



# The Company



Harare: The branch in Samora Machel Avenue in the Zimbabwe capital.

Below: ANZ is progressively introducing a new symbol identifying all its units and worldwide operations. The symbol was selected after extensive research in key operating points. An integrated identity system will allow the Group to present a unified worldwide 'face', strengthen its marketing efforts and take advantage of many networking opportunities.



ANZ – Australia and New Zealand Banking Group Limited – is one of the largest companies in Australasia and ranks among the leading financial institutions in the world. It operates in more than 40 countries.

The Group provides its communities with a comprehensive range of retail and wholesale banking facilities plus general and commercial finance, trustee, investment, nominee, life insurance and property services.

The Group also provides worldwide merchant banking and stockbroking services, and specialised private banking facilities in selected countries.

Within Australia, ANZ has a pre-eminent reputation as a business and community leader. The Group is positioned as Australia's leading corporate banker with about one-third of the top 100 private companies choosing ANZ as their prime banker.

ANZ has the largest international network of any Australasian banking and financial services group. It has operations in all the world's major financial centres and through its wholly-owned subsidiary, Grindlays Bank plc, is the largest foreign banking group in India and a major force in the developing countries of South Asia, the Middle East and Africa.

The Group comprises more than 50 different businesses structured into self-contained units, but all interacting to give customers access to the wide range of services throughout an extensive global network.

ANZ's reputation is a product of its operating philosophy – to offer personalised, speedy, courteous and efficient competitive service and accurate advice to its customers. This philosophy pervades the Group's worldwide operations.



Wellington: A state-of-the-art dealing room opened in the New Zealand capital in February.



Bombay: The branch in Bhulabhai Desai Road, the first of six which were refurbished and automated in India in 1987 as part of a programme which will finish in 1989.

# The Year in Brief

*A satisfying result for the Group with earnings significantly ahead of costs, demonstrating potential for further performance improvements in future years.*

Consolidated operating profit before tax and abnormal items increased by 40 per cent to \$813.7 million. Operating profit after tax increased by 22 per cent to \$385.2 million.

About 45 per cent of earnings generated from fee and other income, placing less reliance on interest based income which nevertheless increased by 21 per cent net over last year.

Group assets increased by 15.3 per cent to \$65.3 billion of which 43 per cent are outside Australia.

The charge for provisions for bad and doubtful debts, including an abnormal charge, was \$332 million. Cover for rescheduled country debt stands at 31 per cent on a future tax benefit basis.

Insurance subsidiary Greater Pacific Life increased new premium income by 240 per cent in its first full year as a member of ANZ Group.

Introduction of a new corporate logo as a common marketing symbol throughout all units and countries in the Group.

Staff profit sharing scheme distribution up \$8.0 million to \$21.7 million.

Formation of McCaughan Dyson Capel-Cure as the first global stockbroking house based in Australia, following McCaughan Dyson becoming a wholly-owned subsidiary on 1 July 1987.

Divestment of ANZ ownership in Metropolitan Life Assurance Company of New Zealand Limited and ANZ Finance Limited (United Kingdom).

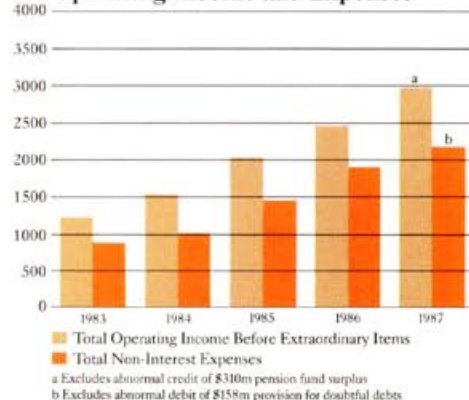
Operations of ANZ Capital Markets and ANZ Merchant Bank unified with the latter becoming responsible for merchant banking operations worldwide.

A major branch modernisation programme commenced in India including progressive computerisation of branches.

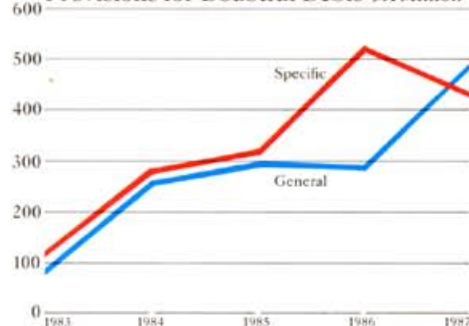
Establishment of an offshore holding company, ANZ International Limited, in Singapore.

Grindlays (Pakistan) became the first foreign institution to float an Islamic *Modaraba* investment fund. It was more than 12 times over subscribed.

**Operating Income and Expenses**



**Provisions for Doubtful Debts \$A Million**



# Board of Directors



**Mr W. J. Bailey**  
Chief Executive and  
Group Managing Director. Age 54  
AAIB, FAMI, FAIM, Bank  
Executive

A Director since July 1984, appointed to his present position in November 1984. Mr Bailey is Chairman of ANZ Holdings (UK) p.l.c., ANZ Holdings (New Zealand) Ltd, Australia and New Zealand Savings Bank Ltd, ANZ Executors & Trustee Co. Ltd, ANZ Pensions Pty Ltd, ANZ Properties (Australia) Ltd and ANZ Staff Superannuation (Australia) Pty Ltd. He is Deputy Chairman of Grindlays Bank p.l.c., a Director of Esanda Finance Corporation Ltd, ANZ Capital Markets Corporation Ltd, Greater Pacific Life Assurance Company Limited, ANZ Banking Group (New Zealand) Ltd and ANZ Merchant Bank Ltd.

Mr Bailey is also a Director of Dalgely Farmers Ltd and the Australian Opera, Chairman of the Economic Committee of the Business Council of Australia, the Board of Trustees for the Centre for Independent Studies and of the Governing Board of the University of Melbourne Graduate School of Management Foundation. He is a member of the Economic Planning Advisory Council and the Queen Elizabeth II Silver Jubilee Trust for Young Australians and Hon. Treasurer of the Baker Medical Research Institute.

He has had 37 years' experience in banking with the Group including Chief Manager International London (1977), Assistant General Manager Branch Banking Melbourne (1980), General Manager Management Services (1982) and Chief General Manager (1983). Mr Bailey lives in Melbourne.

**Sir William Vines,  
AC, CMG**  
Chairman, Age 71  
FASA, ACIS, LCA, psc.  
Company Director and Farmer

A Director since October 1976, appointed Deputy Chairman November 1980 and Chairman January 1982. Also a Director of Grindlays Bank p.l.c.

Sir William is a Director of Dalgely Australia Holdings Ltd and Dalgely Farmers Ltd. He is also Chairman of the National Priorities Project Board of Trustees and of The Sir Robert Menzies Memorial Trust.

He is a former Managing Director of the International Wool Secretariat (1961-1969), former Chairman of the Australian Wool Commission (1970-1972) and of Dalgely Australia Limited (1969-1980) (Managing Director 1970-1976) and former Chairman or Director of other United Kingdom, New Zealand and Australian companies.

Sir William farms in the New England district of New South Wales.

**Mr R. A. D. Nicolson**  
Chief Operating Officer and  
Group Deputy Managing  
Director.  
Age 56.

AAIB, FAIM, Bank Executive  
A Director since July 1984, appointed to his present post in November 1984. Also a Director of Australia and New Zealand Savings Bank Ltd, Esanda Finance Corporation Ltd, ANZ Capital Markets Corporation Ltd, ANZ Banking Group (New Zealand) Ltd, ANZ Merchant Bank Ltd, Grindlays Bank p.l.c. and Australia and New Zealand Banking Group (PNG) Ltd.

Mr Nicolson has had 38 years' experience in banking with the Group including Regional Manager New South Wales (1966), Assistant Manager King and George Streets, Sydney (1970), Representative for Japan (1972), Deputy General Manager Esanda Ltd (1975), General Manager Esanda Ltd (1979), General Manager Corporate and International (1982) and Chief General Manager (1983).

Mr Nicolson lives in Melbourne.



**Mr M. D. Bridgland, AO**  
Deputy Chairman. Age 65  
BSc, FTS, FRACI, FAIM.  
Company Director

A Director since February 1982.

Mr Bridgland has been Chairman of ICI Australia Ltd since 1980 (Managing Director from 1978-1984). He is Chairman of Jennings Properties Ltd, a Director of Jennings Industries Ltd and Freeport MacMoRan Australia Ltd and Chairman of the Advisory Board to the Salvation Army, Melbourne.

Mr Bridgland lives in Melbourne.



**Mr J. C. Dahlsen**  
Age 52  
L.L.B., MBA, Solicitor and  
Company Director

A Director since May 1985.

Mr Dahlsen was a senior partner in and is now a consultant to the Melbourne legal firm Corrs Pavey Whiting and Byrne. He is a Director of Bell Resources Ltd, Myer Investment Pty Ltd Group, Overseas Strategic Holdings Ltd, Tricom Corporation Ltd and the Supervisory Board of Byvest Management Buyout Group. He was formerly Chairman of The Herald and Weekly Times Ltd and Deputy Chairman of The Myer Emporium Ltd. He is a Member of the Board of Management of the University of Melbourne Graduate School of Management and of the Finance Advisory Committee of the Walter and Eliza Hall Institute of Medical Research.

Mr Dahlsen lives in Melbourne.



**Sir Roderick Carnegie**  
Age 55  
BSc, MA, Dip Agric Econs, MBA  
(Harvard). Company Director

A Director since February 1986.

Sir Roderick is Chairman of Hudson Conway Ltd, President of the Business Council of Australia, a member of the General Motors Australian Advisory Council, International Councilor of the Morgan Guaranty Trust and a member of the IBM World Trade Asia/Pacific Group Board. He is also a member of a number of other charitable and business organisations. He was Chairman and Chief Executive of CRA Limited from 1974 to 1987.

Sir Roderick lives in Melbourne.



**Mr D. C. L. Gibbs**  
Age 60  
MA (Oxon). Company Director

A Director since February 1979, Alternate Director 1976-1979. Also a Director of ANZ Executors & Trustee Co. Ltd. and ANZ Pensions (UK) Ltd.

Mr Gibbs is Chairman of Folkestone Ltd and a Director of Parbury Henty Holdings Ltd, Marsh & McLennan Pty Ltd and John Swire and Sons Pty Ltd. He was Chairman of Gibbs Bright & Co Pty Ltd (1968-1985) and Chief Executive for 12 years. He is Chairman of the Victoria State Opera Foundation and a member of the Victoria State Opera Board. He is also Vice-President of the World Wildlife Fund - Australia, a trustee of the Felton Bequest and a member of the Victoria Council, Australian Bicentennial Authority.

Mr Gibbs lives in Melbourne and farms at Coleraine and Yea in Victoria.



**Mr J. B. Gough, OBE**  
Age 59  
FAIM, Chief Executive (Pacific Dunlop) and Company Director  
A Director since August 1986.  
Mr Gough has been a Director of Pacific Dunlop Limited since 1976 (Managing Director since 1980). He is Chairman of BHP Gold Mines Ltd and is a Director of Amcor Ltd, The Broken Hill Proprietary Company Ltd and ICI Australia Ltd. He is a former Chairman of the Trade Development Council, Chairman of the Australia Japan Business Forum, a Board Member of the Walter and Eliza Hall Institute of Medical Research and is Chairman of the Board of Management of the University of Melbourne Graduate School of Management.  
Mr Gough lives in Melbourne.



**Mr W. J. Holcroft, AO**  
Age 65  
FASA, CPA, FCIS, FCIT, FAIM, Company Director  
A Director since October 1976.  
Mr Holcroft is Chairman of AFT Investors Services Ltd, AFT Funds Management Ltd, AFT Ltd and AFT Portfolio Management Ltd and is a Director of ANZ Pensions Pty Ltd and ANZ Staff Superannuation (Australia) Pty Ltd.  
He is also a Director of a number of other companies including Caltex Australia Ltd, The Commonwealth Industrial Gases Ltd and Morrow Australia Ltd as well as being a member of the Board of Governors of The Australian Wildlife Fund Ltd. In 1980 he retired as Managing Director of Brambles Industries Ltd.  
Mr Holcroft lives in Bathurst and also farms in that area of New South Wales.



**Dr B. W. Scott, AO**  
Age 52  
B.Ec, MBA, DBA, Company Director  
A Director since August 1985.  
Also a Director of AFT Investors Services Ltd, AFT Funds Management Ltd, AFT Ltd, AFT Portfolio Management Ltd and Greater Pacific Life Assurance Company Ltd.  
Dr Scott is Chairman of ACI International Ltd and a Director of Imagineering Technology Ltd, Liquid Air Australia Ltd and James N. Kirby Foundation Ltd. He was chief executive of the W. D. Scott Group of Companies from 1974 to 1985 and is Chairman of Management Frontiers Pty Ltd, W. D. Scott International Development Consultants Pty Ltd and Jon and Associates Pty Ltd. He is Chairman of the Trade Development Council and immediate past Federal President of The Institute of Directors in Australia.  
Dr Scott lives in Sydney.



**Sir Laurence Muir, VRD**  
Age 62  
LLB, FSIA, FAIM, Company Director  
A Director since August 1980.  
Also a Director of ANZ Pensions Pty Ltd and ANZ Staff Superannuation (Australia) Pty. Ltd.  
Sir Laurence is Chairman of Liquid Air Australia Ltd and University Paton Ltd, Deputy Chairman of Wormald International Ltd and is a Director of ACI International Ltd, Alcoa of Australia Ltd, Gold Holdings of Australia Ltd, Hudson Conway Ltd, National Commercial Union Ltd and Templeton Global Growth Fund Ltd. He is President of the Baker Medical Research Institute and The Australian Brain Foundation, Deputy Chairman of the Australian Science & Technology Centre Advisory Committee, a member of the General Motors Australian Advisory Council, L'Air Liquide World Advisory Committee, the Parliament House Construction Authority, The Sir Robert Menzies Memorial Trust and a number of other charitable organisations.  
He retired in 1980 as senior partner of Potter Partners.  
Sir Laurence lives in Melbourne and on the south coast of New South Wales.

