the sale of properties outside the Group have been transferred from the profit and loss account to capital reserve.

### h) Investments - government and other public securities

#### Bases of valuation

- ☐ Australian Treasury Notes - at face value less unearned discount
- ☐ Other Australian Commonwealth securities. Banking - at amortized book value. Non banking - at lower of cost and redemption value
- ☐ Australian semi-government authorities securities - at redemption or amortized book value
- ☐ Australian local government authorities - at lower of cost and redemption value
- ☐ Public securities. Other countries - listed. Bank - at amortized book value. Non-banking - at lower of cost and redemption value. Other countries - unlisted - at cost or lower of cost and redemption value
- ☐ Other securities - at cost or lower of cost and redemption value

*Amortization and profit and losses on sales:* Premiums and discounts on public securities and semi-government securities held by the Bank and Savings Bank are amortized from the date of purchase, so that the securities will be recorded at face value on maturity and the appropriate proportion of premiums and discounts accounted for in the profit and loss account. Where sales are made, profits and losses realised are accounted for in the profit and loss account in equal bi-annual instalments over the unexpired period to maturity or five years whichever is the shorter.

*Differences between book value and market value:* Australian Commonwealth securities and other public securities in the majority of cases are held to, or close to, maturity dates when they would be redeemed at face value. Accordingly, no specific provision is made for any difference between book value and market value of individual securities.

**i) Shares in companies:** Where listed shares of companies have a market value less than book value at balancing date, no provision has been made in the accounts where the diminution in value is not considered permanent. Shares in subsidiary Bank of New South Wales Savings Bank Limited are shown in the Bank's books at par. Shares in other unlisted companies are shown at cost or written down value.

**j) Unearned income:** Unearned discount on bills and treasury notes is calculated on a time basis. Unearned finance income arising principally in the AGC Group is generally calculated using actuarial factors for consumer instalment lending whilst unearned insurance premiums are generally calculated by spreading net premium income over the term of the policy. These methods are more precisely described in the accounts of AGC Limited.

**k) Tax effect accounting:** Tax effect accounting has been adopted by the Bank and its subsidiaries whereby income tax expense for the year is matched with the accounting results after allowing for permanent differences. The tax effect of timing differences, which occur where items are included or allowed for income tax purposes in a period different to that for accounting, is shown in the provision for deferred income tax or future income tax benefits, as applicable at current taxation rates (refer notes 6 and 14).

The future income tax benefits relating to general provision for bad and doubtful debts, non lending losses and tax losses have not been recognised as the realisation of such benefits in future years is not regarded as being assured beyond reasonable doubt.



