

ANZ 2015 AGM Address

David Gonski
Chairman

Good morning ladies and gentlemen.

My name is David Gonski and I welcome you to ANZ's 2015 Annual General Meeting.

Your Directors are all here today, including your Chief Executive Officer Mike Smith who's on my right, and his successor Shayne Elliott who is on my left.

Let me start by acknowledging that the land we meet on today is the traditional land of the Kurna people.

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

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

Your board is very pleased to be here in Adelaide again.

We rotate our annual general meetings around Australia's major capital cities to give as many shareholders as possible the opportunity to attend a meeting.

On behalf of all of us at ANZ, I want to express our deepest sympathies to all those affected by the recent bushfires.

While nothing can make up for the impact on families and communities, we have put a financial assistance package in place to help all our customers affected by the fires.

This year marks the 180th anniversary of the founding of ANZ.

The first branch of what became ANZ, the Bank of Australasia, opened in December 1835.

This was the same year that Lord Melbourne became Britain's Prime Minister and the city of Melbourne was founded. It is also the year before the establishment of this city, Adelaide.

Over those 180 years your company has continually evolved to help customers succeed in a rapidly changing world.

Successive boards and management have supported our customers through the cycles of economic downturns; of world wars; and booms and busts.

We have also supported customers to deal with Australia's shift from an agricultural based economy, to a resources lead economy, and increasingly these days to a services lead economy.

And as we do now, we help our customers find new markets around the world for their goods and services.

Of course, over those 180 years, we have also worked hard to ensure our shareholders are fairly rewarded for their investment in the bank.

It is this ability to look forward, to adapt, to evolve and to prosper from change while learning from our history that gives us confidence about our next 180 years.

The two topics I would like to talk about today are technology and Asia.

Bank customers today, both personal and business, want to deal with us when and where they want and to do it with complete security.

Our history shows we have successfully embraced new technologies.

Today, technology continues to revolutionise banking with power moving to the customer; and computers, iPads and smart phones being the most popular way of accessing our services.

I know many of you will remember the introduction of Bankcard in 1974, ANZ Day and Night ATMs and EFTPOS in 1982, internet banking in 1999 and more recently our mobile banking app in 2010.

Technology allows us to do more for our customers with improved efficiency, with more insight about their needs and with greater security.

So we have integrated new technology into the way we do business.

This year your directors and senior management went to Silicon Valley to participate in briefings from leading technology companies.

From those meetings, it was clear that digital and innovation are not add-ons to our business, they are our business.

And that is the approach we are taking.

Mike will talk more about technology and its impact on financial services later.

The other topic I would like to raise is Asia.

Asia already accounts for a quarter of global economic output, up from 17% 20 years ago. Asia's share is expected to rise to 35% by 2030.

And as part of this shift the United States and Europe, which currently account for around half the world's economic output, could see their share fall to around a quarter by the middle of the century.

This enormous change in the global economic landscape will see some three billion people in Asia join the middle class.

At the same time Asia - and particularly China - is becoming a much larger source of capital for the world.

For example, in 2010 around 2.5% of the value of Chinese foreign direct investment was invested in Australia.

Even if that percentage remains unchanged, the growth in Chinese investment could see a further \$200 billion invested in Australia by 2030.

China is already our major trading partner. In fact 11 of our top 15 trading partners are Asian countries.

For Australia, our connection with Asia is not just about economics and business. It's also about people.

12 per cent of Australians have Asian ancestry. And China and India are now Australia's biggest source of new migrants accounting for around one third of the annual intake.

But we know the shift in the world economy towards Asia will not always be smooth sailing.

Even now there are concerns about the Chinese and other Asian economies.

Our view is that while regional growth in the immediate term will be slightly lower, it should still be around a relatively healthy 5 per cent in 2016 with China growing at around 6 per cent.

We are managing our business for these less heady and more volatile times.

Having worked hard to establish our international footprint over the past eight years, we will continue to evolve our strategy in Asia.

This will involve simplifying our partnership investments and focusing on businesses where we have a winning position.

It will also see us emphasize improved returns in Asia-Pacific ahead of growth. And of course, we will continue to ensure risk is carefully managed.

Asia is part of ANZ's DNA; financing trade and capital flows with Australia and New Zealand's economic partners is part of who we are as a bank. And our presence in the region will be critical to our long term success.

While many Australians think banks are all the same, I believe our history over the past 180 years demonstrates we are different.

Throughout that time, our people have embraced change and continued to make things happen for our customers, our shareholders and our community.

Today, we are continuing to build on our heritage as a commercial bank with an outward looking, international perspective.

ANZ is now one of the region's leading international banks serving 10 million retail, commercial and institutional customers in 34 countries.

We are a top four bank in Australia, the largest bank in New Zealand, and a top four corporate bank in Asia.