## Board Committees

### Audit Committee

Mr M. D. Bridgland  
(Chairman)  
Mr J. C. Dahlsen  
Professor Dame Leonie Kramer  
Dr B. W. Scott

### Credit Committee

Sir William Vines  
(Chairman)  
Mr W. J. Bailey  
Mr M. D. Bridgland  
Mr D. C. L. Gibbs  
Mr C. J. Harper  
Mr R. A. D. Nicolson



**Mr C. J. Harper**  
Age 56  
CA (Scots), Company Director  
A Director since October 1976.  
Also a Director of Grindlays Bank p.l.c.  
Mr Harper is Chairman of Humes Ltd and Legal and General Assurance Holdings (Australia) Ltd and a Director of IBM Australia Ltd, North Broken Hill Holdings Ltd, Vickers Holdings Ltd and Wiggins Teape Pty Ltd. He is Federal President of the Institute of Directors in Australia, a member of the Victoria State Opera Foundation and of the Touche Remnant & Co. International Advisory Board. He was General Manager and Chief Executive of the merchant bank Australian United Corporation Ltd from 1968-1976.  
Mr Harper lives in Melbourne.



**Professor Dame Leonie Kramer, DBE**  
Age 63  
BA (Melb), D. Phil (Oxon), Hon. D.Litt (Tasmania), Hon. LL.D (Melb and ANU), FAHA, FACE, University Professor and Company Director  
A Director since August 1983.  
Also a Director of AFT Investors Services Ltd, AFT Funds Management Ltd, AFT Ltd and AFT Portfolio Management Ltd.  
Dame Leonie is Professor of Australian Literature at the University of Sydney and a noted author and editor who serves on a number of scholastic committees. She is also a Director of Western Mining Corporation Holdings Ltd and Western Mining Corporation Ltd, National President of the Australia-Britain Society, Chairman of the Board of the National Institute of Dramatic Art and a member of the Council of the National Roads and Motorists Association, New South Wales. She was a member of the Australian Broadcasting Commission from 1977-1982 and Chairman of the Commission from 1982-1983.  
Dame Leonie lives in Sydney.



**Mr L. M. Papps, CMG**  
Age 68  
LLM (Wellington), Solicitor and Company Director  
A Director since October 1976.  
Chairman of ANZ Banking Group (New Zealand) Ltd.  
Mr Papps is senior partner of the Wellington and Auckland legal firm Bell Gully Buddle Weir. He is Chairman of Asea Tolley Electric Company Ltd and Steel & Tube Holdings Ltd and a Director of NZ Forest Products Ltd, Rada Corporation Ltd, Crown Corporation Ltd and UEB Industries Ltd and Chairman and Director of a number of other companies.  
Mr Papps lives in New Zealand.

# Senior Management

**W. J. Bailey**  
Chief Executive and  
Group Managing  
Director

**R. A. D. Nicolson**  
Chief Operating  
Officer and  
Group Deputy  
Managing Director

## Group Executive

<b>D. N. Butcher</b> General Manager Community Relations	<b>L. C. Graham</b> Group Secretary <b>A. R. D. Peatfield</b> Group Executive Personnel & Administration	<b>C. A. Griss</b> Group Executive Finance <b>J. W. Pitt</b> Group Executive Management Information Services
<b>D. P. Mercer</b> Group Executive Strategic Planning & Economics		
<b>B. J. Waldron</b> Group Executive Audit		

## Australian Retail Banking

**R. K. W. Bennett**  
Director

<b>D. W. Gall</b> General Manager Electronic Network Services	<b>A. N. Findlay</b> General Manager Data Processing Operations	<b>A. T. L. Maitland</b> General Manager Retail Banking
<b>L. G. Twidale</b> General Manager Branch Banking		

## Assistant General Managers Branch Banking

<b>B. D. Christensen</b>	<b>B. J. Dawson</b>	<b>W. B. Riedel</b>
<b>A. K. R. Watson</b>		

## Australian Commercial Services

**D. Nicolson**  
Director

<b>D. T. Craig</b> Managing Director Esanda Finance Corporation Limited	<b>T. H. Giles</b> Managing Director Australian Fixed Trusts Limited	<b>E. C. J. Johnson</b> General Manager Commercial Banking & Overseas Services
<b>B. P. Martin</b> General Manager ANZ Property Management & Managing Director Delfin Property Group Limited	<b>T. C. Jenkins</b> Managing Director Greater Pacific Life Assurance Company Limited	<b>C. R. Pleydell</b> Managing Director ANZ Executors & Trustee Company Limited
<b>D. R. Watson</b> General Manager Investment and Trust Services	<b>D. G. Morgan</b> General Manager International Services	<b>D. R. Murray</b> General Manager Correspondent Banking

## Investment Banking & Corporate Services

**F. A. McDonald**  
Director

<b>J. R. McConnell</b> General Manager Corporate Banking	<b>B. H. Walters</b> Managing Director ANZ Merchant Bank Limited (London based)	<b>J. M. Gourlay</b> Chairman McCaughan Dyson & Coy Ltd.
<b>B. P. Ranford</b> Managing Director ANZ Capital Markets Corporation Limited	<b>M. Arai</b> Managing Director Daiwa ANZ International (Affiliate)	

## Global Treasury

<b>P. J. Rizzo</b> Director	<b>R. C. Thomas</b> General Manager Treasury (London based)	
<b>M. I. Calderwood</b> General Manager - New Zealand Treasury	<b>R. N. Challis</b> General Manager Australian Treasury	<b>P. J. O. Hawkins</b> Regional General Manager Pacific Treasury
<b>M. J. Tong</b> Regional General Manager UK/Europe Treasury	<b>J. B. Van Aken</b> Regional General Manager Americas Treasury	

## New Zealand

**B. Weeks**  
Managing Director  
ANZ Banking Group  
(New Zealand)  
Limited

<b>R. E. Baker</b> Managing Director UDC Group Holdings	<b>D. J. Butler</b> General Manager Finance & Support Services	<b>R. I. G. Harding</b> General Manager Corporate & Commercial Banking
<b>A. G. Kirkland</b> General Manager Banking Network	<b>T. D. Sullivan</b> General Manager Retail Banking	

## UK/Europe/Middle East/Africa and South Asia

<b>B. B. Dickinson</b> Senior General Manager ANZ & Managing Director Grindlays Bank	<b>J. F. Ries</b> General Manager ANZ & Deputy Managing Director Grindlays Bank	
<b>R. H. White</b> General Manager Personnel & Administration	<b>T. C. W. Ingram</b> Regional Director United Kingdom & Europe	<b>D. B. Valentine</b> Executive Director Private Banking
<b>R. G. L. Barnes</b> Regional Director Middle East	<b>A. Wright</b> Regional Director Africa	<b>G. G. Howard</b> Regional Director South Asia

## Americas and Pacific Basin

**R. Isherwood**  
Director

<b>L. W. Cooke</b> Chief Manager Pacific Islands	<b>R. P. Sewell</b> Executive Vice- President Americas	<b>A. D. Vale</b> Managing Director ANZ Banking Group (PNG) Limited
<b>R. J. Maugher</b> General Manager Japan	<b>R. E. Nickolds</b> General Manager Hong Kong	<b>J. R. Sudholz</b> General Manager Singapore



# Financial Summary

## Financial Highlights

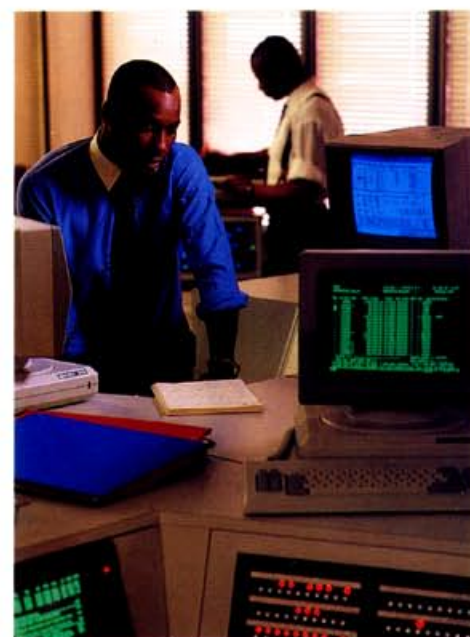
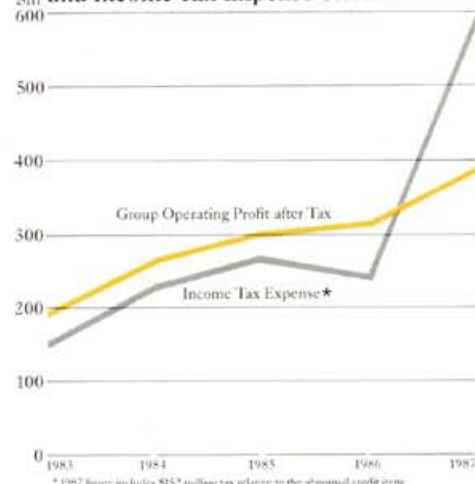
	1987	1986	% Movement
<b>For the years ended 30 September (\$'000)</b>			
Group gross income less interest paid	3,265,044	2,443,426	+33.6
Group operating profit	385,153	315,422	+22.1
Group profit after extraordinary items	399,003	164,762	+142.2
Dividends	145,371*	133,088	+9.2
Number of times dividend covered by profits	2.65	2.37	
Return on average shareholders' funds	13.1%	13.1%	
<b>Per share</b>			
Dividend — declared rate	21.0¢	20.6¢ <sup>#</sup>	
Earnings on fully-paid capital at end of year	55.0¢	51.2¢ <sup>#</sup>	
Net assets per fully-paid share at end of year	\$4.48	\$4.05 <sup>#</sup>	
<b>At year end (\$'000)</b>			
Paid-up capital	700,437	449,830	+55.7
Shareholders' funds	3,138,640	2,731,082	+14.9
Total assets	65,310,023	56,630,603	+15.3
Ratio of shareholders' funds, including minority interests, to total assets	5.95%	5.56%	

\* Includes \$16.2 million dividend equivalent of bonus shares issued instead of cash dividend.

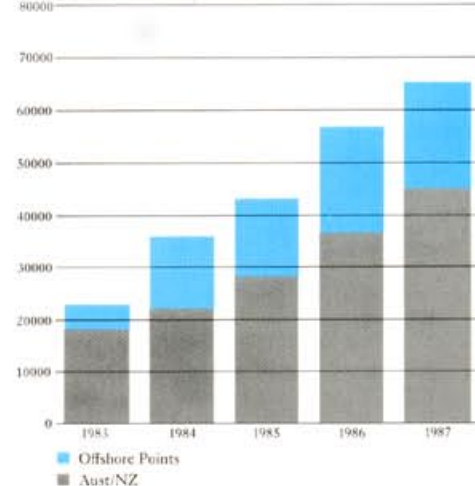
<sup>#</sup> Adjusted for 1987 bonus issue.

- **Group Operating Profit** of \$385 million.
- **Group Assets** increase by 15.3% to \$65.3 billion.
- **Paid Up Capital** increases by 55.7% (includes 1 for 2 bonus).
- **Total Shareholders' Funds** increase by 14.9%.
- **Offshore Operations** contribute 34.2% of total profit.
- **All Business segments** achieve profit increases.
- **Income Growth** exceeds increase in expenses.
- **New Zealand Group** result includes 100% of profit following acquisition of 25% minorities.
- **Dividend Payment** based on final dividend of 11 cents per share to be \$145.4 million including \$16.2 million dividend equivalent of bonus shares issued, compared with \$133.1 million in 1986.

**Group Operating Profit and Income Tax Expense** \$A Million



**Total Assets** \$A Million





## Sources of Operating Profit

	1987 \$'000	% of Total	1986 \$'000	% of Total	Movement \$000	Movement %
General Banking	238,513	61.9	190,571	60.4	+47,942	+25.2
Savings Banking	47,400	12.4	42,656	13.5	+4,744	+11.1
Merchant Banking	6,068	1.6	1,992	0.6	+4,076	+204.6
Finance Companies	61,632	16.0	61,474	19.6	+158	+0.3
Life Insurance	18,930	4.9	8,962	2.8	+9,968	+111.2
Other	12,610	3.2	9,767	3.1	+2,843	+29.1
	<b>385,153</b>	<b>100.0</b>	<b>315,422</b>	<b>100.0</b>	<b>+69,731</b>	<b>+22.1</b>
Australian Operations	253,498	65.8	203,571	64.5	+49,927	+24.5
Offshore Operations	131,655	34.2	111,851	35.5	+19,804	+17.7
	<b>385,153</b>	<b>100.0</b>	<b>315,422</b>	<b>100.0</b>	<b>+69,731</b>	<b>+22.1</b>

## Analysis of Consolidated Profit

### Income

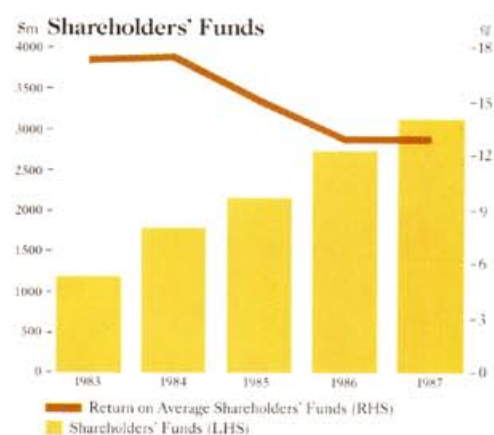
Interest received	6,437,000		5,600,723		+14.9
Less interest paid	4,818,502		4,264,396		+13.0
Net interest received	1,618,498	49.4	1,336,327	54.7	+21.1
Commission and other	1,336,546	40.8	1,107,099	45.3	+20.7
Abnormal item	310,000	9.4	—	—	—
Extraordinary items	13,850	0.4	—	—	—
Total Income	<b>3,278,894</b>	<b>100.0</b>	<b>2,443,426</b>	<b>100.0</b>	<b>+34.2</b>

### Expenses

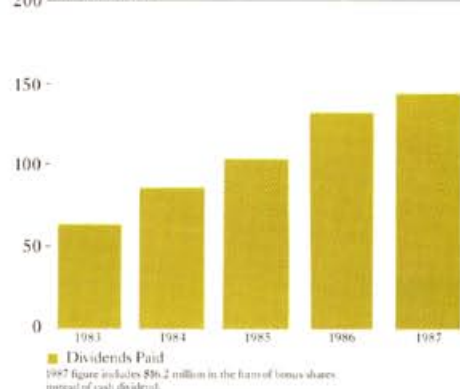
Salaries	767,789	23.4	667,310	27.3	+15.1
Other personnel	252,842	7.7	212,722	8.7	+18.9
Building occupancy	218,326	6.7	219,267	9.0	—0.4
Doubtful debts	174,046	5.3	196,663	8.1	—11.5
Abnormal item	158,000	4.8	—	—	—
Other	728,286	22.2	567,051	23.2	+28.4
Total expenses	<b>2,299,289</b>	<b>70.1</b>	<b>1,863,013</b>	<b>76.3</b>	<b>+23.4</b>
Income tax	579,442*	17.7	245,944	10.1	+135.6
Extraordinary items	—	—	151,451	6.2	—
Dividends	129,217†	4.0	133,088	5.4	—2.9
Minority shareholders' interests	1,160	—	18,255	0.7	—93.6
Retained earnings (including reserves)	269,786	8.2	31,675	1.3	—
Total expenses, distributions and retentions	<b>3,278,894</b>	<b>100.0</b>	<b>2,443,426</b>	<b>100.0</b>	<b>+34.2</b>

\* Includes \$152 million tax relative to the abnormal credit item.