		Group		Bank	
		1981	1980	1981	1980
		\$000	\$000	\$000	\$000
<b>2. Operating profit before income tax was arrived at</b>	<b>After including as income</b>				
	Dividends received				
	- from subsidiary companies (see note 10)	—	—	<b>39,977</b>	28,269
	- from other companies	<b>4,594</b>	4,929	<b>1,169</b>	679
	Interest received from subsidiary companies	—	—	<b>5,911</b>	5,946
	<b>After charging as expenses</b>				
	Directors' emoluments received or due and receivable by:				
	Directors engaged in the full time employment of the Bank and its related subsidiaries (excluding fixed salaries)	<b>101</b>	81	<b>12</b>	7
	Other Directors of the Bank	<b>170</b>	156	<b>170</b>	156
	Other Group Directors	<b>104</b>	139	—	—
	Auditors' remuneration received or due and receivable by:				
	Auditors of the Bank				
	Auditing services	<b>266</b>	200	<b>219</b>	165
	Other services	<b>27</b>	—	<b>27</b>	—
	Other Group auditors				
	Auditing services	<b>788</b>	670	—	—
	Other services	<b>380</b>	100	<b>82</b>	—
	Other benefits - nil				
	Depreciation of fixed assets	<b>30,349</b>	25,472	<b>24,100</b>	20,144
	Interest paid				
	- to subsidiary companies	—	—	<b>4,147</b>	7,501
	- to depositors and others	<b>1,016,118</b>	777,217	<b>489,872</b>	366,298
	Provisions for:				
	Doubtful debts	<b>43,959</b>	49,929	<b>19,986</b>	22,318
	Long service leave	<b>6,737</b>	8,655	<b>5,986</b>	7,895
	Holiday leave and other staff benefits	<b>9,585</b>	10,193	<b>5,385</b>	6,863
	Non-lending losses	<b>999</b>	3,134	<b>746</b>	1,834
	Self insured risks	<b>1,758</b>	1,773	<b>1,663</b>	1,623
<b>3. Extraordinary items</b>	(No income tax applicable unless shown)				
	Provision for non-lending losses	—	(3,770)	—	(2,885)
	Surplus on disposal of premises	<b>2,249</b>	2,204	<b>2,315</b>	2,126
	Capital profits on sales of investments	—	517	—	517
	Excess net cost of investment written off	<b>(1,085)</b>	(106)	—	—
	Prior years' tax adjustments	—	2,738	—	2,800
	Share of Australian Guarantee Corporation Limited and its subsidiaries:				
	Net capital profit on disposal of fixed assets less income tax applicable (1981 Nil, 1980 \$7)	<b>458</b>	395	—	—
	Net Capital profit on disposal of investments less income tax applicable (1981 \$7, 1980 \$43)	<b>1,001</b>	3,033	—	—
	Net exchange profit/(loss) less income tax applicable (1981 \$49, 1980 \$5)	<b>(2,104)</b>	(642)	—	—
	Tax Effect Accounting - Specific Provisions for Doubtful Debts	<b>5,649</b>	—	—	—
	Total (excluding minority interest)	<b>6,168</b>	4,369	<b>2,315</b>	2,558
<b>4. Income tax expense</b>	The apparent tax charge, calculated at current rates of taxation on pre-tax accounting profit varies by more than 15 per cent, with the income tax expense for the following reasons:				
	Apparent tax charge			<b>81,423</b>	61,140
	Add (or deduct) reconciling items expressed on a tax effect basis:				
	Dividend income rebates			<b>(18,927)</b>	(13,316)
	Investment allowance			<b>(3,877)</b>	(1,991)
	Increase in general provision for doubtful debts			<b>5,652</b>	5,392
	Non deductible depreciation and amortisation			<b>2,567</b>	1,872
	Other items			<b>(271)</b>	334
				<b>(14,856)</b>	(7,709)
	Income tax expense			<b>66,567</b>	53,431



		Group		Bank	
		1981	1980	1981	1980
		\$000	\$000	\$000	\$000
<b>5. Reserves at year end</b>	Reserve fund:				
	Balance 1 October 1980	195,500	173,500	195,500	173,500
	Transfer from profits	33,000	22,000	33,000	22,000
	Balance 30 September 1981	228,500	195,500	228,500	195,500
	General reserves:				
	Balance 1 October 1980	98,843	28,284	—	—
	Transfer from profits	9,710	70,807	—	—
	Adjustment for minority interest in subsidiary	(819)	(409)	—	—
	Exchange rate fluctuations	663	161	—	—
	Balance 30 September 1981	108,397	98,843	—	—
	Share premium reserve:				
	Balance 1 October 1980	96,961	61,572	96,432	61,572
	Share premium - on shares issued (net of costs)	—	35,389	—	34,860
	Exchange rate fluctuations	(16)	—	—	—
	Balance 30 September 1981	96,945	96,961	96,432	96,432
	Premises revaluation reserve:				
	Balance 1 October 1980	23,946	22,205	23,949	22,208
	Premises revaluation	1,898	1,741	(3)	1,741
	Adjustment for minority interest in subsidiary	(190)	—	—	—
	Balance 30 September 1981	25,654	23,946	23,946	23,949
	Capital reserve:				
	Balance 1 October 1980	15,088	12,886	13,219	11,093
	Transfer from profits	2,256	2,204	2,315	2,126
	Adjustment for minority interest in subsidiary	1,056	(2)	—	—
	Balance 30 September 1981	18,400	15,088	15,534	13,219
	Contingencies reserve:				
	Balance 1 October 1980	93,146	84,185	76,100	67,100
	Transfer from profits	8,500	9,000	8,500	9,000
	Exchange rate fluctuations	(21)	34	—	—
	Adjustment for minority interest in subsidiary	2	(73)	—	—
	Balance 30 September 1981	101,627	93,146	84,600	76,100
	Total reserves 30 September 1981	579,523	523,484	449,012	405,200
	Retained profits and reserves of certain overseas subsidiary companies, if distributed by these companies, would be subject to withholding tax upon distribution. The approximate aggregate taxes would not exceed \$4,000; 1980 \$3,600.				
<b>6. Provisions - other</b>	Deferred income tax	154,963	108,250	46,081	23,326
	Long service leave	42,570	38,603	39,434	35,869
	Holiday leave and other staff benefits	37,888	34,034	33,646	33,414
	Non lending losses	4,518	6,200	3,495	4,900
	Self insured risks	9,045	8,300	8,654	8,000
	Outstanding insurance claims	44,614	42,652	—	—
		293,598	238,039	131,310	105,509
<b>7. Investments - government and other public securities</b>	<b>Quoted in Australia</b>				
	Commonwealth securities:				
	Book value	895,818	998,906	777,511	860,008
	Market value	716,458	859,770	618,894	758,595
	Australian local and semi-government authorities:				
	Book value	30,646	31,617	—	—
	Market value	28,555	29,994	—	—
	<b>Quoted in other countries</b>				
	Public securities:				
	Book value	170,655	210,284	89,288	125,772
	Market value	164,820	200,727	85,213	119,679
	<b>Unquoted investments</b>				
	Australian Treasury notes:				
	Book value	599,224	439,828	328,873	64,067
	Australian local and semi-government authorities:				
	Book value	908,351	819,985	—	—
	Redemption value	911,650	820,045	—	—
	Public securities - overseas:				
	Book value	74,415	112,964	44,013	56,455
	Redemption value	75,300	113,558	44,806	57,016
	Other securities:				
	Book value	2,315	3,547	—	—
	Redemption value	2,319	3,547	—	—
	Total book value	2,681,424	2,617,131	1,239,685	1,106,302