Customers tell us they are proud to see ANZ signage, branches and ATMs when they travel overseas.

We are also continuing to invest heavily in growing our Australian and New Zealand business.

This includes taking full advantage of the growing connections and linkages between Australia, New Zealand and Asia.

Our strategy not only allows us to have an important presence in Asia Asia adds a unique dimension to our domestic businesses.

But against this backdrop, I acknowledge that many people in Australia don't like banks.

On the other hand, I know that those same people like dealing with our staff in our branches.

Australians should have high expectations of their banks and I know that we need to continue to work hard to have the respect and trust of our customers and of the wider community.

We have made mistakes over the years. The key is for us to own up to our mistakes, fix them and learn from the experience.

As I move around the company, I see that ANZ is made up of more than 60,000 highly trained and decent people who work hard to do the right thing for our customers every day.

It is no surprise to me that, this year our staff contributed to the community through over 100,000 hours of volunteering time.

In addition, through our long-standing commitment to financial literacy, as well as through our charitable donations programs, we have invested around \$75 million in community initiatives.

One of the key responsibilities of your board is succession planning.

That's why I was so pleased to announce in October that your directors had decided Shayne Elliott would become Chief Executive Officer and join the Board on the first of January.

As you know Shayne is our Chief Financial Officer.

He is responsible for everything to do with Finance as well as Strategy, Legal, Treasury and Investor Relations.

Shayne has over thirty years' experience in international banking including in the United States, Australia, New Zealand, Asia, the United Kingdom and the Middle East. He joined us in 2009.

Shayne will speak to you later in the meeting.

Mike Smith will step down at the end of this month after eight years as Chief Executive Officer.

During those eight years Mike has transformed ANZ.

He introduced the Super Regional Strategy and made us a stronger bank.

He has also been a leader in diversity, introducing a series of new measures to make diversity and gender equality a priority.

Mike, ANZ is uniquely well positioned because of the foundation you have created. On behalf of all of us, I thank you for your service and we wish you well in the next chapter of your distinguished and very successful career.

This year we again received written questions from shareholders. A number of questions related to sustainability and the environment.

By this I mean ensuring our business is managed to take account of social, environmental and economic risks and opportunities.

By taking these factors into consideration across all areas of our business, we can create and preserve value for all our stakeholders.

Each year we set public sustainability targets and a corresponding Group-wide program of work to support its delivery.

We formally report on our performance through the publication of our Corporate Sustainability Review. Copies of this publication are available for shareholders outside and on anz.com.

I am proud to report that this year ANZ was again recognized as a leading bank globally on the Dow Jones Sustainability Index scoring 94 out of 100, our highest score ever.

I know many of you are concerned about climate change.

We accept and recognize the risks of climate change.

And we support the goal of governments and many companies around the world trying to limit global warming to less than two degrees Celsius above pre-industrial levels.

We are now examining what the Paris agreement means for our customers and communities – including the one and a half degrees aspiration - and how we can support the achievement of its goals.

We are managing the risks and opportunities associated with climate change and understand that society expects that we will assist our customers to transition to a de-carbonised economy.

We also acknowledge that some people view our continued financing of fossil fuel industries as a material risk and in conflict with our stated position on the need to reduce greenhouse gas emissions.

More efficient, low carbon emitting power generation is a focus of our climate change commitments. Australia and the region are shifting to low carbon technologies but this will take some time.

We are in favor of encouraging an orderly transition to a low carbon economy. To help ensure this we made four new commitments in 2015.

They are:

- To fund and facilitate at least \$10 billion by 2020 to support our customers to transition to a low carbon economy.

This includes funding to increase energy efficiency in industry, for low emissions transport, and for renewable energy and emerging technologies such as carbon capture and storage, and climate change adaptation measures.

- We have also committed not to finance any new conventional coal-fired power plants.
- And we will only consider financing new coal-fired power plants that use advanced technology and higher quality coal to significantly reduce emissions.
- Finally, we have strengthened our due diligence processes which govern our lending to coal mining, transportation and power generation.

Now let me turn to our financial performance for 2015.

Despite some challenging conditions for banks generally – which have continued into the early part of the 2016 financial year – Mike and his team have delivered a solid set of results.

Statutory profit after tax of \$7.5 billion was up 3 per cent and Cash Profit of \$7.2 billion was up 1%.

Cash earnings per share were flat at around \$2.60 reflecting the increased shares on issue following our capital raising in August.

Return on Equity on a cash basis was 14 per cent.

And our final dividend of 95 cents fully franked was paid into shareholders' bank accounts yesterday bringing the total Dividend for the year to \$1.81, up 2%.

ANZ is a strong and successful bank.

We are strong strategically with growth options not available to any of our Australian competitors.

But most of all we are strong because of our people. At all levels of ANZ we have dedicated people who are diverse, talented and open to change.

I thank each of them on all our behalf.