† Excludes \$16.2 million dividend equivalent of bonus shares issued instead of cash dividend.



### \$m Dividends



# Chairman's Report

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Global and domestic financial markets continued to be very volatile during the past year and it is of credit to our management and staff that a satisfactory improvement to the Group's profit and overall performance was achieved.

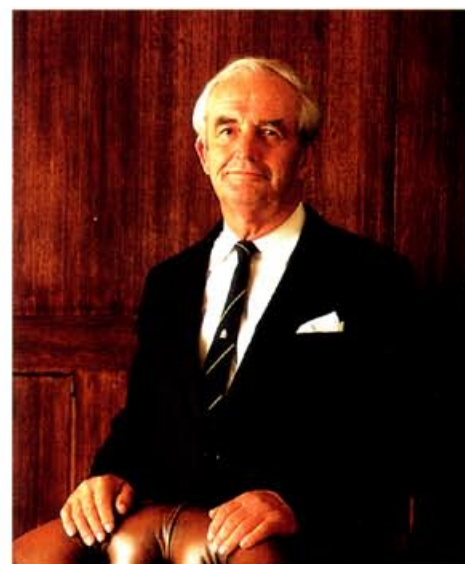
## Earnings and Revenue

Group operating profit after tax was \$385.2 million, an increase of 22.1 per cent over last year's result. This reflects an improvement in profit for all major segments of the Group's business, much of the improvement occurring in the second half of the year. Consolidated operating profit before tax, excluding abnormal items and after provisions for bad and doubtful debts, was \$813.7 million, a 40 per cent increase over last year's results.

These results represent a return of 13.1 per cent on average shareholders' funds, unchanged from last year. However, earnings per share increased from 51.2 cents in 1986 to 55.0 cents in 1987.

Both our Australian and offshore operations increased profit, the contribution from Australian operations being slightly higher at 66 per cent. The contribution of offshore operations was boosted by the inclusion of 100 per cent of the New Zealand group results (compared with 75 per cent in 1986) following acquisition of the 25 per cent minority shareholding in the New Zealand group.

Offshore results were adversely affected by two exceptional items occurring in the UK-based ANZ Holdings (UK) group. Provision of \$6.7 million (GBP 2.9 million) after tax was made for redundancy payments following a restructure of London operations. A further \$10.1 million (GBP 4.4 million) provision after tax was raised for losses arising from a change in the interpretation of tax legislation in the UK. If these items are excluded, ANZ Holdings (UK) recorded a 115 per cent increase in profit to \$14.0 million (GBP 6.2 million).



Sir William Vines

Exchange rates at which overseas profits were converted to \$A had little impact on the comparative results.

Within Australia, the Trading Bank recorded strong growth in net interest earnings and fee income and the Australian Savings Bank profit was marginally improved with higher volumes offsetting a reduction in interest margin. The proportion of housing loans still subject to a regulated rate is about 50 per cent compared with 82 per cent last year.

Our finance company operations showed increasing profitability with Esanda Finance Corporation recording a strong profit lift of 21 per cent. In New Zealand, the UDC group recorded an 8 per cent increase in profit following an increase in assets and an improved interest rate margin.

Most operations – including life insurance, merchant banking, trustee and stock broking – also significantly increased profit contribution. About 10 per cent of the Group's total profit came from these segments of business.

## Management Performance

The dynamics of the Group's organisational structure which was put in place in 1986 are a factor in these improved profit performances. With over

50 business units now accountable for their businesses and structured to be more customer responsive, we are beginning to see very positive results flow to our bottom line.

Another factor that has contributed to our results is the Group's diverse business interests and worldwide network. Coupled with the organisational structure, these have "added value" to the Group as a whole with units and network points interacting to enhance services provided to customers and our business relationships in general.

One important feature of our results is the strong growth of earnings recorded this year. Perusal of our profit and loss account will show that earnings are growing faster than costs. Excluding abnormal items, our total earnings increased by 20.9 per cent, well above the 14.9 per cent increase in total costs (including bad debts). Some 45 per cent of our global earnings was generated from fee and other income, making us less reliant on interest rate margins and reflecting the changing deregulated financial environment in which we are now well positioned with our organisational structure and diverse financial business interests.

## Dividends

Directors have recommended a fully franked final dividend of 11 cents per share. With the interim dividend of 10 cents paid on 29 June 1987, total dividend for the year will be 21 cents (1986 20.6 cents equivalent) on the one for two bonus increased capital.

Directors expect that dividends in the coming year will be fully franked.

Dividend payout for the year as recommended is \$129.2 million, representing 33.5 per cent of Group operating profit (1986 42.2 per cent). In addition, shareholders elected to take \$16.2 million of the June 1987 dividend in the form of bonus shares instead of cash dividend.

## Group Assets

Total assets of the Group increased by 15.3 per cent (\$8.7 billion) to \$65.3 billion as at 30 September 1987.

The Group has 43 per cent of its assets outside Australia.

Our policy in the past year, and in the immediate future, is to manage our assets more effectively rather than to increase them substantially. We believe this is prudent in view of the state of the world economic environment.

## Taxation

Income tax expense, excluding tax relating to abnormal items, increased this year by 73.8 per cent to \$427.4 million (1986 \$245.9 million). This steep increase reflects many factors including the accounting treatment for our doubtful debt general provision charge, higher corporate taxes payable in Australia and New Zealand and a full year charge for fringe benefits tax in Australia and New Zealand. It also reflects the phasing out of investment allowances and a lower proportion of rebateable dividends included in the result.

For these reasons, comparison of the tax expense and profit before tax between periods leads to distortions.

## Provisions for Debt

The ongoing process of risk assessment in the Group, which was strengthened two years ago, gives Directors confidence in the quality of our assets. This year the general provision not tax effected stands at \$487.4 million, an increase of 66 per cent over last year. This provides the Group with entirely adequate protection at a time of uncertainty in both the global and domestic economies.

ANZ Holdings Group (UK) provided \$33.6 million (GBP 14.7 million) for debt provision compared with \$78.5 million (GBP 34.2 million) in 1986.

For the Group as a whole the total charge to profits in 1987 for doubtful debts, excluding abnormal items mentioned below, was \$174.0 million, down \$22.6 million on the previous year.

All exposures to major customers have been reviewed in the light of recent events in the stock markets of the world and Directors are confident that no major concerns exist.

## Exposure to Debt Rescheduling Countries

We have stated on many occasions that over 90 per cent of our total exposure to debt rescheduling countries relates to lending to governments, banks and Government entities, and no individual country exposure exceeds one per cent of Group assets.

This position remains unchanged, but with increasing uncertainties regarding the ability of countries subject to debt rescheduling to permit cross border debt servicing payments, the Group has made a substantial addition to its cross-border provisions.

In line with the trend among international banks, the Group has increased its level of cross-border provisions, bringing total provisions against exposure to borrowers in 22 debt rescheduling countries to 31 per cent of relevant outstandings on a future tax benefit basis.

To establish an appropriate provision level, each country has been considered individually and a percentage provision rate applied having regard to the provisioning guidelines recently issued by the Bank of England.

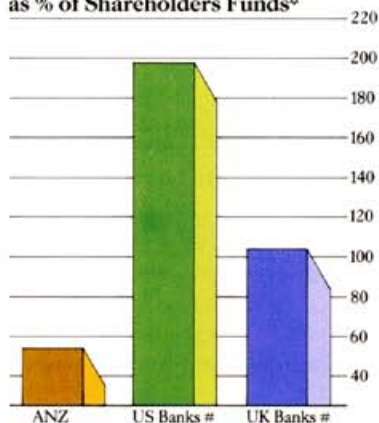
Directors are satisfied that the substantial provisions which have been made are fully adequate in current circumstances.

By geographic region, the Group's exposure to borrowers in rescheduling countries subject to provisions is:

South and Central	
America	A\$1,214 million
Eastern European Bloc	A\$ 126 million
Africa and Middle East	A\$ 117 million
Asia	A\$ 61 million
	<hr/>
	A\$1,518 million

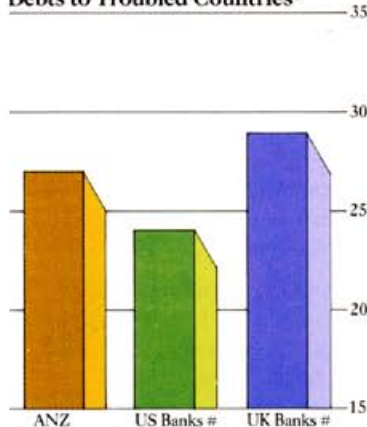
# Chairman's Report

**Debts to Troubled Countries as % of Shareholders Funds\***



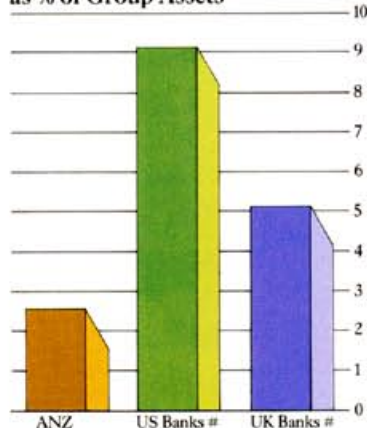
\* Definition may vary between banks.  
# Comparisons have been prepared by averaging data for leading US and UK banks.

**Aggregate provisions as % of Debts to Troubled Countries\***



\* Definition may vary between banks.  
# Comparisons have been prepared by averaging data for leading US and UK banks.

**Debts to Troubled Countries as % of Group Assets\***



\* Definition may vary between banks.  
# Comparisons have been prepared by averaging data for leading US and UK banks.

The amounts quoted are A\$ conversions of predominately US\$ denominated exposures and represent 2.3 per cent of total Group assets at 30 September 1987 (3.0 per cent in 1986).

The Group position compares favourably with that of leading banks in the United Kingdom and United States of America for which the ratio of relevant exposure to total assets generally ranges between 3.0 and 10.0 per cent.

## Abnormal Items

During the year 99.1 per cent of members of the Group's main defined benefit pension fund in Australia took advantage of an option to transfer to a new accumulation fund.

In terms of the rules of the defined benefit fund any surplus in the old fund is to be repaid to the Bank, the amount of surplus being determined by actuarial assessment. As a result the surplus taken to profit as an abnormal item was \$158 million after tax (\$310 million before tax).

This abnormal surplus has been totally offset by an abnormal charge against provision for bad and doubtful debts. The amount was so treated in addition to the \$174 million charged to profits (mentioned above).

## Establishment of Offshore Holding Company

In recognition of our significant offshore investment and presence in the global markets, a new subsidiary has been established in Singapore.

Following approval by the Monetary Authority of Singapore, ANZ International Limited will be the holding company for the Group's wholly-owned offshore subsidiaries. It will also act as operational headquarters for certain functions relating to the Group's worldwide interests and activities.

This move reinforces our commitment to remain Australia's international bank. At the same time we are committed to continue to be an Australian-based enterprise.

## Acquisitions and Divestments

During the year, the Group acquired 100 per cent ownership of Melbourne

based investment brokers McCaughan Dyson & Co. Although contributing only three months to the Group's results as a wholly-owned subsidiary, the potential for significant contributions in future years is already evident.

In New Zealand, the Bank's 50 per cent shareholding in Metropolitan Life Assurance Company of New Zealand Limited was sold. Similarly, in the United Kingdom, ANZ Finance Limited was sold. Both of these divestments were made as part of an on-going strategy of concentrating the Group's resources and shareholders' funds on core and network businesses.

## Staff

The significant contribution of staff to our results cannot be overstated. Their dedication and commitment are reflected in our very pleasing performance, as is their ability to respond to challenging, changing and complex competitive environments.

Directors have agreed to recognise their efforts with an allocation of \$21.7 million pre-tax to eligible staff under the Bank's profit sharing scheme. This is an increase of \$8.0 million over last year's allocation.

## International Board of Advice

Last year I announced the formation of an International Board of Advice with the names of inaugural members who provide advice on business and economic conditions and opportunities for business development in their respective countries. Since then, the Board of Advice has met in Melbourne and London and this initiative is proving most effective.

Two additional members were appointed during the year: Mr Keizo Saji, Chairman of the Board of Suntory Limited (Japan) and Sir John Bremridge, Director of John Swire and Sons Limited (United Kingdom) and former Financial Secretary of the Colony of Hong Kong.

Tragically, the first Chairman of the International Board of Advice, Sir James McNeill, AC, CBE died in March 1987. Sir James was a Director of ANZ Group from 1982 until he retired in July 1986.

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He was a source of inspiration and wisdom for the Group and his significant contribution will long be recognised. He is sadly missed by his colleagues in the Group.

### Board Changes

Mr A. J. O. Ritchie retired from the ANZ Group Board on 30 November 1987. Mr Ritchie was also Chairman of ANZ Holdings (UK) plc and Director of Grindlays Bank plc. Mr Ritchie lent to ANZ his vast experience of banking and business in the United Kingdom and Europe at a time when ANZ's operations in that part of the world have been expanding and diversifying. On behalf of all shareholders I extend our warmest appreciation for his contribution and our good wishes during his retirement.

### Outlook

The worldwide collapse of stock market prices in October 1987 added a new element of uncertainty to the business outlook. At this stage it is impossible to predict with any certainty just what the consequences will be, but it is possible that the general business environment – both domestic and international – has deteriorated.