		Group		Bank	
		1981	1980	1981	1980
		\$000	\$000	\$000	\$000
<b>8. Other investments and shares in subsidiary companies</b>	<b>Shares in subsidiary companies</b>				
	Listed (at cost):				
	Book value	—	—	161,462	161,179
	Market value	—	—	321,984	225,276
	Unlisted (at cost or par)				
	Book value	—	—	81,435	72,726
	Total book value	—	—	242,897	233,905
	<b>Shares in other companies</b>				
	Listed (at or under cost):				
	Book value	16,293	11,911	985	985
	Market value	35,616	23,150	1,493	1,266
	Unlisted (at or under cost)				
	Book value	74,414	54,725	32,172	26,775
	Total book value	90,707	66,636	33,157	27,760
1980 figure has been adjusted to exclude net equity in leveraged leasing contracts which is now included in loans, advances, leasing and local bills discounted (refer Note 1(f)).					
<b>9. Premises, sites, furniture and equipment</b>	<b>Premises and sites</b> (at previous year end)	233,442	216,540	95,241	83,773
	Less: Adjustment to opening balance for exchange rate fluctuations	(4,030)	(870)	(3,858)	(1,052)
		229,412	215,670	91,383	82,721
	Plus: Revaluations (note 5)	1,898	1,741	(2)	1,741
	Additions during year (net)	33,894	20,947	20,851	13,754
	Less: Depreciation for year	(5,909)	(4,916)	(3,491)	(2,975)
		259,295	233,442	108,741	95,241
	<b>Furniture and equipment</b> (at previous year end)	87,603	80,784	69,539	65,690
	Less: Adjustment to opening balance for exchange rate fluctuations	(1,026)	(188)	(974)	(249)
		86,577	80,596	68,565	65,441
	Plus: Additions during year (net)	33,773	27,563	27,538	21,267
	Less: Depreciation for the year	(24,440)	(20,556)	(20,609)	(17,169)
		95,910	87,603	75,494	69,539
	Total	355,205	321,045	184,235	164,780
	Based on the Directors' estimates, the market value of the Group's premises and sites would exceed the book value by approximately \$251m (1980 \$163m)				
				1981	1980
				\$000	\$000
<b>10. Dividends from subsidiary companies (refer note 2)</b>	During the year, the following dividends were received by the Bank from subsidiary companies				
	Bank of New South Wales Savings Bank Limited			25,000	13,000
	Bank of New South Wales (PNG) Limited			364	680
	Wales Financial Services Limited			200	200
	The Wales Superannuation Funds Limited			120	105
	Australian Guarantee Corporation Limited			14,293	14,284
				39,977	28,269
<b>11. Public borrowings of subsidiary companies</b>		1981		1980	
		Repayable within 2 yrs	Repayable later than 2 yrs but within 5 yrs	Repayable within 2 yrs	Repayable later than 2 yrs but within 5 yrs
		\$000	\$000	\$000	\$000
	Comprises:				
	Debenture stock - secured	1,457,279	444,355	9,703	1,169,018
	Registered notes - unsecured	444,338	2,501	6	268,223
	Deposits - secured	93,273	375	—	52,902
	Deposits - unsecured	345,594	—	—	210,421
		2,340,484	447,231	9,709	1,700,564
	Total borrowings		2,797,424		650,791
					13,610
	Total interest paid and accrued on the above borrowings		288,634		238,409



