

2014 ANZ Annual General Meeting

CEO's Address

Thank you David and good morning to everyone.

I'd like to echo the comments that David made about the tragic events in Sydney this week and express my sympathies to all those who have been affected by this terrible event.

Now, you have already heard about ANZ's super regional strategy and the strong results we produced for shareholders in 2014.

What I'd like to do this morning is take a closer look at our performance in 2014 from a customer perspective.

I'd also like to share with you how we are continuing to build a better bank by anticipating the big shifts that are underway in the global economy and ensuring ANZ is 'future ready'.

Before I do that though, I'd like to take a step back to highlight that our performance isn't the result of just one year's work – it's the outcome of consistent execution of our strategy.

In the six years since the global financial crisis, we've transformed ANZ by:

- Strengthening our position in our major domestic markets through consistent market share gains....and in New Zealand through the transformation and simplification of our business.

These gains highlight just how much investment we are putting into the growth of our Australian and our New Zealand businesses. They are core to our strategy and they are receiving every dollar of capital that they need to grow.

- We have built a super regional bank by strategically investing capital in our business in Asia to establish a unique competitive position in the highest growth region of the world.

That business is now really humming ... delivering around 25 per cent of our earnings with improving returns and with growth rates well above those experienced by Australia and New Zealand.

- We have also created a leaner, lower risk bank with higher quality earnings, more capital, more liquidity and a better funded balance sheet.

David spoke about the three pillars of our strategy. For us, the success of our strategy is not just about financial metrics but how we achieve these results and how we are performing for our customers.

The first pillar of our strategy is building strong domestic businesses in our traditional heartland here in Australia and in New Zealand.

We have now delivered almost five years of above market growth in home lending in Australia. We have done this by having the best product for customers and by investing in sales and distribution.

In Australia, we have grown faster than the market in small business banking with the strongest lending growth of the major banks – and that has been done without compromising credit standards.

In Wealth, we continued to increase the number of wealth solutions sold through ANZ channels.

And in New Zealand we are now really motoring. We grew market share in key segments. In home lending for example, we have now grown faster than the market for five consecutive halves and, we are the market leader for new lending in all major cities.

We have also had further market share gains in Commercial Banking while improving the quality of our portfolio.

The bottom line is that more customers are choosing to bank with us.

In 2014 we added 106,000 net new customers across Retail and Commercial here in Australia, while our Wealth Division added another 390,000 customers.

We also regained the number two position in customer satisfaction in Australia...and in New Zealand, regard for the ANZ brand is at an historic high.

The second pillar of our strategy is profitable expansion in Asia through an integrated network that connects customers with faster growing capital, trade and wealth flows.

Asia is now a power-house for ANZ and a key measure of this is the strength of our customer relationships.

- Once again we were ranked as a 'top 4' corporate bank in Asia by Greenwich Associates.
- In Australia we were rated the 'number one' lead bank by Peter Lee Associates – our strongest result since 2009.
- In New Zealand, we were also rated 'number one' lead bank by Peter Lee with a substantial and indeed growing gap over our peer banks.

The final pillar of our strategy is our whole of bank approach to delivering more control and greater efficiency. This has seen us deliver double digit productivity growth in operations.

It's also helped us provide better customer service and a stronger risk and control environment.

In 2014 we absorbed transaction volume increases of around 8% while reducing operations expenses by around 3%.

ANZ is now delivering a sustained productivity story. Our current expectation is that our approach should give us the ability to continue to improve productivity for some time to come.

I believe we are now at a tipping point where our strategy positions us to take full advantage of the big shifts that are reshaping the region, which are changing our customers' expectations of us and which are redefining the Bank's future.

Addressing these big shifts is at the very heart of our strategy and now, more than ever, it's critical that we get ahead of these shifts because the world is changing fast.

Today we live in an age where the spirit of Moore's Law - the theory that computer processing speed doubles every two years – actually seems to apply to many areas of life from the adoption of new technologies, to urbanisation, to the impacts of climate change.

In a fast changing world, we need to take quantum leaps rather than make small incremental steps to really take advantage of the forces shaping the region and the opportunities they are creating.

However there's another important reason that we need to get closer to these big shifts: it's because it will help us to be better at engaging with the big issues that we, as a society, are worried about.

If I can pick up a theme from David's address, I think it's fair to say that at times large companies like ANZ can have a tendency to behave like 'citadels' – huge fortresses which have been built for defence and designed to protect the status quo.

But this is changing. Alongside the significant opportunities that exist, the world also faces some serious challenges – and people want to know what business is doing to be part of the solution.

Of course, business *can* make a positive difference – if we step out and engage constructively on the real issues people are concerned about. And to do this, we need a strong understanding of the macro-forces which are reshaping our world.

To my mind there are four big shifts that are most relevant to ANZ and which are gaining momentum. They are global integration, demographics, resources and technology.

If you think about the integrated nature of the global economy, we're clearly living in an age of tectonic change. Global trade flows have already tripled since 2002.

And alongside those global trade flows come exchanges of people, exchanges of ideas, exchanges of aspirations and an awareness of different cultures.

And a globally integrated world has the power to transform lives by lifting people and, indeed their countries, out of poverty.

The first wave of globalisation was, of course, driven by the United Kingdom, and the second was led by the United States.