Although it is by no means inevitable that the world economy will suffer from outright recession as a result of the sharp decline in asset values, some slowing in the global growth rate may occur. This would result in increased difficulties for many primary producing countries as demand for their exports slacken, and for manufacturing and financial sectors in advanced industrial countries.

Such difficulties could be offset temporarily by somewhat lower interest rates, but this might not be sufficient to prevent a deterioration in the credit-worthiness of many borrowers, both sovereign governments and corporate entities.

The fundamentals of the world economy have been in poor shape for some time, the main problem being the massive trade imbalances between the major countries. Strong international co-operation is now needed, especially fiscal restraint in the US matched by fiscal expansion in Japan and West Germany, and a more open trading approach generally.

### The Year Ahead for ANZ

Activity in ANZ's major areas of operation is likely to be somewhat reduced.

Demand for funds is now likely to be lower but, in the weaker environment, broad-based rises in interest rates appear unlikely.

It is always difficult to predict future profit performance. However, the Group is demonstrating an ability to increase gross revenue at a rate in excess of our costs, and we are also becoming less dependent on interest margins. Our diverse revenue streams and business within the broad financial markets are also an asset.

In a dynamic enterprise such as ANZ, the process of change never really ceases and it can be said with conviction that in recent years we have achieved a major readjustment and redirection of the Group. We now face the uncertainties of the future with that task successfully completed, with a stable and highly-motivated management team under firm leadership and with a strong business base.

Most business units both domestic and offshore have forecast improved returns in 1987/88, and the Directors therefore have a degree of confidence that results in the current year will again show acceptable growth.



Chairman

# Chief Executive's Report

## OPERATING ENVIRONMENT

### International

Against a background of disappointingly slow growth in the world economy, continuing political and trade tensions between the major industrial countries and renewed servicing difficulties in many lesser developed countries (LDCs), the international banking environment remained challenging in 1987.

In the early part of the year there was considerable anxiety that the lack of economic policy co-ordination between the major industrial countries could lead to a fall-off in economic activity. Although a slowdown was avoided, the pace of expansion remained subdued and the world economy fragile.

During 1987, many primary producing countries benefitted from some recovery in commodity prices. Although this and lower interest rates helped to ease the debt-servicing problems of a number of heavily-indebted LDCs, the downturn in world financial markets and its consequences now has to be faced.

There has been mounting evidence recently that a number of LDC governments are becoming increasingly reluctant to persist with the domestic austerity programmes which they adopted in their attempts to meet debt-servicing obligations.

This weakening of political resolve has added a new element of uncertainty to the LDC debt situation, and intensifies the pressure to find practical and equitable solutions.

The international banking community has continued to collaborate with debtor governments and with official financing agencies to find ways of easing the debt situation while preserving the integrity of the international financial system.

Regrettably, however, there has been no significant progress towards an overall solution of the debt problem. Clearly, this can only be confidently addressed when the major developed countries recognise the self-defeating nature of trading block barriers to fairer and freer trade throughout the world.

In recognition of the on-going nature of the debt problem, many major international banks, including ANZ, have recently set aside sharply increased provisions against their LDC debt.

Co-ordination of central bank supervisory practices has continued to make headway, building on the capital-adequacy agreement between the US Federal Reserve System and the Bank of England. This will strengthen the balance sheets of banks and reinforce the stability of the international financial system.

Broad international uniformity of bank capital gearing will also produce a "level playing field" on which all international banks can compete fairly.

Although the major industrial countries have failed sadly to achieve an adequate degree of co-ordination in many economic policy areas, they have continued to collaborate in seeking more stability in exchange rates. Their February 1987 agreement was initially greeted with some scepticism by financial markets, but it does appear to have produced a lower degree of volatility in the major exchange rate relationships than might otherwise have been the case.

Nevertheless, exchange rate instability reflects, to a substantial degree, more general economic policy failure. Establishing steadier exchange rate conditions therefore fundamentally rests on policy developments in other areas.

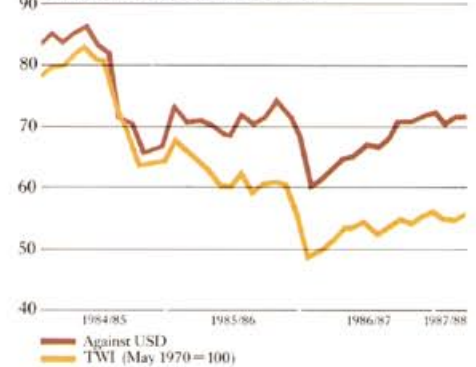
### Australia

The Australian economy recovered modestly in 1987 from its 1986 recession. Growth was focused on export and import-replacement industries, with domestic spending remaining weak. Foreign indebtedness and its servicing continued to grow faster than the underlying economy, leaving Australia vulnerable to any slowing in world trade.

The manufacturing sector recovered from a low base and gains were made against imported supplies. The rural sector improved slightly, led by a recovery in world wool and meat prices.

A further reduction in real wages, only partly offset by cuts in personal tax rates, meant weak consumer spending which

Value of Australian Dollar



Bank Lending Interest Rates in Australia



depressed retail sales and motor vehicle purchases. Business investment rose a little, though from relatively low levels. Within this total, spending on buildings and structures continued to rise strongly but, disappointingly, investment in plant and equipment fell for the second successive year.

A pleasing feature was a decline in inflation over the course of 1987 as the lift given to import prices by earlier depreciation of the Australian currency eased. However, growth in labour costs, while steadying at around 7 per cent, has nevertheless put a floor under Australia's inflation rate double that overseas.

Financial intermediation, although expanding more slowly than in 1986, still rose strongly by past standards as the effects of deregulation and financial innovation continued to boost activity. Over the year to August, total credit extended by all financial intermediaries grew by 17 per cent, down from 23 per cent in the previous year. Banks continued to gain market share.



London: Mr P. J. Rizzo (Director, Global Treasury) seated right, talks to a dealer. Looking on are, left, Mr. M. Tong (Regional General Manager, UK/Europe Treasury) and Mr R. C. Thomas (General Manager, Treasury).

Following the volatility of 1985 and 1986, financial markets were generally steadier in 1987, as sentiment improved with the tightening in fiscal policy and the slight reduction in the growth of Australia's current account deficit. The Australian dollar appreciated on a trade-weighted basis for much of the first nine months of 1987 and interest rates generally declined. However, with the world economic uncertainty associated with US trade and fiscal deficits, attention was refocused on high debt commodity-dependent countries resulting in renewed pressure on Australian financial markets.

### New Zealand

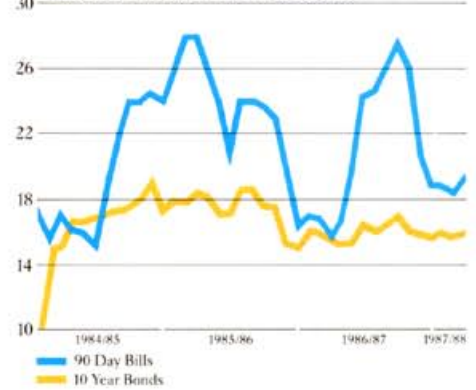
New Zealand continues to face substantial economic problems, with the major policy changes introduced since 1984 taking longer than expected to impact. The balance of payments current account deficit and large foreign debt

remain large constraints on growth. As a consequence, economic growth slowed during the year, particularly in provincial areas.

The Government's determined anti-inflationary monetary stance generated high interest rates, resulting in an overvalued New Zealand dollar. This interest/exchange combination had a particularly negative impact on investment spending. This monetary policy emphasis needs to be reduced through further reduction of Government spending.

The banking environment was particularly volatile in these circumstances. In response to a lending surge early in 1987 and continuing high inflation expectations, the authorities tightened monetary policy, reversing the previous fall in interest rates.

% Interest Rates in New Zealand



High interest rates prevailed for about five months, during which the Group faced difficult and at times disruptive trading conditions. These problems eased after May, with interest rates falling slowly but steadily, although remaining historically high.

Deregulation of the finance sector is now virtually complete and competition is strong, as evidenced by pressure on deposit interest rates, slimmer margins and expanding product ranges.

Legislation allowing the entry of new banks took effect from April 1987. In August, the first eight successful applicants were announced, representing mainly an upgrading in status of existing financial operations in New Zealand.



Mr D. Nicolson, (Director, Australian Commercial Services).

# Chief Executive's Report

## BANKING OPERATIONS

### Australia

#### Branch Banking

A major restructuring of the branch banking network commenced during the year. Completion will place ANZ in a much more competitive position.

Branches in Australia have now been divided into 35 operational regions with considerable autonomy to deal with customer needs. These regions will vary in size, ranging up to 40 branches with about 500 staff. They replace the six former State-based administrations and 63 Areas. This change has eliminated one complete administrative level from the branch banking structure. Good progress has been made towards achieving a higher standard of customer service.

#### Retail Banking

To support the effort being made to improve customer service, ANZ is introducing a new customer account processing system. Its implementation will be progressive over the next few years and will enable decentralisation of transaction processing to centres around Australia. It will enable the Bank to offer more attractive and economical account products and vastly improved customer information and identification.

There have been a number of initiatives during the year. The *High Performance Account* – an updating of the traditional passbook – was launched in October 1986 and attracted almost \$1.4 billion in deposits in its first year.

*ANZ Visa Premier Club* was launched for 'high worth' customers during the year, providing a range of financial and non-financial services and benefits. Substantial credit limits suitable to the standing and position of such customers are available.

A *Visa Credit Charge Cheque* launched in May provides ANZ Visa Classic cardholders with an alternative way of accessing their Visa account without the credit card.

Under a reciprocal agency agreement with the Hospital Contribution Fund of Australia (HCF) which began in March, HCF is selling the Fast Forward young adult package – and soon other ANZ products –



to its customers. In return, HCF health insurance is sold by ANZ, and premiums accepted through branches.

ANZ's promotion of the *Business Migration Programme*, an Australian Government initiative for fast-tracking migration to Australia of wealthy business people, has attracted significant amounts of new business to the Bank.

Four *Rural Service Bureaux* were established in northern New South Wales to assist primary producers affected by the rural debt problem. With the aid of an ANZ developed software package, the financial data of individual farmers can be analysed and their business managed more effectively. A network of these bureaux is to be established throughout rural Australia.

ANZ introduced Australian dollar-denominated Visa travellers' cheques

Above: Mr R. K. W. Bennett, left (Director, Australian Retail Banking) with Mr L. G. Twidale (General Manager, Branch Banking).

which has resulted in a significant growth in sales and sales outlets. The cheques also are available overseas for travellers coming to Australia.

#### Electronic banking

In March, Electronic Network Services, a unit of ANZ, announced an agreement with Funds Transfer Services (Australia) Limited, which manages a national electronic system for more than 50 building societies and credit unions, to handle EFTPOS (electronic funds transfer at point of sale) traffic from its cardholders through ANZ's terminals. Similar arrangements were completed with three major building societies which handle their own processing.



Links were completed between ANZ and several banks in the EFTPOS area, including Rural & Industries Bank of Western Australia, Advance Bank and Westpac Banking Corporation.

ANZ's Night & Day Bank ATM network was linked during the year to those of the National Australia Bank, Rural & Industries Bank of Western Australia, State Bank of Victoria and State Bank of New South Wales.

ANZ customers now have access to about 1,200 ATMs in Australia and more than 19,300 in many other countries through links with the worldwide Visa system. ANZ is the first Australian bank to link into this network which has more than 150 million cardholders.

The Card Phone system, piloted in Perth last year in conjunction with Telecom and Standard Telephone and Cables Pty Ltd, was launched during the year, allowing ANZ customers to use their debit and credit cards to make long distance telephone calls.

ANZ is continuing research into products and services including card-activated vending machines and video-disc information terminals. It is involved also in research with Visa International into the application of "smart" and "super smart" cards.

### Plastic Cards

Almost 2.5 million electronically-stripped ANZ cards are now on issue, of which 1.5 million have personal identification numbers (PINs). During the year, the number of ANZ Visa cards increased by 26.4 per cent.

Cardholder outstandings rose by 5.5 per cent for ANZ Bankcard and 42.9 per cent for Visa. Visa merchant sales increased by 45.2 per cent with the number of outlets rising by 16.5 per cent.

### Data Processing

The performance of the mainframe computer systems have been improved substantially to provide reliable support to the branch banking and electronic banking networks in line with customer service improvement programmes.

Equipment and premises have been supplemented to accommodate the ever



Mr A. T. L. Maitland (General Manager, Retail Banking) with Ms S. Vidovic (Administration Officer, Customer Service).

increasing processing demand for data-based information systems and printing.

### Commercial Banking

The Group's commercial bank in Australia provides sophisticated relationship banking to smaller corporations and commercial businesses.

The success of this unit is such that this year lending outstandings, including bill lines, have grown by more than 50 per cent.

During the year more comprehensive specialist finance packages and electronic data systems have been introduced.

The commercial banking unit is supported by a comprehensive range of services and products sourced from other areas of the Group.



Mr E. C. J. Johnson (General Manager, Commercial Banking and Overseas Services) at an informal meeting with members of the law firm, Minter Ellison.

### Corporate Banking

During the year there was substantial asset growth through the provision of traditional corporate services and an unequalled level of funding provided for mergers, acquisitions and financial

# Chief Executive's Report

restructurings. A number of significant lines were provided, often within tight time frames.

ANZ's worldwide network was used to develop products and services for Australian companies trading or expanding offshore. Network services supplied included supplier credit, bid bonds and forfaiting.

Development continued on an electronic global cash management system to provide global balance and transaction reporting, funds transfer, letter of credit service, all bank account reporting, the provision of support/management information and account reconciliation.

In a very competitive climate, ANZ maintained its position as the prime banker to some one-third of Australia's major companies.

In conjunction with ANZ Capital Markets Corporation and Delfin Property Group, ANZ featured prominently in a number of significant development projects.

## International Services

More than 40 major branches throughout Australia now provide highly professional and sophisticated international services. These points also support and service customers at smaller branches.

The trade finance section has been upgraded to provide improved specialist facilities for importers and exporters. An automated documentary letter of credit system has been introduced.

## Investment and Trust Services

The Group's Investment and Trust Services unit had to contend with market place activities ranging from record securities market levels to the dramatic downturn seen during mid-October 1987. Volatile market conditions have been managed on the basis of responsibilities to all clients. The investment management team maintained confidence with funds under management increasing by 44 per cent to \$2.5 billion over the 13-month period to early November 1987.

