

**ANZ 2016 Annual General Meeting  
Address by Shayne Elliott, Chief Executive Officer**

Thank you David. And good morning everyone.

I too would like to pay my respects to the Traditional Owners of the land on which we meet - the Kulin nations - and pay my respects to Elders past and present, and to any other Aboriginal and Torres Strait Islanders who have joined us here today.

Today is my first opportunity as chief executive officer to address the annual meeting of shareholders.

It's an enormous privilege to lead an iconic Australian company like ANZ. And it's personally exciting because I love the place; and I truly believe we have the opportunity to do a lot more for our customers, for shareholders and the wider community.

Leading a company like ANZ also comes with great responsibility.

We are a company with 188 years of history in helping to unlock opportunity for individuals, families, businesses and communities.

Our beginnings trace back to the Cornwall Bank established by a handful of merchants in Launceston with £10,000 of capital.

Today, over half a million shareholders own our company, we operate in 34 markets, and have a market capitalisation of around \$87 billion – Australia's fourth largest listed company.

It is clear from ANZ's history, and from the history of other long lasting companies here and around the world, that longevity and success come from a willingness to observe, listen and quickly evolve as the needs and expectations of customers change.

Since I took over as chief executive, one of my priorities has been to meet as many people as I can; to listen to what's important to them and, most importantly, to listen to what they think about us.

I started doing this when I joined ANZ seven years ago and I have stepped up the pace in my new role.

Since January, I have talked to our staff in more than 60 branches. I have sat down in ANZ business centres with our processing teams; listened to customer calls in the call centres; and met thousands of our people across seven countries.

I have met with customers from small businesses in Footscray and home borrowers in West Auckland; to large corporations in Sydney and Hong Kong. I have been part of dozens of meetings with ANZ shareholders in Australia and around the world.

Everyone on my management team is doing exactly the same.

What all of us are consistently hearing, is that Australians, from many walks of life, are doing it tough; that they aren't as confident about the future as they were; and there's a mood of distrust, resentment and frustration about big business and banks in particular.

So I'd like to start by picking up on David's remark about restoring trust in banking and improving ANZ's relationship with our customers and the community.

While criticism of banks isn't new, we've mistakenly reassured ourselves that things can't be that bad. After all, Australian banks are well run; they are some of the safest in the world and provide security for our customers; they produce strong, reliable returns for shareholders - and because of superannuation, that means most Australians are shareholders in banks.

And tens of thousands of people choose to have a career with a bank.

But the reality is the Australian community rightly takes these things for granted.

What I hear from the community is that there's a disconnect between what we are saying and what they are hearing.

For example, when we talk about efficiency, the community hears impersonal treatment.

When we remind customers in difficulty about their legal obligations, they hear stubborn inflexibility.

We are proud of our profits. We need to generate them to fulfil our role in society – to fund the dreams and ambitions of our customers; but also because they are the foundation of superannuation and retirement funding for so many individuals. But the community hears fees, charges and interest; and fewer branches and more machines.

We also do ourselves no favours when people hear about some of our well paid staff indulging in completely unacceptable workplace conduct which causes the community to wonder about the culture of the banks.

My experience is that ANZ is overwhelmingly made up of highly trained and decent people who take their responsibilities seriously and work hard to do the right thing for our customers every day.

It's clear though, that in parts of our bank, we have been making mistakes and these have become too frequent to believe they are just isolated cases, or a few bad apples

But we are determined to fix this.

Realistically I know that genuine, sustained change takes time and even then we will not get everything right. But we have begun the process, and I would like to share some examples with you.

To help us improve the way we deal with our customers, we have appointed a Customer Fairness Advisor, Colin Neave.

Colin is a highly respected consumer advocate who is currently the Commonwealth Government Ombudsman. He has had similar roles during his career including the Chief Ombudsman of the Financial Ombudsman Service, the Australian Banking Industry Ombudsman and Chairman of the Commonwealth Consumer Affairs Advisory Council.

His role will be to help us ensure our products and services are fair and responsible. Colin will report directly to me and will have a reporting line to the Board.

He commences with us early next year and his first task will be to engage on the key retail and small business banking issues by speaking to our customers and relevant stakeholders including regulators and NGOs.

We are also identifying specific areas where we want to do more than just meet our basic obligations by actively giving back both to our customers and the community.

ANZ has Australia's leading financial literacy program, MoneyMinded. In fact, recent work by RMIT suggests it may be the most successful financial literacy program in the world.