Today, we are seeing a third wave of this big shift. This is not old-school globalisation dominated by the industrial economies, but a new wave led by emerging economies, many of whom are in our region.

In Asia Pacific, this transition is also being driven by the structures and agreements that are now being put in place to facilitate trade and investment flows.

In the past year, Australia has followed New Zealand's example by putting in place free trade agreements with South Korea and China as well as Japan.

South-East Asian countries have also been working on a number of regional trade deals including the Regional Comprehensive Economic Partnership, the Trans-Pacific Partnership and the ASEAN Economic Community.

Regional banks like ANZ have a pivotal role to play in this shift and we need to be in the thick of it: facilitating trade and investment whilst building trust between those joining the new integrated global economy.

And as we continue to grow our business in the region, we also have to be vigilant that those we deal with comply with the highest social and environmental standards.

As a bank, we have always stood by people and companies that work hard to build good businesses; we are the bank for those who want to step out and take advantage of the new global economy.

The second big shift is the world's changing demographics.

Throughout the world, the size, age and geographic pattern of the global population is changing. From rapid urbanisation to rapid ageing...we need to anticipate the new demands this creates.

It's a complex, fast-moving picture. The shape of the family is changing at speed. Incomes are rising. The Asian middle class is growing. Birth rates are falling. Health developments are driving life expectancy up.

All of this is occurring against a backdrop of rapid urbanisation. Around 45 million people in Asia are moving to cities *each year*. By 2050, two thirds of the world's population will be urban and we will see dozens of new megacities.

Inevitably, these changes bring new challenges. As cities become larger and denser, infrastructure is becoming more complex and more costly. Concerns are growing about the financial security of an ageing population. Health services are under real pressure.

And as the world grapples with these changes, we want ANZ to be out there, understanding the issues looking at the opportunities being created, and asking how business innovation can solve some of the challenges that are emerging.

The third big shift I want to talk about is the increasing pressure on the world's resources.

There will be two billion extra people on the planet by 2050 – many of them members of the new middle class, living resource-hungry urban lifestyles.

There is undeniably a widespread concern about the world's ability to manage its resources fairly and efficiently. We need resilient economic and political systems to meet the growing demand for food, water and energy, as well as for essential commodities such as iron ore and copper.

There is also concern about the use of carbon-intensive resources in the generation of energy.

We know that our customers are concerned about climate change. We know that a growing number of Australians see it as a serious and pressing problem. We know that many shareholders are also concerned about it.

Even the world's biggest producer of coal acknowledges 'the challenge of decarbonising energy'.

Environmentalists, some of whom are here today, are critical of ANZ and other major banks for providing financial services to the coal industry.

However, ANZ is also the country's largest financier of renewable energy, supporting wind and solar power projects as well as hydro and geothermal power stations.

Let me say that decarbonising energy is a shared challenge for governments, for business and for the community. I know that the finance sector will continue to address this challenge and we want ANZ to be playing its part.

The final big shift I want to talk about is technology.

When I joined ANZ, seven years ago, few would have predicted that goMoney, our mobile banking app, would be our largest retail banking channel, processing over \$100 billion in transactions since its launch in 2010.

The pace of technological change is accelerating every day.

And it's creating a profound cultural shift in banking. For 179 years of ANZ's history, the branch network has been at the core of our psyche; and that has changed to digital almost overnight.

Asia is leading many aspects of the technology shift.

A teenager in Shanghai is more likely to have a social media account than their American counterpart in Seattle. Almost twice the proportion of people living in Singapore own smartphones compared to those living in Europe.

In the business world, there are many who still underestimate the impact of technological change.

At ANZ I want us to fast track the change to a digital culture.

We need to embrace the change in customer behaviour that technology brings, and to make sure we are offering the best possible digital services.

We need to adapt to the widespread disruption of traditional business models, and make sure we are helping our clients thrive in these exciting but challenging times.

So, these are the four big shifts, and these are the areas I want ANZ deeply engaged on.

Already we have made a great deal of progress.

In part that's because our super regional strategy is more than just a strategy. It is a mindset we have created in the Bank that recognises we are part of a shared journey with the four billion people that live in the Asia Pacific region – a journey to build a more prosperous, secure and sustainable bank in a more prosperous, secure and sustainable world.

Today however, the big shifts which are reshaping our operating environment are no longer occurring at an evolutionary pace, they are happening at a revolutionary pace.

My job as your chief executive officer is to ensure that we successfully adapt to this rapidly changing environment and that we deliver value for all our stakeholders over the short term and perhaps more importantly over the longer term.

Increasingly though this means we need to think and behave differently to not be content with the status quo or with incremental change.

And in a more transparent, connected world, we have to do more to step out of our comfort zone and engage with the conversations about the macro-forces which are reshaping our world and to ensure we stay relevant to our customers and to the community.

These conversations may be challenging but I do believe they will help stimulate new thinking within the bank and about the bank.

Most significantly, I believe they will help us ensure we are 'future ready' and they will help us play an even more positive role in supporting our customers and our society.

I look forward to continuing that conversation with you in 2015.

I would like to finish by thanking all our 50,000 people for their contribution in 2014 and by wishing you all a very happy Christmas and a healthy and prosperous New Year.

Many thanks.