ANZ's Approved Deposit Funds increased by \$413 million and now total more than \$600 million.

New products launched included ANZ Master Trust, a total investment system geared to today's changing markets, and



From left: Mr N. D. Felmingham (Manager, Corporate Leasing); Mr R. M. Barton (Corporate Credit Executive); Mr A. J. McGregor (Senior Corporate Banking Manager); Mr J. R. McConnell (General Manager, Corporate Banking); Mr F. A. McDonald (Director, Investment Banking and Corporate Services) and Mr B. A. Maisey (Corporate Banking Executive).

ANZ Superannuation Pool for trustees and superannuation fund administrators.

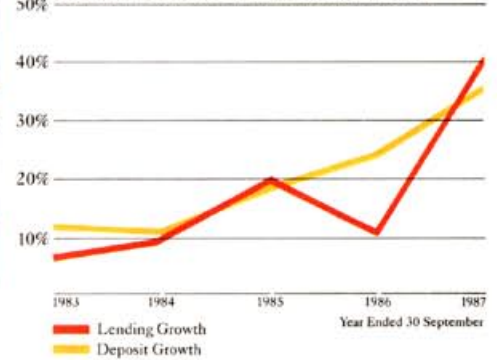
The Group's unique range of global private banking and trust services was introduced to Australia through the establishment of private client services in all major cities. A team of experienced consultants services clients in this area.

The Custodian Services Division operated at high levels of activity with daily business turnover exceeding \$3.25 million, with total securities under custody totalling some \$13 billion.



From left, watching developments at the Melbourne Stock Exchange, are: Mr F. W. Leuner (Chief Investment Manager, Domestic Markets); Mr D. R. Watson (General Manager, Investment and Trust Services); Mr B. R. Forbes (Chief Investment Manager, International Markets); Mr G. N. Salter (Manager, Investment and Insurance Services, Central Business District, Melbourne).

## ANZ Deposits And Lending in New Zealand Annual Average Growth



## New Zealand

Following the restructure of the New Zealand group there are now five operating units – Retail Banking, Corporate and Commercial Banking, Banking Network, Treasury and finance company operations. There is also a Finance and Support Group.

The reorganisation is designed to provide maximum flexibility to deal with the ever-changing environment and to enable staff to provide faster, more efficient and cost-effective services to our customers.

## Retail Banking

A cheque book-based account, *ANZ Call Account*, which pays money market-related interest on deposits, was introduced.

This major new product, which has a minimum investment of \$10,000, has been welcomed enthusiastically with deposits at \$437.4 million at 30 September 1987.

### Corporate and Commercial Banking

ANZ is meeting strong competition in this sector by enhancing relationships with existing connections and actively marketing for potential new business. Sub-units established at Auckland, Wellington and Christchurch place account executives and unit resources closer to the customer's place of business, resulting in improved service for customers.

### Branch Banking

Computer terminals at all branches are being replaced and systems upgraded. The installation programme is scheduled to start in April 1988 and be completed by June 1989. The new system will provide improved and additional in-branch applications, allowing ANZ to improve customer service and provide cost-competitive products.

### South Asia

India's economic prospects have improved as a result of an extensive reform programme. Its aim has been the creation of a freer business climate in which the private sector is being actively encouraged. Among the more important policy changes have been a comprehensive reform of the tax system, and a relaxation of industrial-licensing and anti-monopoly legislation to permit the development of larger and more broadly-based enterprises.

Moves to develop a more efficient, market-oriented economy have extended to the banking sector with the change in interest rate structures and the rationalisation of banking procedures, already announced by the Reserve Bank of India, expected to assist the expansionary plans of the corporate sector.

With the increasing international interest in India, aided by the Government's recent liberalisation of policies, a wider market in servicing the financial needs of



New Zealand: From left: Miss K. E. Hall (Assistant Secretary); Mr R. H. Lines (Company Secretary) and Mr B. Weeks (Managing Director).

an increasing number of international contractors has emerged.

The Group has positioned itself to meet these opportunities and has been able successfully to obtain the business in India of two of the largest projects now underway – the Nhava Sheva Port project and the HBJ gas pipeline project.

The port project is being handled by the international companies Mitsui of Japan, Kloeckner of Germany, Hyundai from Korea and Kone Corporation of Finland. The pipeline project involves building a 1,700 kilometre gas pipeline for which the contract has been won by a French-Japanese consortium of SPIE CAPAG & NKK Toyo Engineering Company for a total of US\$580 million.

Within India, a programme of computerisation and renovation of branches is proceeding. With emphasis on personal banking, the front office provides service points for different functions based

on an open office plan supported by an appropriate level of automation. The first of the refurbished branches became operational in January 1987. A further five have now been completed. By mid-1989, all 56 branches will be fully automated.

In Bangladesh, the Group's 12 branches and offices produced very satisfactory results despite difficult trading conditions.

Despite civil unrest, the Group's business in Sri Lanka has progressed well, with deposits increasing almost 300 per cent and advances by over 350 per cent. Although the outlook is uncertain, further improved results are expected in 1988.

# Chief Executive's Report

## International Network

### Merchant & Investment Banking

Co-ordination of the Group's merchant banking operations was strengthened during the year. The operations of ANZ Capital Markets Corporation (ANZCAP) in Melbourne and ANZ Merchant Bank Limited in London were unified, with ANZ Merchant Bank becoming responsible for merchant banking operations worldwide.

Worldwide, Investment Banking has been organised into four operating entities – capital markets, corporate finance, fund management and stockbroking. In Melbourne, the activities of the Delfin Advisory Services group were integrated with the corporate finance activities of ANZCAP.

During the year ANZCAP funds under management exceeded \$1 billion. Capel-Cure Myers funds under management and advice topped GBP 1.2 billion.

Also, a new range of investment trusts was launched under the name of Grindlays Capel-Cure International Funds, providing international investors with smaller sums to invest with the same quality of investment management, information and service as large international investors.

During 1987, ANZ Merchant Bank/Capel-Cure Myers was voted top sponsor of 1986 on the Unlisted Securities Market on the London Stock Exchange, and ANZ was ranked the top Australian bank in Australian dollar issues, lead managing seven issues, co-leading 30 issues and managing 91 issues.

ANZ Securities Asia was the first house to bring an offshore issue to the Euro-Australian dollar certificate of deposit market and the first house to launch a New Zealand dollar floating rate certificate of deposit.

ANZ Capital Markets Corporation (NZ) Limited was established in New Zealand. Good progress has been achieved, with local incorporation providing the resources and impetus to continue this growth.



London: From left: Mr J. Curry (Head of Department, Banking Services); Mr B. H. Walters (Managing Director, ANZ Merchant Bank Ltd); Mr J. Henderson (Head of Department, International Asset Management); Mr J. Rathbone (Head of Department, Capital Markets).

### Treasury Services

Integration of appropriate treasury activities worldwide was further advanced during the year with some significant operational advantages accruing to each of the Group's five regional treasury operations.

Important initiatives included the launch of a Euro-Commercial Paper programme for issues of up to US\$1 billion of short dated obligations to further diversify Group funding sources. Proceeds have been used where needed either directly in US dollars or in other currencies through swaps.

An initial Euro-Australian dollar Commercial Paper programme for \$100 million was established in Singapore and Hong Kong, providing further diversification of funding sources for Australian operations.

As a first for Australian banks, an equity-linked Euro-Australian dollar debt issue was successfully launched, raising \$21 million of primary capital and \$75 million of long dated debt.

Installation of an "integrated dealing system" which will provide trading personnel with substantially enhanced market information and customer positions is underway. When fully operational, the system will link trading environments in key finance centres throughout the world.

Progress in the expansion of the Group's treasury product range has been very satisfactory. Using a wide array of interest rate contracts – futures, forward rate agreements, interest rate swaps and options – available in professional markets, a flexible package of fixed interest rate facilities is being offered in Australia.

Customer response has been gratifying, with substantial business writings continuing to flow to the Group, especially from medium-size companies.

Sophisticated hedging products in United Kingdom and United States markets are being provided through rapid development of the financial services section in London. Support activities for the Los Angeles and Chicago operations have been centralised in New York, achieving significant cost efficiency.

Professional trading activities in Hong Kong and Singapore are being expanded and treasury units in the region, particularly Tokyo, are playing a key role in supporting the Group's commercial banking initiatives in the respective countries.



Mr R. N. Challis (General Manager, Australian Treasury) with Mrs R. Barnes (Corporate Services Dealer).

An upgraded comprehensive treasury risk management framework was introduced during the year and is proving most effective. In particular, the monitoring of the Group's worldwide liquidity and interest rate risks by each major currency has provided scope for top level direction in a market responsive and operational context.

A computerised "global limits system" to capture counter-party exposures and other treasury-related risks such as liquidity, interest rate and currency mismatches, is being installed to provide the on-line management information necessary to support risk management at various levels in the organisation.

### Correspondent Banking

With significant increases in trade and capital transaction flows in recent years, the scope for reciprocal correspondent banking business has grown.

During the year a significant increase in turnover in international financial markets resulted in improved results for ANZ's correspondent banking unit, particularly in Australia and New Zealand. London operations also had increased returns.

Information systems to support a decentralised global structure has been given high priority. Product/service differentiation in a competitive market is being achieved by upgrading existing core services through automation and implementation of new services and products. Superior service at a lower cost should be achieved.

### Americas

Corporate calling programmes have been upgraded through expanded marketing teams. Increased emphasis is being given to promoting trade finance and correspondent banking, and better utilisation of ANZ's worldwide network.

During the year the **Chicago** branch moved to larger premises to cope with its expanding business needs. The **Houston** representative office was also relocated, and in September upgraded to a State Agency. It will now be able to provide a variety of banking services that were not permitted as a representative office. ANZ is the first Australasian bank to operate an agency in Texas under the Texas Foreign Bank Agency Act 1985.



India: Work continues on the 1,700 kilometre HBJ gas pipeline project, for which the Group has won the banking business.

### Pacific Basin and South East Asia

Asset growth tended to slow because of:

- limits on asset growth in **Korea** due to a restricted local currency funding base combined with foreign currency loan restrictions
- the slowing of syndicated lending within the Asian dollar market which has led to a reduction of assets in **Hong Kong** and **Singapore**. However, merchant banking activities have tended to replace the lending role



Mr R. Isherwood (Director, Americas and Pacific Basin).

- a general decline in the rate of asset growth resulting from a global trend towards securitisation of debt

Operations are now focusing on development of corporate relationships with network potential, promotion of the Group's trade financing capabilities, marketing of private banking services and promotion of the Group's merchant banking and treasury services. The role of **Singapore**, **Tokyo** and **Hong Kong** as important financial centres in the Group's worldwide network also is being emphasised.

During the year the **Seoul** branch of Grindlays and the Grindlays representative office in **Bangkok** were both transferred to the ANZ name. Approval also was obtained to establish an ANZ representative office in **Taiwan**. It will co-operate closely with Grindlays existing branch.

### Papua New Guinea

Results in 1986 were adversely affected by Central Bank interest rate controls. They have since been relaxed and profit performance has improved accordingly.

The Group's network has enabled it to exploit market opportunities with import/export customers and to expand its

# Chief Executive's Report

business base in Papua New Guinea. Further steps are being taken to improve the structure of the deposit base.

## Pacific Islands

Retail banking is conducted in Fiji, Vanuatu and the Solomon Islands. Asset growth has been steady but modest, and profit levels are satisfactory. A new branch was opened at Sigatoka, Fiji.

## United Kingdom London Branch

A complete review of British-based businesses was undertaken in the past year, resulting in the formation of a London branch to focus on banking business in the United Kingdom and parts of Continental Europe where ANZ is not directly represented. The branch will incorporate corporate and commercial banking and trade financing.

## Private Banking

The Private Bank provides money management and banking facilities to private clients around the world who need financial services on an international basis. Services include banking, investment management services, trust and company administration services as well as treasury products.

Headquartered in London, private banking operations were expanded during the year and now have a global reach. Expansion of private banking activities, including product development, is being co-ordinated with those of the Group's other International Asset Management divisions.

The Group's private banking facilities in London, Jersey and Guernsey had an excellent year with profits above planned levels.

Overall, the Group is well placed to expand private banking and the future will see renewed emphasis on the development of off-balance sheet asset management products to exploit the sizeable opportunities.

## Continental Europe

The Group's businesses in Europe faced a year of consolidation with emphasis on efficiency and profitability.



London: From left, Mr B. B. Dickinson (Senior General Manager, ANZ and Managing Director, Grindlays Bank plc); Mr D. B. Valentine (Executive Director, Private Banking) and Mr T. C. W. Ingram (General Manager, UK and Continental Europe).

A full ANZ branch is planned for Paris early in 1988. This will be additional to the existing network in France and Monaco trading under the name of Grindlays Bank S.A. The new branch will be an important part of the Global Treasury network and will enable the Group in France to build on existing corporate business using the international strength and contacts of the Group.

Good growth in treasury and corporate business has kept ANZ's branch in Frankfurt ahead of profit expectations and operations in Italy and Greece have had a successful year.

The representative office in Madrid is also showing encouraging results following inclusion of the ANZ name in 1986 to the already existing Grindlays representation.

The realignment of the Group's businesses in Switzerland continues. Private banking operations are now being concentrated in Geneva with Zurich becoming the base for global treasury, international corporate and capital market activities.

The Group is well established in Continental Europe. It is structured to meet the international business demands of the Group's customer base, exploit niche opportunities and to benefit from exciting potential opportunities as the banking industry becomes increasingly

deregulated in line with the maturity of the European Common Market.

## Africa

Most of the economies of Africa remained under strain, with development impeded by the continuing lack of hard currencies for essential imports.

One of the Group's major objectives is to assist host countries in improving their export performances, and some encouraging transactions have resulted. Considerable emphasis also is placed on assisting international customers where possible.

The Group is not represented in South Africa, but developments there continue to cast a shadow over the region, in particular Zimbabwe and Zambia, where the Group is represented. In spite of these difficulties, African operations have enjoyed a successful year with satisfactory earnings.

## Middle East

The Middle East is only now beginning to show signs of economic recovery with the stabilisation of oil prices, although the region still faces difficulties associated with international and regional conflicts. The Group has carefully managed business growth and positioned operations to promote network activities and offshore private banking.