MoneyMinded has helped more than 420,000 lower income earners manage their money better, with benefits including personal well-being, finding work and social inclusion. For many people, these money management skills, are life changing.

Our Saver Plus program – the world's largest matched savings program – helps low-income earners develop a savings habit. We match participant's savings dollar-for-dollar toward an education goal.

One of our Saver Plus participants, Ian, is a young apprentice metal fabricator from Ballarat. He joined the program to help learn how to manage his money; and to save for a welding machine that was part of his apprenticeship training.

He got into the habit of saving just \$12.50 per week. He bought his welder and has since been able to save enough on his own to visit his grandmother interstate.

Last year, ANZ people, both senior and junior, in every country where we operate, gave over 110,000 hours or 14,000 working days through volunteering in their local communities.

And we are working hard to provide employment opportunities to disadvantaged and under-represented groups to support a more inclusive society.

For example, we are increasing the number of Aboriginal and Torres Strait Islanders employed by ANZ through traineeships and graduate programs.

It's at the personal level that you see the real impact of these programs.

Rian Boney joined our Indigenous School Based Trainee program aged 15. Eleven years later, after completing her education, Rian is now a successful ANZ branch manager. I am proud to say that we have now employed over one thousand indigenous people through this program.

And we are committed to building on these programs.

At the same time, we are actively supporting new industry initiatives to protect consumer interests, increase transparency and accountability, and build trust and confidence in banks.

These include reviewing product sales commissions, and reaffirming our support for employees who 'blow the whistle' on inappropriate conduct.

Because ANZ is committed to changing, you will see us doing things that break with tradition.

Where banks have often defined what we expect from our people in terms of the bottom line, you will see us strengthen our shift toward more balanced expectations which better reflect the interests of our customers and the community. This has started at the most senior levels with me and my executive team.

And what I mean by more balanced expectations is that our remuneration and rewards will not only be influenced by our financial performance but also measures which reflect the way the bank behaves and the quality of the customer experience.

But I want to assure you that these are not soft measures, nor are they designed to make it easy for executives to succeed. The pursuit of better customer and community outcomes are completely aligned with shareholders' interests. Shareholders will benefit because ANZ has a longer term and more sustainable view of the bottom-line benefits.

To be frank, it also makes sense for us to respond and re-build our community standing ourselves, rather than to ignore our critics and have change imposed by others.

These are the first steps starting a long journey.

Improving our relationship with customers and the community is not the only area that we need to change.

And in my opinion, literally every day counts because we need to face up the fact we haven't performed as strongly as we would have liked. And, at the same time, the environment we're operating in is shifting more rapidly than ever before.

Some changes are the normal cyclical changes that my predecessors have also managed like more subdued credit growth, low interest rates and the turning credit cycle.

But other changes though are structural, like the disruptive impact of new technology and the rapid change in customer and community expectations, and the costs of additional capital and regulatory compliance.

Every day counts because I don't want to simply respond; I want ANZ to be ahead of the game and performing strongly in the eyes of our customers and our shareholders.

We've made a good start. A lot has been done in the past year to reset our strategy; to mobilise our people around what needs to be done; and to increase the pace of execution. But there remains a lot more to do.

So I'd like to share with you what we see as the immediate issues facing the bank to give some context about the challenges we are managing.

The current operating environment is dominated by headwinds, none of which are likely to change soon.

Left un-managed, they will drive down shareholder returns and further distance banks from customers as we become more internally focused.

Well, I don't intend for them to go unmanaged at ANZ, so we are already on the front foot driving change to position us for a stronger future for both shareholders and customers.

We believe there are four major trends which are redefining our future.

The first is the well-known growth and now transformation of China to a consumer and services led economy.

The second is the shift from an economy driven by the trade of goods and commodities to one dominated by data and services.

Third, there is the rise and economic power and influence of the small and medium enterprise in our economies, including the self-employed.

And finally there is the ever increasing rise in the power of consumers and their expectations.

These trends can all be threats, but actually they also offer significant opportunities for banks that are able to position themselves effectively, and we're pretty excited about our ability to respond.

So we are in turn, focused on four priorities.

The first is to create a simpler, better capitalised, better balanced and more agile bank.

This has involved some very hard decisions. As David said, we cut the dividend this year to improve organic capital generation in the light of demands for higher regulatory capital.

