

St George — Australia's largest building society

CURRENTLY Australia's largest building society by a factor of three times its nearest competitor, the St George began as a group of small, terminating building societies in 1937. It was not until 1951 that a permanent building society (called the St George and Cronulla Permanent Co-operative Building and Investment Society Limited) was formed. During the 1950s and early 1960s the operations and assets of the Society were minimal. As recently as 1964, total assets were under A\$10 million.

From these relatively humble beginnings, St George has grown to be one of Australia's largest financial organisations. With total assets exceeding A\$6.5 billion, it ranks second only behind the Government-owned Commonwealth Savings Bank in terms of deposit levels and home loans outstanding among the retail financial institutions in New South Wales.

If the Society were compared directly to the banks, it would easily rank in the top 10 in Australia in terms of total assets, notwithstanding its concentration in the New South Wales and Australian Capital Territory market only.

As a building society, however, St

George maintains a strong commitment to the housing industry. Its mission statement reads:

"The aim of St George Building Society is to consolidate its leadership as a retail financial services group, concentrating on housing and personal investment facilities. It has developed and will maintain this premier position by continuing to provide an innovative range of profitable, well-targeted products and services, tailored to suit the varied and

'High customer approval rating'

changing needs of customers.

"St George's leadership in this sector of the finance industry is the result of a deep and long-standing commitment to home ownership for its members and the provision of secure investment opportunities."

This statement suggests that the "core" retail business of St George will remain the single most important aspect of the society's operations. This is its niche in the broad financial services market. The society has, over the years, developed particular skills in this field and recognises that they are not necessarily suitable to other markets, such as commercial banking, insurance and the like.

St George relies very heavily on fostering an image of providing efficient, friendly and personalised service. This marketing forte has been jealously guarded by staff training schemes, branch design, product selection and features heavily in media advertising. A certain cor-

porate culture has arisen, one that is unique to St George. The society has the highest customer approval rating of any retail financier in the state.

In order to provide efficient customer service in this day and age, modern computer technology is essential. St George has over \$40 million invested in hardware and 130 people in the data processing area. Most software application systems are written in-house, unlike the case of many competitors who buy a package and modify existing systems to suit it.

Similarly St George has a policy of owning its branches and head office properties whenever possible. This gives the society greater security of tenure and, with the recent boom in the property market, a boost to its asset revaluation reserves.

With the merger in October 1988 with the State Building Society, St George took the opportunity to improve the basic deposit accounts on offer. The aim of the exercise was to more clearly distinguish the transaction, saving and investment needs of customers and to provide them with products that would satisfy them far better than any similar products currently available in the market place.

For instance, the society's major transaction account ("Freedom") was heavily modified. It went to daily interest in part balances, with significant increases in interest rates. The account offers a range of benefits, including a personal cheque facility, ATM and EFTPOS access, direct credits, free programmed payment facilities, VISA card, choice of passbook or statement, linkages to other accounts (including a sweep facility) and an

Table 1 — Total Assets of St George Building Society

As at May	A\$ (billion)
1982	1.6
1983	1.9
1984	2.2
1985	2.7
1986	3.2
1987	3.7
1988	4.6
November 1988	6.5

ST GEORGE PROFILE

ability to use the interest in the Freedom account to reduce the mortgage loan amount.

There were significant changes to the Permanent Building Societies Act in 1987. St George was able to issue permanent share capital to its members to bolster the society's capital ratio and expand its funding options. An initial A\$53 million was raised and this has subsequently been expanded to around A\$117 million. Capital adequacy issues are increasingly important for all financial institutions in recent times and the society easily meets both the existing building society regulations and those proposed for the banks under the Basle Supervisors' Agreement.

approach to lending volumes is also adopted. St George also administers various loan schemes of the State Government through its Co-operative Housing group.

The home loan market has undergone a major cyclical upturn over the past two years. Reflecting the sharp pick up in the demand for housing, the number of loans approved in the second half of 1988 was 30% higher than in the same period in 1986. for St George, the comparable increase was a far higher 60%.

With a tightening of monetary policy and subsequent increase in interest rates, home lending appro-

planning advice. These services were added to expand the range of retail services available to the customer base, essential in today's competitive environment.

Commercial loans have been an increasingly important investment outlet for St George in recent years. A subsidiary company (St George Commercial Credit) now markets a

'Commercial loans more important'

range of products for hire purchase, leasing and real estate finance.

A number of new products are planned to be introduced over the next year or so. These include:

- expansion into the super-annuation market, at both the corporate and individual levels,
- a managed trust for managing funds held in solicitors' trust accounts,
- operating a "friendly society" and issuing investment bonds and other products relevant to this type of organisation.

These developments should further boost the society's reputation in the retail financial market place. As noted earlier, however, the society recognises the importance of its core business and the need to service the more basic financial needs of its customers efficiently. These additional services will serve to build on this solid foundation. ■

Table 3 — Balance Sheet, 30 November, 1988

Liabilities	A\$m	Assets	A\$m
Deposits	5,398	Loans secured by mortgages	4,425
Borrowed funds	616	Liquid assets	1,424
Other liabilities	167	Fixed assets	152
Share capital	77	Goodwill	19
Share premium reserve	39	Other assets	467
Other reserves	190		
Total	6,487	Total	6,487

Other fund raising methods and investment alternatives that have been adopted recently include Euro-note issues to the Asia-Pacific market and the launch of an Approved Deposit Fund for superannuation based funds. The society also began operations in the Australian Capital Territory with the opening of St George Permanent Co-operative Building Society (ACT) Limited. A separate society, rather than a branch, was set up due to the restrictions on building societies from operating interstate.

As noted earlier in the mission statement, lending for housing plays a crucial, strategic part in the society's overall operations. St George has a home lending portfolio exceeding A\$4 billion, most of which is to owner-occupiers. The society in recent years has adopted a policy of matching, if not beating, the lending rates charged to home buyers by the major banks. An "open door"

vals have since fallen away from their peak levels.

In 1984, St George introduced personal loans. They are now run through a subsidiary, St George Finance. Selected insurance products were marketed through the branch network from 1985 and a year later saw the introduction of St George Financial Planning Services, providing customers with comprehensive investment and financial

Table 2 — Retail Financial Institution's Deposit Growth Rates (% p.a.)

Year to mid	St George	Savings Banks and Building Societies	Broad Money
1983	19.6	17.3	na
1984	14.9	14.8	na
1985	20.0	10.0	12.7
1986	16.7	9.1	13.4
1987	12.6	13.2	9.9
1988	23.7	17.5	12.7
Half year to end 1988	39.4	7.5	11.3