		Trading Bank		Savings Bank	
		1981	1980	1981	1980
		\$000	\$000	\$000	\$000
<b>12. Provisions for doubtful debts</b>	Provisions for doubtful debts are deducted from loans and advances and the transactions in the year are:				
	Specific provisions 1.10.80	28,201	27,655	—	—
	General provisions 1.10.80	76,317	64,595	4,021	3,540
	Balance of provisions 1.10.80	104,518	92,250	4,021	3,540
	Consolidation and exchange adjustments to opening balances	—	—	—	—
	Charged against profits (note 2)	19,986	22,318	883	828
	Bad debt recoveries	2,693	2,325	16	11
		127,197	116,893	4,920	4,379
	Less:				
	Bad debts written off	16,528	12,375	329	358
	Balance of provisions 30.9.81	110,669	104,518	4,591	4,021
	comprising				
	Specific provisions 30.9.81	22,065	28,201	—	—
	General provisions 30.9.81	88,604	76,317	4,591	4,021
		AGC	Other Subsidiaries	Group	
		1981	1980	1981	1980
		\$000	\$000	\$000	\$000
	Specific provisions 1.10.80	8,982	9,180	386	320
	General provisions 1.10.80	13,909	13,700	1,392	1,089
	Balance of provisions 1.10.80	22,891	22,880	1,778	1,409
	Consolidation and exchange adjustments to opening balances	(83)	(438)	(53)	—
	Charged against profits (note 2)	22,790	26,360	300	423
	Bad debt recoveries	—	—	4	8
		45,598	48,802	2,029	1,840
	Less:				
	Bad debts written off	21,050	25,911	419	62
	Balance of provisions 30.9.81	24,548	22,891	1,610	1,778
	Comprising				
	Specific provisions 30.9.81	9,248	8,982	16	386
	General provisions 30.9.81	15,300	13,909	1,594	1,392
		Group		Bank	
		1981	1980	1981	1980
		\$000	\$000	\$000	\$000
<b>13. Unearned income</b>	Deducted from loans, advances, leasing and local bills discounted	937,186	745,295	3,119	7,657
<b>14. Future income tax benefits</b>	Included in balance sheet under accrued interest and all other assets	62,686	53,510	53,993	53,021
	The accumulated possible future income tax benefit not brought to account for the reasons set out in note 1(k) approximate:				
	Related to losses	8,000	10,000	4,000	1,000
	Other	55,000	58,000	43,000	39,000
<b>15. Contracts for capital expenditure</b>	Commitments for capital expenditure not provided for in the accounts	85,909	38,512	82,789	28,423
<b>16. Properties held for resale</b>	By finance subsidiary – are stated at cost plus development costs (1981 \$45,477; 1980 \$22,841) and holding charges of rates and taxes (1981 \$1,165; 1980 \$1,147) Future expenditure commitments on land development (1981 \$25,806; 1980 \$27,417)				



		Group		Bank	
		1981	1980	1981	1980
		\$000	\$000	\$000	\$000
<b>17. Contingent liabilities</b>	Commercial bills endorsed	43,781	59,038	43,781	59,038
	Guarantees and performance bonds entered into in normal course of business on behalf of, and with indemnity from customers	696,679	548,778	535,291	408,364
	Letters of credit issued on behalf of customers/agents	375,152	361,254	367,247	347,357
	Other	37,213	32,389	36,766	31,516
	Forward exchange contracts and hedge contracts issued on behalf of, and with indemnity from customers	3,063,494	1,766,089	2,950,258	1,720,888
	Amounts uncalled on shares in subsidiary companies	—	—	4,406	35
	Amounts uncalled on shares in other companies	1,219	750	1,219	587

**Service agreements.** No contingent liability for termination benefits exists in respect of service agreements with directors and employees of companies in the Group (1980 nil).