We are exiting low returning, non-core businesses. This saw us complete the sale of the Esanda Dealer Finance portfolio.

And we announced the sale of Asia Retail and Wealth in five Asian countries to Singapore's DBS Bank. We are still committed to Asia but freeing ourselves of the retail business allows us to focus our resources, capital technology and talent on our largest Asian business - Institutional Banking.

We also completed a review of the Australian Wealth business and we are considering strategic options for the business, including a potential sale. While we will always be in the business of providing wealth solutions to our customers, we believe that, with the regulatory and capital demands of the business, there are better ways to provide these solutions to our customers.

We reduced operating costs by simplifying the way we work while maintaining our focus on customer service. Full-time equivalent staff fell over 7% for the year and this held our annual cost growth to below 1%.

And finally, we refocused our Institutional Bank on areas where we have clear competitive advantage and can service customers at a decent return. This resulted in reducing our Institutional customer base by 18% and cutting risk weighted assets by \$21 billion.

All of these changes are designed to drive a fundamental improvement in value for shareholders.

The second priority involves focussing on those areas where we can deliver a winning proposition for our customers.

In our retail and commercial businesses in Australia and New Zealand, we have identified those areas as helping customers buy, own and sell a home; and to start, run and grow a small business. This is a completely new way to think about our business and the opportunity to help customers.

While we are focused on changing our approach, our number one priority is to run our business well.

In 2016, our retail and commercial businesses continued to perform strongly. It was pleasing that after many years of being number four in home lending here in Australia, we moved to the number three market share position.

Nevertheless, the strong growth in house prices and lower levels of household income growth, has lead us to adopt a more cautious approach to growth in home lending.

In Institutional Banking, we are focussed on becoming the best bank in the world for business customers who are driven by the movement of goods and capital in our region.

This is a more focussed strategy for Institutional which will see it represent a smaller proportion of our overall portfolio.

Managing change is always challenging, but it's pleasing to see that our customers continue to rank us as number one in terms of relationship quality in both Australia and New Zealand.

The third area of focus is to drive a purpose and values-led transformation of the Bank.

This priority is not just a response to recent regulatory, media and political events but something that we identified as needing change some time before this became such a hot topic.

I spoke about this earlier, but to me this is about generating a sustainable business for all our stakeholders.

A company that is clear on what it stands for and why; a company that is truly able to identify and adapt to change; and a company that encourages experimentation. But I also want ANZ to be known as a bank that is conservatively set; prudently managed; and a company that is respected by the broader community.

Finally, we want to focus on building a better everyday experience for our customers and our staff in order to compete in the digital age. I realise that every bank says this these days, but we're really engaged; we're very determined; and we've made a great start.

This is not some shadow team, or a focus on cutting edge innovation, or running a lab. This is a real business division, with real assets, people and project control to drive real and effective change across the Group.

We're actually really excited by some of the progress we've made as a result of our willingness to step away from our peer group and listen to our customers.

For example, this year we became the first major bank to launch Apple Pay and Android Pay in Australia and New Zealand allowing our customers to make mobile payments using their smart phone.

Since then, over eight million transactions have been completed using our digital wallets and importantly, it has helped drive Australian customer acquisition to an all-time quarterly high, and with a significant conversion of previously dormant customers into active transactors in the period.

Just a few weeks ago, we launched ANZ BladePay, a secure mobile payments solution for businesses. This is an exciting new product aimed at helping big and small businesses succeed in the digital age.

So ANZ is in a period of consolidation, simplification and transition, aimed at helping make us a leaner, more focused organisation.

We have a clear plan and we've made significant progress this year.

We also have a new organisation structure and senior leadership team aligned with our focus areas. I'm excited about the diverse mix of experience and new talent we have on the team from inside and outside ANZ. I'm also very pleased with the engagement of our people in a difficult and challenging period of change.

On your behalf, I thank them sincerely for their hard work and commitment.

In today's climate, it may be naive or self-serving of me to say that I believe in our people, but I do. I know from listening to them that they are all focused on how we can do a better job for our customers, for shareholders and for the community.

I am pleased with the initial progress that has been made this year in reshaping our strategy and setting ANZ on a path towards a sustainable improvement in customer outcomes and shareholder returns.

By that measure, we have work to do.

But we have the organisation aligned; we've established momentum on what is a big agenda of work; and I'm confident that we have the right team to deliver a better bank for all our stakeholders – a bank that can truly help shape a world where people and communities thrive.

Thank you.