

## **ANZ 2017 Annual General Meeting**

### **Chairman's Address**

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Good morning ladies and gentlemen.

My name is David Gonski and I welcome you to ANZ's 2017 Annual General Meeting.

Your Directors, who include your Chief Executive Officer Shayne Elliott on my right, are all here today and they join me in welcoming you.

Before we start today's meeting, I acknowledge the Gadigal people of the Eora Nation, who are the traditional custodians of the land on which this meeting is taking place.

We respect their spiritual relationship with their country and we pay respect to their elders past and present.

I also extend that respect to other Aboriginal and Torres Strait Islander people joining us today.

Your board is very pleased to be meeting with you in Sydney again.

I also note this meeting is being webcast to enable those who can't be with us to watch and listen to the meeting at their convenience.

Now, as a quorum is present, I formally declare this Annual General Meeting of shareholders open.

I propose to take the Notice of Meeting as read.

Today in this address I will only speak briefly about our 2017 financial results. I know you will have read the media coverage of our results in October and many of you will have read our annual report.

I intend to focus most of my address on the vitally important issue of rebuilding community trust in ANZ and in our industry.

I will share with you the steps we have been taking to rebuild trust, those steps having been taken in a respectful, transparent and constructive manner with government, regulators and the community.

And I will discuss the recently announced Royal Commission into misconduct in the financial services industry.

Turning first to our financial results, your bank delivered a solid result in 2017.

We are a large business operating in 34 countries and our statutory profit was \$6.4 billion, up 12%. Cash profit, which excludes non-core items from statutory profit, was \$6.9 billion, up 18%.

The final dividend of 80 cents per share was paid into shareholder's bank accounts yesterday and this brings the total dividend for the year to \$1.60 per share fully franked.

When we talk about profit, it's important to understand what the bank actually is.

Our profits come from the efforts of our 45,000 employees, the majority of whom live in Australia and New Zealand.

Our employees work hard every day to do the right thing and support millions of Australians and New Zealanders who save for their future, own or seek to own a home or run a business.

Our customers include more than one and a half million Australians and New Zealanders to whom we provide competitively priced mortgages that help make their dream of owning a home a reality.

We also have around 650,000 customers who are small and medium-sized businesses; customers who are the life-blood of the Australian and New Zealand economies.

And we also have thousands of large business customers that are involved with trade and investment in the Asia-Pacific region.

The profits we earn benefit our owners, the majority of whom, directly or indirectly, are everyday Australians.

This year we paid \$4.6 billion in dividends, or 68% of our profits, to over half a million ANZ shareholders.

Over 40% of our dividend payments went to individual shareholders here in Australia: people like those at this meeting who use that money to support themselves whether working or in retirement.

Most of the remainder went to superannuation, pension and other investment funds that use Australian banks as a secure and reliable investment for the retirement of millions of everyday people.

We also contribute in many other ways. For example, we paid a total of \$4.7 billion to thousands of businesses that supply us with the products and services we use to run the bank.

And we paid \$3.2 billion in tax. We are one of the largest contributors to corporate tax in Australia.

All this forms part of our purpose which is to shape a world where people and communities thrive.

Profit and dividends are only one part of our financial performance.

During 2017 ANZ's capital position also improved significantly.

Our Common Equity Tier One capital ratio reached 10.6% at the end of the year and I am pleased to report that our capital position already meets APRA's unquestionably strong 2020 target.

Given this, we announced yesterday that ANZ will undertake a \$1.5 billion share buyback early in 2018. The buyback follows ANZ completing the sale of our 20% shareholding in Shanghai Rural Commercial Bank.

This is in addition to the neutralisation of the 2017 interim and final dividends.

After careful deliberation, the Board chose to return capital through an on market buyback believing overall it was more advantageous to shareholders than an unfranked dividend.

The divestment of non-core businesses, including the sale of our Australian life insurance business last week, should provide us with flexibility to consider further capital management initiatives in the future.

ANZ will continue to manage its capital prudently. Further capital management initiatives will only be undertaken while ensuring sufficient capital is available to support growth as well as being subject to business conditions and regulatory approval, after the actual receipt of the relevant sale proceeds.

Let me now turn to the critical issue of rebuilding community trust in business.

Ladies and gentlemen, everywhere around the world business is facing huge challenges to adapt to the rapidly changing environment.

Technology is disrupting traditional business models and we are playing rapid catch up on everything from banking systems to data science.

This is not just about business adapting. For employees it creates significant uncertainties about the future of work and the skills they need to succeed in the digital world.

Consumer expectations are changing as a result of their experience with new players like Amazon, Google and Apple.

And to help us think about how quickly this has happened, it is worth remembering the iPhone was only introduced 10 years ago.

At the same time a younger generation of millennials are reshaping the economy and their unique experiences are forcing companies to fundamentally re-examine how they do business.

Community trust in our traditional institutions including the media, business, government and even NGOs – has fallen to troubling lows.

Some have linked this to the decline of traditional media and the rise of social networks like Facebook and Twitter.

Whatever its exact cause, the pace, scale and nature of change is leading people to question whether the system is working for them.

In turn we are seeing the rise of populist actions in several Western democracies.

It is clear that in order to rebuild trust, business has to step outside our traditional role as sole shareholder-focused organisations, and work in new ways that also put our customers and our communities at the center of everything we do.