**Litigation.** The Bank is involved in litigation which at the date of adoption of these accounts has not been resolved. Should any actions be successful against the Bank in the future, provision is available within provision for non lending losses – see note 6.

**Wales Properties Limited.** The Bank has entered into a deed with Wales Properties Limited to the effect that if at any time the property company does not have available sufficient funds to meet its liabilities as regards premium, principal or interest in respect of any debenture stock, the Bank will provide moneys necessary to meet such liabilities.

**The Wales Australia Limited.** *The Hong Kong Banking Commission* requires a written undertaking by the Bank for \$30,600 as an indication of support for this subsidiary – such undertaking has been given.

**Depositors' Balances** of Bank of New South Wales Savings Bank Limited and the Bank of New South Wales Savings Bank (NZ) Limited are guaranteed by Bank of New South Wales.

## 18. Events subsequent to 30 September 1981

**Bank capital.** On 29 October 1981 the Issued and Paid Up Capital of the Bank was increased by \$158,675,206 to \$392,449,361 by the issues of 158,675,206 ordinary \$1 shares. The shares were issued to acquire 79,337,603 ordinary stock units in The Commercial Bank of Australia Limited in terms of the Bank's offer dated 26 June 1981. A cash payment of \$1.50 per stock unit was also made amounting to \$119,006,404.50. The remaining 2,373,304 stock units are now to be compulsorily acquired under the provision of the relevant legislation, which will involve the issue of a further 4,746,608 shares and a further cash payment of \$3,559,956.

A cash payment of \$4,162,160 was made to acquire 208,108 preference stock units of \$20 each and the remaining 3,627 preference stock units of \$20 each are now to be compulsorily acquired, which will involve a further cash payment of \$72,540.

**Australian Guarantee Corporation Limited.** On 29 October 1981, the Directors of AGC Ltd resolved to make an issue of 50 cent ordinary shares at \$1 on the basis of one for every seven presently held. Bank of New South Wales will subscribe for the whole of its entitlement to the new issue, which will involve a payment of \$23,349,077.



## 19. Group Companies

	Place of incorporation	Countries outside Australia in which business is carried out	Issued share capital	Amount of holding company's investment \$000	Bank of New South Wales beneficial interest
<b>Bank of New South Wales</b>			233,774,155 Ord. \$1		
<b>Bank of New South Wales Savings Bank Limited</b>	NSW	Fiji	40,000,000 Ord. \$1	40,000	100
<b>Bank of New South Wales Savings Bank (NZ) Limited</b>	NZ	Vanuatu Kiribati NZ	2,000,000 Ord. NZ \$1 paid to 30c		100
<b>Wales Properties Limited</b>	NSW		10,750,000 Ord. \$2	21,500	100
<b>Bank of New South Wales Nominees Pty Limited</b>	NSW		42,000 Ord. \$2	84	100
The Wales Nominees (Vic) Pty Limited	Vic				100
The Wales Nominees (Qld) Pty Limited	Qld				100
The Wales Nominees (WA) Pty Limited	WA				100
The Wales Nominees (SA) Pty Limited	SA				100
The Wales Nominees (Tas) Pty Limited	Tas				100
The Wales Nominees (Canberra) Pty Limited	ACT				100
Bank of New South Wales Nominees (NZ) Limited	NZ	NZ			100
Wales Management Pty Limited	NSW				100
Wales Management (NZ) Limited	NZ	NZ			100
Bank of New South Wales (London) Nominees Limited	England	UK			100
The Wales Custodian Services Pty Limited	NSW				100
Wales Nominees (NZ) Limited	NZ	NZ			100
<b>The Wales Superannuation Funds Limited</b>	NSW		500,000 Ord. \$2	600	100
The Wales Superannuation Funds (Qld) Limited (in liquidation)	Qld				100
<b>Wales Financial Services Limited</b>	NSW		500,000 Ord. \$2	1,000	100
Unit Trusts Limited	Qld				100
New Zealand Unit Investment Limited	NZ	NZ			100
<b>Wales Evaluation Pty Limited</b>	NSW		100,000 Ord. \$1 paid to 65c	65	100
<b>Wales International Lending Pty Limited</b>	NSW		5,000 Ord. \$1	5	100
<b>The Wales Australia Limited</b>	Hong Kong	Hong Kong	5,000,000 Ord. US \$2 5,000,000 Ord. US \$2 paid to US \$1	13,114	100
<b>Shareholding Investments Pty Limited</b>	NSW		2 Ord. \$1		100
<b>Shareholding Investments (NSW) Pty Limited</b>	NSW		2 Ord. \$1		100
<b>Bank of New South Wales (PNG) Ltd</b>	PNG	PNG	4,450,000 Ord. K1	5,067	89.5
				81,435	
<b>Australian Guarantee Corporation Limited</b>	NSW		212,884,524 Ord. 50c 150,000 6% cum. 1st pref. \$2 500,000 5% cum. 2nd pref. \$2	161,462	76.5
AGC (Advances) Limited	SA				
AGC (Developments) Limited	NSW				
Kooralbyn Pty Limited	NSW				
Kooralbyn (Sales) Pty Limited	NSW				
Mirvac Pty Limited	NSW				
Mirvac Investments Pty Limited	NSW				
Planned Retirement Living Pty Limited	NSW				
33-35 Pitt St. Pty Limited	NSW				
AGC (Factors) Limited	SA				
AGC (Finance) Limited	NSW				
AGC (General Finance) Limited	NSW				
AGC (Household Finance) Limited	NSW				
AGC (Leasing) Limited	NSW				
AGC (Insurances) Limited	NSW				
AGC (Investments) Limited	NSW				
AGC (Securities) Limited	SA				
Transport and General Insurance Company Limited	NSW				
AGC (Pacific) Limited	PNG	PNG			
AGC (Melanesia) Pty Limited	PNG	PNG			
Albury Brickworks Limited (sold 1/7/80)	NSW				
Australian Guarantee Corporation (NZ) Limited	NZ	NZ			
AGC Investments (NZ) Limited	NZ	NZ			
Bill Acceptance Corporation Limited	NSW				
Central Bill Clearances Limited	ACT				
Mortgage Management Limited	NSW				
Budget Rental Operations Pty Limited	NSW				
Budget Rent A Car System Pty Limited	NSW				
Gerard Finance Pty Limited	SA				
Hunt Bros. (Securities) Limited	NSW				
AGC (Properties) Limited	NSW				
International Factors (Australia) Pty Limited	Vic				
Traders Finance Corporation Limited	NSW				
				161,462	
Group operating profit				242,897	
Add extraordinary items					
<b>Group net profit</b>					