In Jordan, the Group structured and acted as currency agent for a complex US\$150 million dual currency loan to the Kingdom of Jordan. It was one of the largest dual currency transactions arranged in the market.

In Pakistan, Grindlays floated an investment fund called a *Modaraba*, which was specially structured in accordance with Islamic principles. More than 12 times over-subscribed, it was the first *Modaraba* to be established by a foreign institution and proved attractive to both resident and overseas Pakistanis.

## FINANCE COMPANY OPERATIONS

### Esanda Finance Corporation

Esanda Finance Corporation achieved better than industry average growth in operating profit. The gross interest margin recovered from the historically low level of 1986, when a wide range of financial intermediaries took advantage of deregulation and attempted to build or protect market share by aggressive pricing.

Increased income from real estate development ventures and containment of administrative costs contributed to the improved result.

Consumers, primary producers and small business proprietors represent a major segment of the client base of finance companies. They have experienced falling real income and pressure on cash flows as a result of the continuing lacklustre economic climate which has adversely affected their ability to service financing commitments. As a result, Esanda's bad and doubtful debts increased significantly, as they did throughout the general finance industry.

New business writings during the year reached record levels at over \$2,000 million, up 4 per cent on the previous year.

A reduced volume of new business in chattel finance and residential property investment was offset by good growth in property construction and land subdivision finance and corporate lending. Factoring business continued to show the steady growth evidenced over the previous two years. With the reinstatement of negative gearing taxation concessions, the outlook for the residential property investment market is good.

Initial results from the trade finance operation established in 1986 were promising. Esanda now has a sound base of importer clients, and expects profitable growth from this source.

During the year Esanda introduced an integrated motor vehicle fleet management facility in conjunction with one of Australia's largest fleet management companies. The service incorporates comprehensive management, finance and maintenance services.



From left: Mr D. W. McGee (Manager, Planning & Administration, Data Processing, Esanda Finance Corporation Ltd); Mr D. T. Craig (Managing Director); Mrs S. L. Sheehan (Corporate Solicitor).

Esanda continued to fund its operations largely through retail borrowings and a downward movement in market interest rates, particularly during the second half of the year, led to strong support for public issues.

### UDC Group Holdings

Close attention to marketing strategies by our finance company subsidiary in New Zealand led to record lending growth. There was a strong demand for funds from the services sector, particularly in Auckland and Wellington. Demand from the rural sector was flat, although during the last quarter there was a slight increase in business.

The volatility of interest rates and the competitive market place made it difficult to maintain stable operating margins, although they showed an improvement over last year.

The money market operations of UDC Mercantile Securities Limited experienced particularly difficult trading conditions. Losses on realisation of some securities adversely affected results for the year.

### ANZ Finance Limited

As part of an on-going strategy of concentrating the Group's resources on core and network businesses, at the end of September the UK agricultural finance, industrial finance and leasing activities of ANZ were sold. An extraordinary profit resulted.

# Chief Executive's Report

## SUBSIDIARY COMPANY OPERATIONS

### Insurance Services

The Group's wholly-owned Australian insurance subsidiary, Greater Pacific Life (GPL) increased new premium income by more than 240 per cent to \$169.7 million in its first full year as a member of the Group. Total funds under management more than doubled, from \$192 million to \$400 million.

GPL achieved, and maintained, its position as the fourth largest seller of managed insurance bonds in Australia.

An innovative and well received product, "Crisis Benefit", was launched early in the year. It pays 25 per cent of the sum insured when heart attack, cancer, coronary by-pass or stroke occurs.

GPL also introduced two other disability insurance products, completing a range which is now the most extensive available. A feature of these new products is a "grid" system for premium calculation which allows for fair and accurate premium assessment, taking into account length of service and current income.

GPL took a unique approach in offering one of these contracts (Business Overheads Disability Insurance) as a stand alone policy which pays a business' fixed costs when the owner is "too sick or hurt to work".

A recent survey of disability products in Australia (prepared by independent actuaries) selected Greater Pacific Life's unique Income Replacement Insurance as the best value in the disability market. This product actually replaces income lost, by reason of poor health or accident, instead of simply insuring an inability to work.

Another independent survey of Yearly Renewable Term insurance placed GPL in the leading category.

In New Zealand, the Bank's 50 per cent shareholding in Metropolitan Life Assurance Company of New Zealand Limited was sold during the year. Metropolitan's future was in a direction difficult to reconcile with ANZ's strategic aim. A formal agency agreement has been retained with Metropolitan Life.



Mr T. C. Jenkins (Managing Director, Greater Pacific Life Assurance Company Limited).

### Executors & Trustee Services

The excellent growth of ANZ Executors & Trustee Company continued and was highlighted by the performance of its Common Fund V2, which exceeded \$1.8 billion in deposits by September. It is the largest cash management-type fund in Australia.

The other services available continued to progress well and strengthen ANZ Trustees' position in the market; at the end of September 1987 estates and trusts, with a value of \$347 million, were being administered and assets of \$169 million were under management.

Corporate trusts grew markedly both in numbers and value coupled with an almost doubling of the value of corporate business under management.

New products launched and others planned will enable ANZ Trustees to maintain its reputation for product innovation and broaden the base for future growth.

### Trust Management

The year has been one of reconstruction for Australian Fixed Trusts, Australia's largest trust management group. As expected, the profit result was disappointing - a situation which may

continue into 1987-88 as the final stages of reconstruction are completed.

Nevertheless, the restructure has greatly strengthened the senior and middle management team and enhanced systems and operational procedures.

Since the announcement in December 1986 of the revaluation of certain property trusts, all existing trusts have improved significantly with four of the five Real Property Growth Trusts increasing their unit prices. Other property trusts are on target and mortgage trusts returns have increased to pleasing levels.

The turnaround resulted in part from the selling of property in excess of \$250 million which did not meet the present high standards of AFT and the consequent reduction of gearing levels in borrowing trusts. Restoration of performance has been aided by the reduction in interest rates and an increasing attraction of property as an



Mr C. R. Pleydell (Managing Director, ANZ Executors & Trustee Company Limited).

investment. Significant unutilised depreciation allowances exist in the major trusts which will prove to be of great benefit to unitholders.

Equity investments have, since balance date, reflected the worldwide stock market decline which occurred in October.

New products introduced during the year included the AFT Boab bond (in conjunction with Greater Pacific Life) and



several competitor products were included in the selling range. The AFT International Trust was launched and an Approved Deposit Fund was introduced.

AFT expects performance relative to market movements to continue to improve.

### Investment Broking

ANZ acquired an initial interest of 50 per cent in Melbourne-based investment brokers McCaughan Dyson in September 1984. It was felt that expansion by an Australian broking firm into the world's financial markets could proceed most rapidly and smoothly with the full backing of ANZ. As a result, on 1 July 1987 the Group acquired 100 per cent ownership of McCaughan Dyson.

In turn, McCaughan Dyson and the institutional equity, broking and market-making activities of Capel-Cure Myers, the Group's London-based stockbrokers, integrated their operations. The merged company is now trading as McCaughan Dyson Capel-Cure.

The year was another one of expansion for McCaughan Dyson in terms of physical size (staff increased from 205 to 345), market penetration, new products and international representation.

McCaughan Dyson Nederland BV was admitted to membership of the Amsterdam Stock Exchange – the first Australian broker to have full access to the Dutch bourse.

In addition, an office was opened in New York offering services in equities, fixed interest and futures, and representation was established in Tokyo. The London operations, a vital ingredient of growth since the firm's inception, continued to expand.

During the year McCaughan Dyson launched the Mortgage Trust certificate, a financial instrument which has been gaining widespread market acceptance. New profit centres were created or expanded in mortgages, financial planning, hedging and arbitrage.

The Corporate Department brought 10 new companies to the market and raised a total of \$523 million from new corporate issues and placements.



### Daiwa ANZ International

This joint venture company in which Daiwa Securities and Nippon Life have a combined 50 per cent interest began operations in December 1985. Since then, Daiwa ANZ has performed successfully in a very competitive market. It has arranged, as part of a programme of investor relations development, for BHP and the Bond Corporation to make presentations to Japanese investors in Tokyo.

It has also been advising on large volumes of Japanese investment funds moving into

Australia. Much of Daiwa ANZ's success in attracting Australian investors to deal in Japanese equities is due to its high profile in the marketplace and its ready access to the global services of Daiwa International Management Co. Ltd (DICAM), the largest investment management company in Japan.

Above: McCaughan Dyson's Corporate Finance working unit, from left: Ms K. Hanson, Mr A. Fabbri and Mr P. Stansfeld (all Managers, Corporate), Mr J. Beck (Consultant), Mr J. W. Gourlay, McCaughan Chairman, and Mr A. E. J. G. Dessewffy, Manager, Corporate

# Chief Executive's Report

## COMMUNITY RELATIONS

The Group continued many charitable and community projects in the countries in which it operates.

Within **Australia**, support continued in areas of the Arts, sport, health and medical research, education, conservation and social welfare. In particular, the Group continued sponsorship of both the Australian Opera and the Victoria State Opera and was successfully associated with a national tour of Gilbert and Sullivan's *HMS Pinafore*.

The Group support for development of young amateurs through the ANZ Youth Sports Scholarship programme continued. It is now conducted with the assistance of Australia's premier sporting establishment, the Australian Institute of Sport. ANZ is the major sponsor of the Australian Institute of Sport and also of the Australian team for the 1988 Seoul Olympic Games.

The Group continued to encourage Australian business as a major sponsor of the national Small Business Awards. Also, ANZ undertook a major sponsorship of the Australia Trade Commission's (Austrade) National Export Drive programme. This programme will be launched by the Government in early 1988 and will involve a series of television documentaries on how to do business with some of the countries in the Group's worldwide network, as well as being the basis for a series of business seminars throughout Australia.

As a major sponsor of the construction of a replica of Sir Charles Kingsford Smith's famous "Southern Cross" aircraft, ANZ is sponsoring the flight of the aircraft to major cities and provincial areas throughout Australia to raise funds for the Royal Australian Flying Doctor Service.

In **New Zealand**, in addition to the support of a wide range of community activities, ANZ has embarked on a major water safety programme in conjunction with the Department of Internal Affairs and the New Zealand Water Safety Council. The sponsorship will involve all of our branches in New Zealand.

Recognising the importance of the Group's operations in **India**, the



Grindlays Foundation Trust was established during 1987. The Foundation administers an annual Grindlays Bank National Excellence Award for individuals or institutions making an outstanding contribution in the fields of social welfare, poverty relief, public health, family planning or rural development.

Top: The replica of Sir Charles Kingsford Smith's "Southern Cross" which ANZ is sponsoring on its flight around Australia.

Bottom: British actor Paul Eddington (right) of 'Yes, Prime Minister' fame, starred in Gilbert and Sullivan's *HMS Pinafore* as it toured Australia, sponsored by ANZ. With him are co-stars John O'May and Marina Prior.

## STAFF

At 30 September 1987, Group staff worldwide totalled 41,187, an increase of 5.55 per cent. Within Australia, including all subsidiaries, staff totalled 26,146 (24,355 in 1986). Expansion of our business, particularly in the non-banking arena, and focus on relationship activities involving higher skill levels has created the need for more staff, yielding an increased fee income for the Group. Notwithstanding this, we expect the changes taking place in the organisation of Branch and Retail Banking in Australia to reverse the employment growth trend in the short term.

As part of the final phase of integrating the Grindlays London business and infrastructure into the Group, an organisation structure has been implemented which is compatible with the Group's business objectives and strategies, recognises London's status as a regional centre with many administrative functions driven from Melbourne, and eliminates duplication of functions.

The restructure has resulted in rationalisation of the number of staff in London. A reduction in the manning level equivalent to approximately 20 per cent of employees is being achieved through natural wastage and a voluntary redundancy/early retirement programme which will extend into 1988.

### Award Restructure – Australia

ANZ became the first major Australian bank to complete negotiations for a new award structure with the Australian Bank Employees' Union. For the first time under the Bank Officers' Award, the age/years of service clerical scale and the classification of managers and accountants according to staff numbers, will be replaced by a grading system based on job evaluation, complemented by rewards for performance.

### Employee Participation – Australia

The Group continues to support and encourage employee participation which operates successfully through its staff committees in Australia. During the year staff committees were involved extensively in consideration of a number of major issues, including the staff

superannuation scheme and the new staff incentive package.

### Effective Management

The Group's Affirmative Action and Equal Employment Opportunity programmes were combined into an Australia-wide personnel policy under the heading of Effective Management. The Group aims to provide an environment where all staff if they wish can reach their potential and achieve promotion based on merit.

### Superannuation

During the past year a new superannuation scheme for Bank staff in Australia was established after consultation with elected staff committees.

The new "accumulation-type" scheme was introduced in April 1987 and replaced the defined benefit scheme which had been in force since 1972. Ninety-nine per cent of the members of the old scheme decided to transfer to the new scheme. Half of the trustees will be elected by the staff. Reviews of superannuation arrangements in other parts of the world take place on an ongoing basis to satisfy changing local requirements.

### Staff share purchases

Amendments to the rules of the Employee and Senior Officers' share purchase schemes, which were agreed to at the Extraordinary General Meeting of shareholders on 26 May 1987, were implemented in May. They succeeded in significantly increasing employee ownership.

During the year a further 4,581,186 shares were purchased under the Employee Share Purchase Scheme. Ninety-three per cent of this total was attributed to the August/September issue when eligibility was extended to include staff not previously embraced by the scheme. At present, 26.6 per cent of staff in Australia, New Zealand and the United Kingdom are shareholders under this scheme.

In addition 1,462,000 partly paid shares and 1,280,500 fully paid shares were issued under the Senior Officers' share purchase scheme.

### Staff incentive schemes

A total of \$22.3 million before tax is being paid to staff as incentive payments. The

payments are made under several new schemes introduced during the year to replace profit participation. They are a broad-based profit share scheme and key contributor programme available to all staff below senior level, together with a separate scheme for senior officers.

### Chief Executive's Representatives

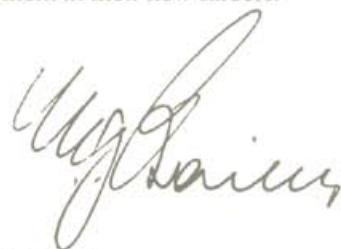
During the year senior officers in certain cities and countries were appointed to represent the Chief Executive on occasions when he is unable to be present. The representatives act as the focal point for the Group's interface with its various publics.

