

2011 ANZ Annual General Meeting Chairman's Address

**John Morschel
Chairman**

Good morning ladies and gentlemen. My name is John Morschel.

Before we start today's meeting I would like to acknowledge the Cadigal people who are the traditional custodians of the land on which this meeting takes place. I would also like to pay my respects to elders past and present.

Welcome to ANZ's Annual General Meeting. And, as today's meeting is being webcast, let me also welcome those shareholders on-line.

First, I would like to introduce your Directors and the executives on stage.

To my right is our Chief Executive Officer Mike Smith. Further to my right is Alison Watkins. Alison chairs the Human Resources Committee and she is standing for re-election as a director today.

Then we have Ian Macfarlane. Ian is the Chairman of the Risk Committee. Then Peter Hay who chairs the Governance Committee. Peter is also standing for re-election today.

Moving to my left is Peter Marriott, our Chief Financial Officer.

Next, David Meiklejohn. David is Chairman of the Audit Committee. Then we have Lee Hsien Yang who is a member of the Risk, Human Resources and Technology Committees; and who provides advice and counsel in relation to our Asian operations.

And finally on my far left is Greg Clark who chairs the Technology Committee.

Critical to the performance of the bank, is our senior management team. In addition to Mike Smith and Peter Marriott, ANZ has a very strong senior management team, all with extensive international banking experience. Let me introduce them to you.

In the front row we have:

Graham Hodges, Deputy Chief Executive. And then, Philip Chronican, CEO of Australia.

Shayne Elliott, CEO of Institutional. Then Alex Thursby, CEO of Asia Pacific Europe and America.

Then David Hisco. David is CEO of ANZ National Bank in New Zealand. And Chris Page, the Chief Risk Officer. Chris retires today after a distinguished 39-year career in banking, the last four years of which have been at ANZ.

He will be replaced by Nigel Williams, who has been in banking for over 25 years including seven years with ANZ. His most recent position was Managing Director of Institutional in Australia. And Anne Weatherston. Anne is Chief Information Officer.

Then Susie Babani, Group Managing Director, Human Resources. And Alistair Currie, Group Chief Operating Officer. And finally, Joyce Phillips. Joyce is Group Managing Director Strategy and Marketing.

The ANZ executives, behind me, from your left are: Bob Santamaria, Group General Counsel; Jeremy Robson, Deputy Chief Financial Officer, and John Priestley, Company Secretary.

In the audience we also have Peter Nash from KPMG the Group's external auditor.

This morning Mike will talk to you in more detail about our business, however let me start with some highlights.

In the 2011 financial year, ANZ increased statutory profit by 19% to \$5.4 billion.

Reflecting this performance, your Board increased the annual dividend by 11% to \$1.40 a share fully franked.

While the volatility in the share market this year has affected the value of many shares including ANZ, the reality is, that we recovered well from the global financial crisis with our Total Shareholder Return from the end of 2008 until the end of the 2011 financial year being over 24%.

These financial results and returns are the outcome of a clear and consistent strategy, a disciplined operating performance, and a prudent approach to risk. This produced:

- Solid performances from our key franchises in Australia, New Zealand and Asia Pacific.
- A strengthening of our financial position resulted in ANZ becoming one of the world's best capitalised banks.
- And as I'll explain in a few minutes, we continued to make progress with our super regional strategy.

I don't have to remind you that the global economic environment became much more challenging in the second half of 2011. Like most banks, this reduced the contribution from our Global Markets business.

As a result, while our core franchises performed well, the bank's overall financial performance was somewhat less than we expected at the start of the year.

In line with this record, but lower than expected performance, your Board reduced executive incentive payments. And recognising the more difficult economic environment, almost all the salaries of our top 900 executives and managers were frozen with no increases being given for 2012.

Let me talk about what we have achieved and what we are doing to create value for the future.

In the four years since we announced a long term strategy to build a super regional bank, the scale of what we have achieved is significant.

- Four years ago ANZ employed 34,000 staff. Today we have 49,000 full time staff in 32 countries across Australia, New Zealand, Asia Pacific, Europe and America.
- Four years ago we had 26 branches and outlets in Asia. Today we have we have 100 with 12,000 staff working across Asia Pacific.

We are very confident about the role China will increasingly play in the world.

Having had a presence there for 25 years, two years ago Mike Smith announced a new growth plan for China that now sees us with branches in Beijing, Shanghai, Guangzhou, Chongqing and an operations hub in Chengdu.

We also have equity stakes in two Chinese banks. Last year we became the first Australian bank to locally incorporate and this year we became a member of the Shanghai Futures Exchange; and only the second foreign bank to be allowed to trade gold futures.

As you can see, our presence in Asia is not about flags on a map but a real business serving 2 million Asian customers.

- And from around 4 million customers in 2007, ANZ now serves more than 8 million customers across Australia, New Zealand, the Pacific and Asia.

We are not only a larger bank, we are a stronger bank.

- At the end of 2007, ANZ's tier one capital ratio was 6.7%. Four years later, our tier one ratio is 10.9%.

This also ensures ANZ is well positioned for the new capital rules being proposed by regulators as part of the Basel III banking reforms.

To build on this momentum, we are continuing to invest in ANZ's growth while recognising that we also need to manage our business tightly.

The progress we have achieved enabled us to set a new objective for revenues sourced from Asia Pacific, Europe and America to drive 25 to 30% of Group profit by 2017.

So we have a clear and consistent strategy and we are positioned quite uniquely. And Mike will expand on this shortly.