Nature of business	1981 \$000	Contribution to Group profit/ (loss)
		1980 \$000
Savings Bank	70,463 33,372	51,213 24,607
Savings Bank	1,205	754
Property company	1,333	1,774
Nominees and custodian services		
Investment management company		
Nominee and custodian services		
Management of retirement funds for the general public	265	199
Unit trusts management	257	177
Participation in mining projects		
International lendings		
International banking and trade finance	527	87
Investment company	167	—
Investment company		
Full banking services	1,737	1,747
	109,326	80,558
Consumer and commercial financing	20,274	19,651
Property, general and personal financing	9,437	10,982
Property and general financing	108	77
Property development	(1,093)	(2,013)
Property development and investment	3,600	975
	(5)	—
	(1)	—
	3	—
Purchase of trade debts	504	430
Mortgage and general financing	8,783	797
	1,850	1,613
Consumer financing	465	107
Lease financing	25	24
Fire and general insurance	3,432	4,097
Investment company	1,222	904
Property financing	1,332	1,368
Fire and general insurance	15	24
Hire purchase, general financing and leasing	579	585
Holding grant investments	—	168
Consumer and commercial financing	2,596	1,989
Investment company	111	126
Trading in bills of exchange	1,826	836
Brokers for bills of exchange	17	21
Mortgage bills financing	102	49
Holding company		
Short term rental of vehicles	495	166
Hire purchase financing	2	11
Holding company	11	15
Holding group property investments	16	208
Purchase of trade debts	15	19
Mortgage financing	—	3
	55,721	43,232
	165,047	123,790
	6,168	4,369
	171,215	128,159

## Auditors' report to the proprietors

In our opinion:

(a) The accompanying balance sheet and statement of profit and loss are properly drawn up in accordance with the provisions of and the information required by the Deed of Settlement and Act of Parliament relating to the Bank of New South Wales and so as to give a true and fair view of the state of the Bank's affairs at 30 September 1981 and of its profit for the year ended on that date. We have obtained all the information and explanations we have required.

(b) The accompanying consolidated balance sheet and statement of profit and loss are properly drawn up so as to give a true and fair view of the state of affairs of the Group consisting of the Bank and its subsidiary companies at 30 September 1981 and of its profit for the year ended on that date.