### Senior management changes

The Group's organisational structure, established in 1986, has been refined during the year. The process of organisation development is ongoing. Our structure must be kept in tune with our strategic needs and market place demands. Details of Senior Management are shown on page 4.

The Group acknowledges the valuable contribution and dedication of Mr Reg C. Tuxford who retired during the year as General Manager, Branch Banking, New South Wales, after 45 years service. We wish him and all other staff who have retired best wishes for the future and our thanks for their respective contributions during their careers.

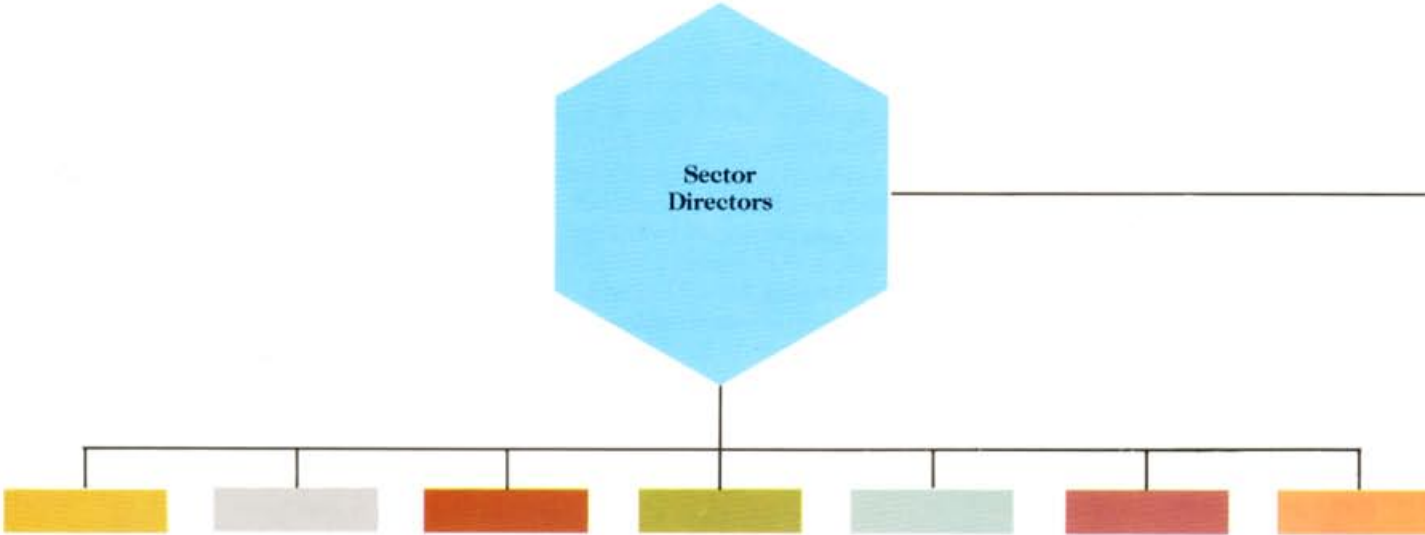
Other senior officers to leave the Group during the year were Mr A. Dayal, General Manager, Banking, UK Sector, Mr I. A. Pollard, Managing Director, Development Finance Corporation Ltd. and the Hon D. C. Poole, Managing Director, ANZ Merchant Bank Limited. All made commendable contributions to the Group and our good wishes go with them in their new careers.

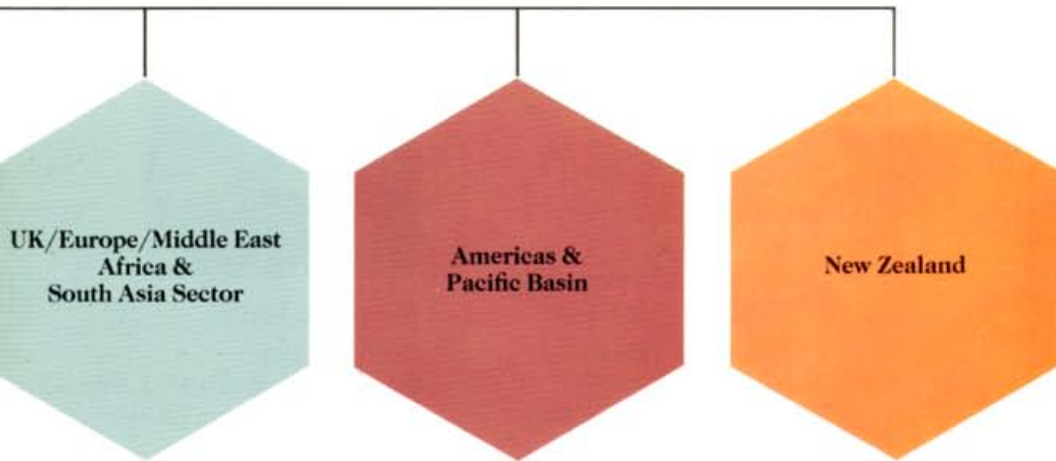


W. J. Bailey  
Chief Executive  
Group Managing Director



# Organisation Structure





**UK/Europe/Middle East  
Africa &  
South Asia Sector**

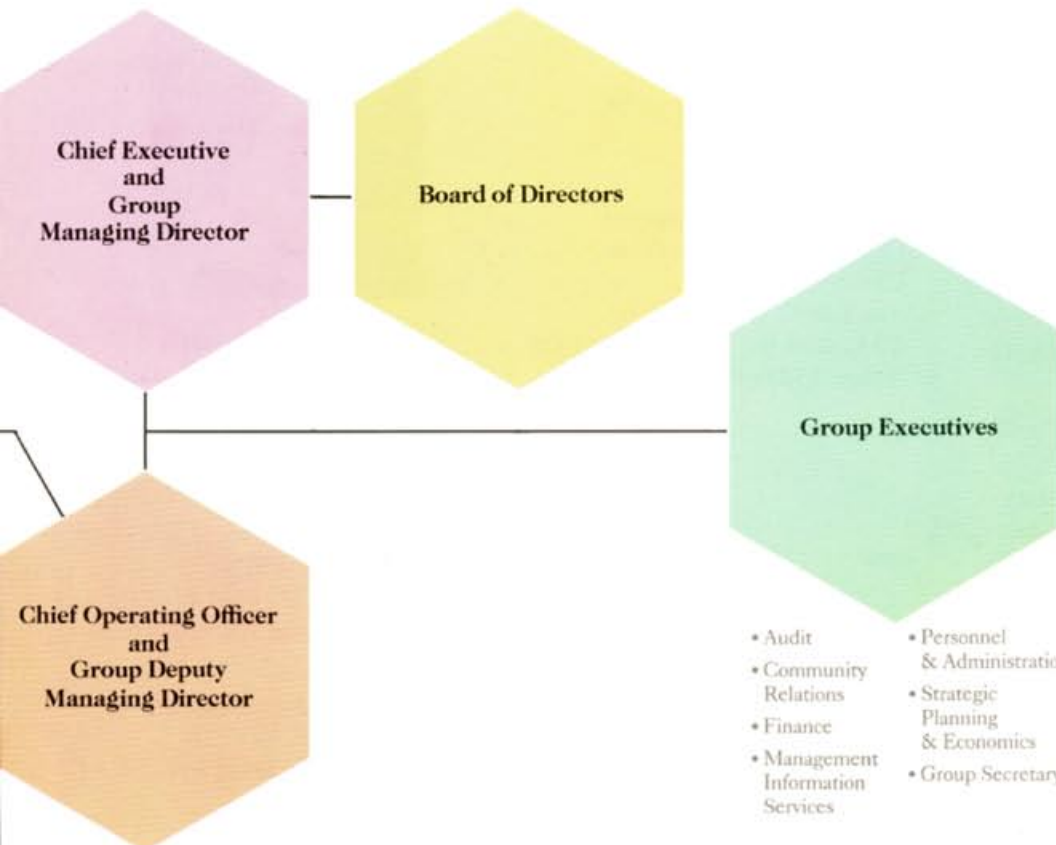
- Africa
- Europe
- Middle East
- South Asia
- United Kingdom

**Americas &  
Pacific Basin**

- Americas
- South East Asia
- Pacific Islands
- Papua New Guinea

**New Zealand**

- Banking Network
- Corporate & Commercial Banking
- Retail Banking
- Treasury
- Finance & Support Services
- UDC Group Holdings



**Chief Executive  
and  
Group  
Managing Director**

**Board of Directors**

**Group Executives**

**Chief Operating Officer  
and  
Group Deputy  
Managing Director**

- Audit
- Community Relations
- Finance
- Management Information Services
- Personnel & Administration
- Strategic Planning & Economics
- Group Secretary

# Principal Establishments

## Australia and New Zealand Banking Group Limited

\*55 Collins Street, Melbourne  
Victoria  
Australia 3000  
Telex: 39920  
(Note: Principal Share Register)



### Australia

**Victoria**  
287 Collins St., Melbourne 3000  
Telex: 39920

### New South Wales

\*20 Martin Place, Sydney 2000  
Telex: 29800

### Queensland

\*324 Queen St., Brisbane 4000  
Telex: 40333

### South Australia

\*13 Grenfell St., Adelaide 5000  
Telex: 82100

### Western Australia

\*84 St George's Terrace, Perth 6000  
Telex: 92011

### Tasmania

86 Collins St., Hobart 7000  
Telex: 58100  
Share Register: \*40 Elizabeth St.,  
Hobart 7000

### Australian Capital Territory

\*City Walk and Ainslie Avenue,  
Canberra 2600

### Northern Territory

43 Smith St., Darwin 5790  
Telex: 85054

\* Offices at which share  
register maintained

## Major Subsidiaries

Australian Fixed Trusts Limited,  
14 O'Connell St., Sydney 2000  
Telex: 20135

ANZ Capital Markets  
Corporation  
Limited (ANZCAP),  
15th Floor,  
360 Collins St., Melbourne 3000  
Telex: 32330

ANZ Executors & Trustee  
Company Limited,  
94 Queen St., Melbourne 3000  
Telex: 34436

Development Finance  
Corporation Limited,  
16 O'Connell St., Sydney 2000  
Telex: 24602

Esanda Finance Corporation  
Limited,  
55 Collins St., Melbourne 3000  
Telex: 39920

Greater Pacific Life Assurance  
Company Limited,  
22 Sir John Young Crescent,  
Woolloomooloo 2011

McCaughan Dyson Capel-Cure  
Limited,  
4th floor, 360 Collins St.,  
Melbourne 3000  
Telex: 33228

## Associated Companies

Daiwa ANZ International  
Limited (50%),  
31st Level, Nauru House,  
80 Collins St., Melbourne 3000  
Telex: 152198



## New Zealand

ANZ Banking  
Group (New Zealand) Limited,  
\*215-229 Lambton Quay,  
Wellington  
Telex: 3385

## Major Subsidiaries

UDC Group Holdings Limited,  
104 The Terrace, Wellington  
Telex: 3898

ANZ Capital Markets  
Corporation (NZ) Limited,  
Tower 1, Level 8,  
The Shortland Centre,  
51-53 Shortland Street,  
Wellington  
Telex: 63548



## United Kingdom

Australia and New Zealand  
Banking Group Limited,  
Grindlays Bank p.l.c.,  
Minerva House,  
PO Box 7,  
Montague Close,  
London SE1 9DH  
Telex: 8812741-4 ANZBKA G  
\*6 Greencoat Place, London  
SW1P 1PL

55 Gracechurch Street,  
London EC3V 0BN  
Telex: 8812741-4 ANZBKA G

### Major Subsidiaries

Grindlays Bank p.l.c.,  
Private Bank,  
13 St. James's Square,  
London SW1Y 4LF  
Telex: 885043-6

ANZ Merchant Bank Limited,  
65 Holborn Viaduct,  
London EC1A 2EU  
Telex: 888981/9419031 ANZMB G

Capel-Cure Myers,  
65 Holborn Viaduct,  
London EC1A 2EU  
Telex: 886653/9419251 PROCUR G

Brandts Timber Group  
Limited,  
PO Box No. 63,  
10 Charterhouse Square,  
London EC1P 1AS  
Telex: 28458

### Channel Islands

Australia and New Zealand  
Banking Group (Channel  
Islands) Limited,  
St Julian's Court, St Julian's Avenue,  
St Peter Port, Guernsey  
Telex: 419 1663

Grindlays Bank (Jersey) Limited,  
PO Box 80,  
West House, West's Centre,  
Peter Street, St. Helier  
Telex: 4192062 GRNDLY G



### Continental Europe

#### France

Grindlays Bank S.A.,  
96 av. Raymond Poincare,  
75116 Paris  
Telex: 614193 GRIRP

#### Federal Republic of Germany

Australia and New Zealand  
Banking Group Limited,  
Mainzer Landstr. 46,  
6000 Frankfurt-am-Main 17  
Telex: 4185126 ANZBD

#### Greece

Grindlays Bank p.l.c.,  
PO Box 30391,  
GR-10671 Athens  
Telex: 214651 GRIN GR

#### Italy

Australia and New Zealand  
Banking Group Limited,  
Via F. Turati 25,  
20121 Milan  
Telex: 332102

#### Monaco

Grindlays Bank S.A.,  
24, Avenue de Fontvielle, Monaco  
Telex: 479419 MC GRINMO

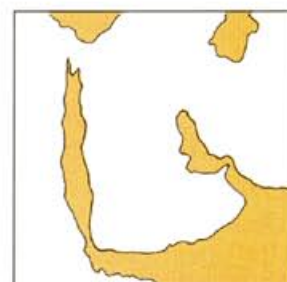
#### Spain

Australia and New Zealand  
Banking Group  
Limited/Grindlays Bank p.l.c.,  
Alcala 32-4a Planta, 28014 Madrid  
Telex: 46363 GRNDE

### Switzerland

Grindlays Bank p.l.c.,  
Case Postale 875,  
7 Quai du Mont Blanc,  
CH-1211 Geneva 1  
Telex: 22730 GRIN CH

Grindlays Bank p.l.c. Branch/  
Australia and New Zealand  
Banking Group Limited  
Representative Office,  
Giesshubelstrasse 45,  
Postfach CH-8045 Zurich  
Telex: 813571 GBZ