Change in business is not new.

We should remember that of the top 50 companies in Australia by market capitalisation in 1980, only ten companies remain in today's top 50.

It is a further reminder that while making money is very important, the long term well-being of a business requires much more.

Companies must solve real customer needs. In doing so, they must possess a sustainable competitive advantage.

They also need to be respected by the community.

They need to be nimble and capable of recognizing and adapting to the constantly changing environment.

My belief is that great businesses are driven by a strong sense of their purpose in society.

They are inspiring, they embrace transformation, bring out the best in their employees and create value for all of their stakeholders.

Put simply, delivering sustainable value in the long-term is about looking after customers, staff and shareholders, and at the same time, building and maintaining community trust.

In today's rapidly changing, uncertain and politically-charged environment, this seems only common sense.

While this approach is not new to ANZ, I am pleased to tell you that we understand the rapid change in community expectations and we are resolved to change, and indeed that change is underway.

Our aspiration is not just to earn our social licence to operate, but to have social support.

As evidence of this commitment, during 2017 we established the Responsible Business Committee. This committee of senior management meets regularly and is led by our CEO.

During the year, we also revised the charter for the Board's Environment, Sustainability and Governance Committee to include a focus on environmental and sustainability issues.

There has also been stronger engagement with every employee to emphasise our purpose, strategy and values. We have refreshed and increased employee engagement with our Code of Conduct.

We introduced a new balanced scorecard incentive plan for staff in our retail branches and contact centres in Australia. This was part of our commitment to implementing the recommendations of the Sedgwick Review.

We have also delivered a range of initiatives for customers to make banking fairer and simpler.

For example, in Australia we have introduced a lower rate credit card, we've implemented easy-to-understand contracts for small business and we've removed ATM fees.

Clearly though, we still have a great deal to do.

In November, we settled a long running dispute with the Australian Securities and Investments Commission over our conduct some years ago in the wholesale bank bill swap market.

Some shareholders have asked why ANZ settled this case when they see another bank fighting in court on the same issue.

When considering this matter over many hours, your board examined the ongoing cost of litigation, its risks and its impact on our business as a whole.

We believed settlement was a sensible step taken in the best interest of the bank and its all stakeholders.

The settlement involved a payment of \$50 million and an acknowledgement, in a statement of agreed facts lodged with the Federal Court, that a small number of our traders had attempted to act unconscionably on ten occasions in the 18 months to February 2012.

We have apologized for the conduct of our employees.

Let me assure you the board has also acted decisively on this matter.

There has been a thorough review of policies, training and monitoring to ensure there is not a repeat of this issue.

The people running our Markets business and BBSW trading at the relevant time are no longer with ANZ. Other staff have been dismissed for breaching our Code of Conduct and there has been claw-backs of bonuses paid in the past.

I told shareholders last year that when we fall short, we admit it, we learn from it and we move forward with a stronger understanding and commitment to doing what is right.

Banks are now facing significant challenges from regulation and new taxes along with other related challenges, partly of our own making, involving reputation and conduct.

While criticism of banks is not new, in the rapidly changing environment that I have described, we acknowledge our industry has been slower than it should to be more transparent, to listen more to the views of the community and to consistently treat its customers fairly and responsibly.

Some go further and say it is the arrogance of banks that has been the underlying cause of bank bashing in the Australian community.

Whether this is true or not, sometimes it is an easy option for business to pitch itself against the community and to lecture people about why they are wrong.

It is often more difficult to listen, to face up to issues and use that insight to make decisions for the long term.

We are navigating the issues that our industry is facing by making strong decisions that seek to resolve issues in ways that benefit all our stakeholders.

Our aim is to improve both our own standing in the community and our industry's.

That is not to say if the issues we face are manifestly unfair that we won't fight – we did that on the South Australian bank tax – but our approach is to be respectful and progressive on community issues.

We now face a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

We deeply regret the fact the community debate on banks and financial services came to this point.

Although we had long-held the view that a Royal Commission was not necessary, in recent months the political debate in Australia had started to have a negative impact on confidence in the financial system and the economy, and that confidence is vital to the long term well-being of all of us.

Whatever we might have thought about the need for a Royal Commission, its cost and potential outcomes, we acknowledge that significant concerns exist among some customers and parts of the community about mis-selling and conduct in the financial services industry.

And so the Royal Commission is a reality.

It will be led by the former High Court Justice Ken Hayne.

We do not under-estimate how challenging this Royal Commission will be for our industry or for ANZ.

Our commitment is to engage with the Commission with the respect, transparency, and the constructive approach that we have tried to make a hallmark of our engagement with government and regulators in recent times.

At the same time, we have a responsibility to continue to run the bank efficiently.

I want to assure all of you that ANZ's leadership is putting in place arrangements to ensure that through-out this period we continue to deliver our strategy, transform our business for the future and do the right thing by customers.

Finally ladies and gentlemen, before I ask Shayne to speak, let me sincerely thank every member of staff who works for ANZ around the world.

Our progress is the result of a clear and consistent strategy, purposeful management action and the hard work and dedication of all of our people. The Board appreciates what all of you do and I believe so to do our shareholders.

Shayne, I now invite you to address the meeting.