The accounts of certain subsidiaries have been audited by other auditors. No audit opinions have been qualified.

H R Beardsmore

J S Bergman

CHARTERED ACCOUNTANTS  
Sydney

27 November 1981.





At 30 September 1981  
Abridged for information only

	1981	1980
	\$000	\$000
<b>Balance sheet (Consolidated)</b>		
<b>Share capital and reserves</b>		
Authorized capital:		
40,000,000 ordinary shares of \$1 each	40,000	40,000
Issued and paid up capital:		
40,000,000 ordinary shares of \$1 each fully paid	40,000	40,000
Reserves	55,800	50,091
Unappropriated profits	16,306	12,904
<b>Share capital and reserves</b>	<b>112,106</b>	<b>102,995</b>
<b>Liabilities:</b>		
Depositors' balances	3,244,920	3,128,315
Provision for income tax	17,755	18,833
Bills payable and all other liabilities	99,162	77,874
	<b>3,473,943</b>	<b>3,328,017</b>
<b>Assets:</b>		
Deposits with Bank of New South Wales	39,500	58,454
Australian public securities	1,312,799	1,360,472
New Zealand public securities	59,816	66,574
Other securities	1,996	3,097
Loans and advances (after deducting provision for doubtful debts \$4,591; 1980 \$4,021)	1,969,249	1,769,731
Shares in other companies - unlisted	15,500	15,500
Bank premises and sites	30,735	29,440
Accrued interest and sundry balances	44,348	24,749
	<b>3,473,943</b>	<b>3,328,017</b>
<b>Profit and loss statement</b>		
for the year ended 30 September 1981		
Discount and interest earned, commission and other revenue items	362,195	294,603
Less: Expenses of management	83,612	80,300
Interest paid and accrued on deposits	214,591	167,100
<b>Operating profit before income tax</b>	<b>63,992</b>	<b>47,203</b>
Less: Income tax expense	29,414	21,842
<b>Operating profit after income tax</b>	<b>34,578</b>	<b>25,361</b>
Extraordinary items profit/(loss)	(59)	(886)
<b>Net profit after extraordinary items</b>	<b>34,519</b>	<b>24,475</b>
Unappropriated profits from previous years (after exchange rate fluctuations 1981 \$107; 1980 \$34)	12,797	9,549
<b>Total available for appropriation</b>	<b>47,316</b>	<b>34,024</b>
Less:		
Appropriations		
Dividend paid - interim	(25,000)	(13,000)
Transfers to reserves		
- General reserve	(6,069)	(8,042)
- Capital reserve	59	(78)
<b>Unappropriated profits at 30 September</b>	<b>16,306</b>	<b>12,904</b>



At 30 September 1981  
Abridged for information only

	1981	1980
	\$000	\$000

## Balance sheet

<b>Share capital and reserves</b>		
Authorized capital	150,000	150,000
Issued capital	107,742	107,742
Capital and general reserves	125,961	125,771
Other revenue reserves	188,788	129,517
<b>Share capital and reserves</b>	<b>422,491</b>	<b>363,030</b>
Interest of outside shareholders	6,800	2,899
Total shareholders' interest	429,291	365,929
<b>Liabilities:</b>		
Debenture stock	1,874,684	1,771,956
Unsecured notes and other deposits	782,004	478,186
Non-current liabilities	89,297	79,673
Provision for income tax	20,794	26,919
Current liabilities and other provisions	238,486	198,190
	<b>3,434,556</b>	<b>2,920,853</b>
<b>Assets:</b>		
Fixed assets	41,241	35,341
Investments	71,205	50,774
	1981	1980
Gross receivables	4,034,685	3,418,299
Less: Unearned income	(932,484)	(736,777)
Less: Unearned investment allowance	(1,688)	(856)
Less: Provision for doubtful debts	(24,548)	(22,891)
	<b>3,075,965</b>	<b>2,657,775</b>
Liquidity placements	159,636	128,220
Properties held for resale	84,492	47,289
Stock and work in progress and equipment for hire	2,017	1,454
	<b>3,434,556</b>	<b>2,920,853</b>