### Middle East

#### Bahrain

Grindlays International Limited  
Offshore Banking Unit,  
PO Box 20324,  
1st Floor,  
Manama Centre, Entrance 3,  
Manama, Bahrain  
Telex: 9254 GILBAHBN  
Grindlays Bahrain Bank BSC (c),  
PO Box 793,  
Manama Centre,  
Government Road, Bahrain  
Telex: 8335 GRNDLY BN

#### Iran

Australia and New Zealand  
Banking Group Limited/  
Grindlays Bank p.l.c.,  
3rd Floor,  
No. 37 Shahid Sarfaraz Street  
(ex-Daryaye Noor Street),  
Ostad Mottahari Avenue,  
Tehran  
Telex: 213948 GRIN IR

### ANZ Group World Wide Distribution

(at 30 September 1987)

	Representation	Personnel
Australia	1,270	26,146
New Zealand	218	4,418
South Asia	71	5,159
Middle East	42	551
Africa	21	1,007
Continental Europe	19	784
Pacific Islands	19	480
Pacific Basin & South East Asia	10	326
Americas	6	285
Papua New Guinea	8	315
United Kingdom	6	1,716
Totals	1,690	41,187

# Principal Establishments

## Jordan

Grindlays Bank p.l.c.,  
PO Box 9997,  
Shmeissani, Amman  
Telex: 21980 MNERVA JO

## Oman

Grindlays Bank p.l.c.,  
PO Box 3550, Ruwi  
Telex: 3393/3219 GRNDLY ON

## Pakistan

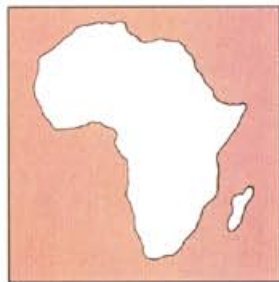
Grindlays Bank p.l.c.,  
PO Box 5556, I.I. Chundrigar Road,  
Karachi-2  
Telex: 2755 GB PK

## Qatar

Grindlays Bank p.l.c.,  
PO Box 7001, Rayyan Road, Doha  
Telex: 4209 GRNDLY DH

## United Arab Emirates

Grindlays Bank p.l.c.,  
PO Box 4166, Deira, Dubai  
Telex: 49265 MINERV EM



## Africa

### Ghana

Merchant Bank (Ghana) Limited,  
PO Box 401, Swanmill,  
Kwame Nkrumah Avenue, Accra  
Telex: 2191 MERBAN GH

### Kenya

Grindlays Bank International  
(Kenya) Limited,  
PO Box 30113, Kenyatta Avenue,  
Nairobi  
Telex: 22397 GRINDLAY

## Nigeria

Grindlays Merchant Bank of  
Nigeria Limited,  
PO Box 54746, Falomo Ikoyi,  
25 Boyle Street, Lagos  
Telex: 23216 GRIMBK NG

## Uganda

Grindlays Bank (Uganda) Limited,  
PO Box 7131, 45 Kampala Road,  
Kampala  
Telex: 61018 GRINDLAY

## Zaire

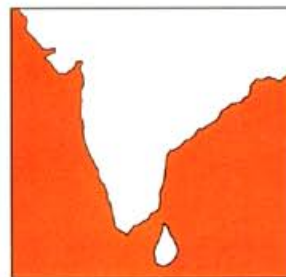
Grindlays Bank (Zaire) s.z.a.r.l.,  
Avenue De La Mongala No 12,  
B P 16.297, Kinshasa 1  
Telex: 21413 BGIZ.R.

## Zambia

Grindlays Bank International  
(Zambia) Limited,  
PO Box 31955, Woodgate House,  
Cairo Road, Lusaka  
Telex: 42461 GRINDLY ZA

## Zimbabwe

Grindlays Bank p.l.c.,  
PO Box 300, First Floor,  
Ottoman House  
59 Samora Machel Avenue, Harare  
Telex: 4361/4739 GBLZW



## South Asia

### India

Regional Directorate,  
Grindlays Bank p.l.c.,  
PO Box 725, 90 Mahatma  
Gandhi Road,  
Bombay 400 001  
Telex: 011-4792 RDSA IN

## Eastern India

PO Box 2781, 19 Netaji Subhas Road,  
Calcutta 700 001  
Telex: 021 7341 GBCL IN

## Northern India

PO Box 624,  
'H' Block, Connaught Circus,  
New Delhi 110 001  
Telex: 031-66528 GBND IN

## Southern India

PO Box 297, 19 Rajaji Salai,  
Madras 600 001  
Telex: 041-212 GBMS IN

## Western India

PO Box 1175, 90 Mahatma  
Gandhi Road,  
Bombay 400 001  
Telex: 011-2240 GBBY IN

## Bangladesh

Grindlays Bank p.l.c.,  
PO Box 502,  
No. 2 Dilkusha Commercial  
Area, Dhaka 2  
Telex: 64 2841/64 2597 GBLD BJ

## Sri Lanka

Grindlays Bank p.l.c.,  
PO Box 112, 37 York Street,  
Colombo 1  
Telex: 21130/21521 GRNDLAY CE

## Nepal

Grindlays Bank p.l.c.,  
GPO Box 3990, Kathmandu,  
Nepal  
Telex: 2531 GRNDLY NP



## Americas

### New York

120 Wall Street, New York,  
NY 10005, USA  
Telex: 667559



**Los Angeles**

Suite 3290, 725 South Figueroa St.,  
Los Angeles, California 90017, USA  
Telex: 4720773

**Chicago**

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190 South La Salle Street,  
Chicago, Illinois 60603, USA  
Telex: 4330119

**Houston**

Suite 3750, Gulf Tower,  
1301 McKinney Street,  
Houston, Texas 77010, USA  
Telex: 166229

**Bahamas**

Grindlays Bank p.l.c.,  
PO Box N7788, Nassau

**Brazil**

Australia and New Zealand Banking  
Group Limited/Grindlays Bank p.l.c.,  
Av Nilo Pecanha, 50 grupo 810,  
20.044 Rio de Janeiro - RJ  
Telex: 2130541

**Canada**

ANZ Bank Canada,  
18th Floor, North Tower,  
Royal Bank Plaza,  
Toronto, Ontario M5J 2J3  
Telex: 217530

**Pacific Basin and South East Asia****Hong Kong**

27th Floor, One Exchange Square,  
8 Connaught Place Central,  
Hong Kong  
Telex: 86019

**Indonesia**

Australia and New Zealand Banking  
Group Limited/Grindlays Bank p.l.c.,  
12 A Floor, Wisma Kosgoro,  
Jalan M H Thamrin, 53 Jakarta, 10350  
Telex: 61656

**Japan**

8th Floor,  
Yanmar Tokyo Building,  
1-1 Yaesu 2 Chome,  
Chuo-ku, Tokyo 104  
Telex: 24157

ANZ Merchant Bank Limited,  
Room 1109, Shin Yurakucho  
Building,  
12-1 Yurakucho 1 Chome,  
Chiyoda-Ku,  
Tokyo 100  
Telex: 26268

**Korea**

Suite 936/7, Daewoo Center,  
541, 5-ka, Namdaemun-Ro,  
Chung-ku, Seoul.  
Telex: 27338

**Malaysia**

Australia and New Zealand  
Banking Group  
Limited/Grindlays Bank p.l.c.,  
8th Floor, Bangunan Hongkong Bank,  
2, Leboh Ampang,  
50100 Kuala Lumpur  
Telex: 31054

**Peoples Republic of China**

Room 1906, Noble Tower,  
22 Jianguomenwai Dajie,  
Beijing  
Telex: 210323

**Singapore**

10 Collyer Quay,  
No 17 02/05 Ocean Building,  
Singapore 0104  
Telex: 23336

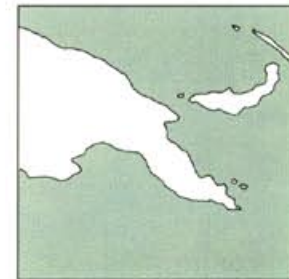
**Taiwan**

Grindlays Bank p.l.c.  
Branch/Australia and New  
Zealand Banking Group Limited

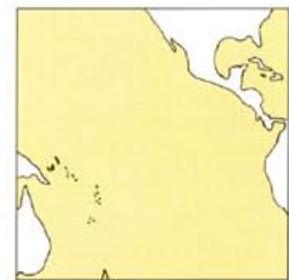
Representative Office,  
2nd Floor, Shin Kong Building,  
123 Nanking East Road, Section 2,  
Taipei  
Telex: 11894

**Thailand**

17th Floor,  
Sathorn Thani Building,  
Sathorn Road,  
Bangkok 10500  
Telex: 21583

**Papua New Guinea**

Australia and New Zealand  
Banking Group (PNG) Limited,  
2nd Floor, Defens Haus,  
Cnr Champion Parade and  
Hunter St.,  
Port Moresby  
Telex: 1012

**Pacific Islands****Fiji**

4th Floor, Civic House,  
Suva, Fiji  
Telex: 2194

**Solomon Islands**

Mendana Avenue, Honiara  
Telex: 66321

**Vanuatu**

ANZ Bank (Vanuatu) Limited,  
ANZ House, Kumul Highway,  
Port Vila  
Telex: 11012

# Five Year Statistical Summary

For the year to 30 September	Amounts in \$ millions				
	1983	1984	1985	1986	1987
Group gross income	2,979.6	3,275.9	5,323.9	6,707.8	8,083.5††
Group operating profit	197.9	269.0	302.2†	315.4	385.2
Including					
— Australian Trading Bank	83.3	129.4	134.4†	130.0	148.1
— Australian Savings Bank	29.1	38.3	41.3	41.1	43.3
— New Zealand group (excluding minority interests 1983-1986)	25.2	26.0	37.3†	54.4	85.7
— Esanda group	52.7	52.3	52.8	50.3	60.7
— ANZ Holdings (UK) group	—	—	11.7	6.5	(2.6)
— Development Finance Corporation	—	16.0*	8.7	5.0	5.0
— Greater Pacific Life	—	—	—	9.0†	18.9
Group operating profit and extraordinary items	197.8	122.2	330.1†	164.8	399.0
Dividends	63.1	86.2	103.7	133.1	145.4†
Number of times dividend covered by profits	3.1	3.1	2.9	2.4	2.6
Return on average shareholders' funds	17.5%	17.7%	15.3%	13.1%°	13.1%
<b>Per fully-paid share</b>					
Dividends — declared rate	28.0¢	30.0¢	31.0¢	31.0¢	21.0¢
Earnings (adjusted for bonus issues)	52.0¢	53.9¢	60.0¢	51.2¢°	55.0
Net assets	\$5.70	\$5.89	\$6.43	\$6.08	\$4.48
Net assets (adjusted for bonus issues)	\$3.80	\$3.93	\$4.29	\$4.05	\$4.48
Share issues to shareholders	—	1 for 10 bonus 1 for 4 at \$3.70	1 for 10 bonus	1 for 5 at \$3.75	1 for 2 bonus
<b>Year end</b>					
Paid-up capital	209.7	302.9	336.0	449.8	700.4
Shareholders' funds	1,194.9	1,780.9	2,159.5	2,731.1	3,138.6
Total assets	22,726.4	35,854.7	42,782.1	56,630.6	65,310.0
Ratio of shareholders' funds including minorities to total assets	5.4%	5.1%	5.2%	5.6%**	5.9%°°
Total deposits	12,418.9	19,632.4	23,777.8	31,172	34,191.4
Trading Bank deposits	7,498.2	8,759.5	11,001.7	14,121.4	15,094.6
Trading Bank advances, loans etc.	7,282.7	8,485.0	10,903.8	13,938.2	14,986.7
Australian Savings Bank deposits	3,305.1	3,715.8	3,789.3	4,363.6	5,216.6
Esanda Group total assets	2,558.5	2,941.0	3,539.9	3,987.5	4,212.3
Number of shareholders	41,551	48,779	51,192	59,518	65,552
Number of employees	25,991	36,789	38,031	39,018	41,187
Points of representation	1,439	1,649	1,657	1,657	1,690

\* 15 months profit.

† Excludes abnormal credit item of \$18.0 million consolidated, \$10.1 million Australian Trading Bank and \$7.6 million New Zealand group resulting from change in provision for doubtful debts policy.

° Adjusted to exclude effect of 30 September 1986 share exchange with New Zealand group minorities.

# 9 months profit.

\*\* Gearing ratio based on new Reserve Bank of Australia's capital adequacy guidelines under which general provisions for doubtful debts and revaluation amounts for premises are included in shareholders' funds for gearing purposes.

† Includes \$16.2 million dividend equivalent of bonus shares issued instead of cash dividend.

†† Includes abnormal credit item of \$310 million pension fund surplus; Group operating profit includes fully offsetting doubtful debt provision abnormal debit item.

# Notice of Meeting

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The annual general meeting will be held in the ANZ Pavilion, The Theatres, Victorian Arts Centre, St Kilda Road, Melbourne, at 10.30 am on Monday 18 January 1988. Further information about the meeting is contained in a separate Notice of Meeting enclosed with this report.

A summary of the Chairman's address to the annual general meeting will be published in the Australian Financial Review and The Australian on 19 January 1988. Copies of the address will be available from:

Group Community Relations, ANZ Bank, 55 Collins Street, Melbourne, Victoria 3001

Group Publicity Department, ANZ Bank, Minerva House, PO Box 7, Montague Close, London SE1 9DH

Branch Banking Services Department, ANZ Bank, 215-229 Lambton Quay, Wellington, New Zealand

Grindlays Bank, 90 Mahatma Gandhi Road, PO Box 725, Bombay, India

ANZ Bank, 120 Wall Street, New York, NY 1005, United States of America

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## Financial Calendar

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### Results

First half:	Announced 18 May 1987
Full year:	Announced 16 November 1987
Annual Report:	Circulated 15 December 1987
Annual General Meeting:	To be held in Melbourne on 18 January 1988

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### Dividends

Interim:	Announced 18 May 1987 Paid 29 June 1987
Recommended Final:	Announced 16 November 1987 To be paid 28 January 1988

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### Group Headquarters and Registered Office:

55 Collins Street, Melbourne, Victoria, 3000

Telephone: (03) 658 2955

**Group Secretary:** L. C. Graham

**Group Executive, Finance:** C. A. Griss

**Solicitors:** Blake & Riggall

**Auditors:** Peat Marwick Hungerfords

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