However, following the global financial crisis however, there have been growing questions about the role that banks play in society. This is especially true in the northern hemisphere where some banks collapsed and a number had to be re-capitalised with government funds.

We have remained financially strong throughout this period. Although Standard & Poor's new bank ratings saw ANZ return to the rating we held until the end of 2007, we remain one of a select group of banks in the world that are rated in the AA category. ANZ is one of the few banks in the world to have come out of the global financial crisis with the same rating as we went into it.

Despite this, it is clear that many Australians see banks and bank executives as disconnected from the rest of society.

Contributing to this is a view that the Australian government supported the four major banks in the same way that northern hemisphere governments did for their troubled banks.

In Australia and New Zealand, governments did provide both retail and wholesale funding guarantees which allowed the banks to continue to raise money in wholesale markets, and to continue lending money to customers. In Australia, the banks paid \$5 billion to the government for these guarantees and not one cent was paid to the banks or their creditors by the government.

And, unlike banks in the northern hemisphere, the Australian banks' own capital sources proved sufficient to absorb the rise in non-performing loans and accompanying decline in profitability that followed the economic slowdown.

As we have seen over the past four years, strong and successful banks operating in a stable, well regulated and well supervised banking system are critical to a strong economy.

In the United States and Europe, capital constrained banks have slowed lending, choking off the supply of finance, not only to retail customers and to small and medium-sized businesses but to large corporates and even governments.

Coupled with the growing sovereign debt crisis, Europe is now likely to experience a period of economic stagnation that may continue for as long as a decade.

In contrast, Australian banks have continued to support their customers and to contribute to the nation's continuing economic growth and strength.

So profitable banks are an essential part of a strongly performing economy and of a prosperous society.

Given the importance of their role, major banks have had to work hard to build enduring institutions while balancing the needs and expectations of our shareholders, customers, staff and the communities in which we do business.

While banks have not always got this balance right, and have been justifiably criticised for that, overall they have made a strong contribution to Australia's and New Zealand's prosperity.

At ANZ, our Corporate Responsibility framework helps guide our decision making.

Our success over the long-term depends on growing our business responsibly. The decisions and actions of our 49,000 staff, and the decision-making frameworks we provide, are essential to achieving this.

We have a range of policies, processes, tools, training programs and other initiatives to enable staff to make balanced and informed decisions.

We set public targets which aim to address gaps, and highlight areas where we can better use our skills and resources to make a significant contribution to society.

In this area ANZ is making good progress.

We have seen an increase in employee engagement and we have continued to invest financially, and through executive involvement, in initiatives to support the advancement of women in the workforce.

This year we were recognised as an employer of choice for women for the seventh year by Australia's Equal Opportunity for Women in the Workplace Agency.

I am particularly pleased that together with our partners and with the support of the Australian Government, we have expanded our MoneyMinded and MoneyBusiness programs to reach more than 160,000 people.

We are now taking our successful approaches from Australia and New Zealand to build innovative financial literacy programs for communities in Asia and the Pacific.

In 2011, we updated our responsible lending policies that guide the financing we provide to customers in four industry sectors: forestry, water, energy and the resources industries.

This reinforced our long-standing commitment to responsible lending. However it is important to recognise that it is the government who sets national policies in these areas.

All of this work helped us maintain a leading position among banks globally in the Dow Jones Sustainability Index.

In Australia, independent surveys confirm that we are a leader in customer satisfaction. And in New Zealand, our ANZ and National Banks were named the leaders in the Canstar Cannex Bank of the Year awards.

Both the bank and our staff were actively involved in supporting communities and businesses impacted by natural disasters in Australia, in New Zealand and in Japan. In a number of cases our staff and their families were also directly affected by these tragedies.

To show you how our staff step up to these sorts of challenges, I would like to take a few minutes to play a video for you. It looks at the work of our staff in Christchurch following the earthquakes.

I hope you found that video interesting. It's certainly been a very difficult year and there is still a great deal to be done to help the community in Christchurch recover.

In 2012, we will continue to build on our commitment to corporate responsibility.

There is no question that banks are facing a very different world following the global financial crisis and we need to continue to listen, to respond, to anticipate and to adapt to this environment.

Turning to the outlook, I have already spoken of the difficulties being faced in Europe. We expect the global economic uncertainty and volatility to continue for the next two or three years as the imbalances exposed by the financial crisis work through the global economy.

The recovery following the crisis of 2008 has now lost momentum and we expect global growth of less than 3.5% this year down from over 5% in 2010.

The divergence between the economies in Europe and the United States, and the emerging economies is growing. In 2012, we expect growth in the United States of around 2% while in Europe the economy will be flat; however we expect the emerging economies, particularly in Asia, to grow by about 7%.

This growth in Asia is directly benefiting Australia, New Zealand and the Pacific.

Despite the increasing caution of Australian consumers and pockets of weakness - we expect the Australian economy to grow at 4% in 2012 driven by high investment in the resources sector. New Zealand is recovering slowly but we expect growth at around 2.5%.

Despite these considerable challenges, we are confident about the growth of ANZ for the longer-term because of our financial strength and our exposure to the shift of economic growth to the Asia Pacific region.

Our results in 2011 demonstrate both the progress we are making and the opportunity we have to continue delivering value and performance in 2012 for our shareholders, for our customers, our staff and for the community at large.

Finally on behalf of shareholders please let me thank all of our staff who, under the direction of Mike Smith have made such a strong contribution in another challenging year.

I will now ask Mike to address you.