## Profit and loss statement

for the year ended 30 September 1981

<b>Operating profit before income tax</b>	131,253	103,965
Less: Income tax	54,832	46,205
<b>Operating profit after income tax</b>	<b>76,421</b>	<b>57,760</b>
Less: Interest of outside shareholders	3,777	1,314
<b>Operating profit after tax</b>		
applicable to Australian Guarantee Corporation Limited	72,644	56,446
Add: Extraordinary items	(705)	3,635
<b>Operating profit and extraordinary items</b>		
applicable to Australian Guarantee Corporation Limited	71,939	60,081
Retained profits from previous year	128,517	168,132
Adjustment for change in Income Tax Accounting Policy	7,358	—
<b>Total available for appropriation</b>	<b>207,814</b>	<b>228,213</b>
Less:		
Dividends		
Preference - paid and proposed final	(68)	(68)
Ordinary - interim and proposed final	(19,958)	(18,628)
Transfer to reserves	(4,000)	(81,000)
<b>Unappropriated profits at 30 September</b>	<b>183,788</b>	<b>128,517</b>



# Five Year Summary

\$m unless otherwise stated	1981	1980	1979	1978□	1977
<b>Profits and dividends</b>					
Consolidated profits before taxes	340.3	260.9	227.8	177.4	145.1
Income tax○	154.4	123.8	108.5	80.7	—
Net profit applicable to minority interests	20.9	13.3	12.5	20.8	18.0
Net profit applicable to proprietors of Bank of New South Wales	165.0	123.8	106.8	75.9	53.1
AGC share of profits included in above	55.7	43.2	40.9	23.7	19.8
Dividends paid/proposed	56.1	42.1	35.3	21.7	20.3
<b>Assets and liabilities</b>					
Group total assetsΦ	18,369	16,140	13,792	12,146	10,892
Trading Bank - Deposits○	8,512	7,560	6,167	5,484	—
Advances, loans, etc.	7,107	6,275	4,982	4,132	3,955
Savings Bank - Deposits	3,245	3,128	2,956	2,679	2,431
Advances and loans	1,969	1,770	1,588	1,439	1,175
AGC - Total assets	3,435	2,921	2,525	2,244	1,954
Bank's shareholding in AGC	76.8%	76.7%	76.7%	53.2%	53.2%
<b>Shareholders' funds◆</b>					
Paid up capital	234	234	199	136	136
Reserve funds and retained earnings	763	646	523	446	316
Share capital and reserves of proprietors of Bank of New South Wales	997	880	732	582	452
Minority interests in subsidiaries	110	92	80	139	125
Total shareholders' equity in the Group	1,107	972	811	721	576
<b>Share information</b>					
Earnings per \$1 share (cents)△	70.6	53.0	64.5	53.7	39.8
- adjusted for new issues to proprietors (cents)	70.6	53.0	51.6	43.0	31.8
Dividends per \$1 share (cents)	24.0	18.0	18.0	16.0	15.0
- adjusted for new issues to proprietors (cents)	24.0	18.0	16.0	12.8	12.0
Net tangible assets per \$1 share (\$)	4.27	3.76	3.63	4.29	3.33
- adjusted for new issues to proprietors (\$)	4.27	3.76	3.48	3.43	2.66
Share price adjusted for new issues					
High (\$)	3.55	3.50	3.20	3.34	2.18
Low (\$)	2.76	2.63	2.54	2.02	1.80
Close (\$)	2.91	2.98	3.10	3.06	2.01
Share issues to proprietors		1 for 5 @ \$2.00	1 for 5 bonus		1 for 4 @ \$1.75
<b>Ratios</b>					
Dividend cover (times)	2.9	2.9	3.0	3.5	2.6
Ratios of net profit excluding minority interests to -					
Paid up capital (%)	70.6	53.0	53.7	55.9	39.1
Proprietors' funds (%)	16.5	14.1	14.6	13.0	11.8
Ratio of net profit including minority interests to total assetsΦ	1.01	0.85	0.86	0.80	0.65
<b>Other information</b>					
Bank branches, sub branches and Bank-staffed agencies (number)	1,358	1,349	1,329	1,326	1,325
Salaried staff - banking (number)	22,934	21,863	21,004	20,241	20,055
Total Group employees (number)	28,917	27,244	26,143	25,011	24,701

○ Not available on a comparable basis prior to 1978 due to changed reporting requirements.

Φ Total assets excludes contingent assets (which were included in balance sheet totals in years prior to 1980).

◆ Some totals do not agree with the sum of the component parts because of rounding.

△ Based on average number of shares on issue.

□ Figures for 1978 include contingencies reserve where applicable.







