CEO ADDRESS
2019 ANNUAL GENERAL MEETING
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Brisbane

Thanks David. I'd also like to welcome you all here today and acknowledge the traditional owners of the land on which this meeting is taking place.

I'd also like to echo David's earlier comments about the bushfires impacting large parts of Australia, and of course here in Queensland.

It's been a tragedy for many communities and we will step-up to provide the support necessary.

This has been a challenging year for ANZ and our customers.

Economic growth has been slower than we have been used to, and we have had to navigate increased regulatory activity and global uncertainty.

Fortunately, we prepared well.

Our strong sense of purpose, our clear strategy and an experienced management team means we are well positioned in what will likely be a tough period ahead.

Business Performance

While David has given you a broad overview of our financial result, I want to give you my perspective on our how we are tracking, particularly within our divisions.

Retail & Commercial in Australia had a difficult year. While increased remediation charges have had a significant impact on earnings, we are leaning into our issues and the work already underway will help prepare us for the future.

We have also been upfront about our operational challenges in Australia, particularly within our home loan business – which with a more deliberately cautious approach - meant we lost market share in the first half.

However, I am pleased to report that process and policy improvements have been implemented and driven a steady recovery.

As a result, we expect the increases in home loan applications we saw in the second half of the year to continue well into 2020.

New Zealand delivered another solid underlying result.

Regulatory and compliance costs contributed to higher operating expenses but a focus on operational efficiency offset inflation in business-as-usual expenses.

There are challenges ahead in New Zealand, particularly in relation to the amount of capital we will be required to hold under the RBNZ's final capital requirements.

But as already highlighted, our team in New Zealand is focussed on the efficient use of shareholder funds and we are well placed to meet this challenge without the need to raise additional capital.

Another issue requiring attention during the year was the decision to part with our former New Zealand CEO. Although tough, this was the right decision and sent the right message to our people.

However, the management team has done an excellent job in difficult circumstances and our New Zealand Board expects to announce a permanent Chief Executive soon.

The Institutional division was a bright spot despite macro conditions impacting the financial performance in the second half.

You may recall that we implemented a major restructure of our Institutional business three years ago.

That has proven to be a timely decision and your Institutional business has returned to profitable growth and is providing vital diversification for the Group.

In tandem with our international network, this business offers our customers something our rivals just can't match.

At a group level, our balance sheet has never been stronger and expenses have been tightly managed for the fourth year in a row.

We maintained our sector leading capital position while also returning $5.6 billion to shareholders through dividends and our recently completed buy-back.

In the current environment, a strong balance sheet and good cost control will be vital to protect shareholders' long term interests.

In addition to being a stronger bank, we also need to be safer and for us that means easier to manage and with less things that can go wrong.

We also completed the sale of other non-core assets like our Life Insurance businesses in Australia and New Zealand.

Critically in this environment, we have reduced the cost and risk of operating the bank while also improving our culture.

We have asked a lot of our people but they have risen to the challenge and in addition to delivering a simpler stronger bank, our staff survey recorded the highest level of employee engagement in our history.

The combination of these and other factors mean your bank is simpler, stronger and safer than before.

But let me assure shareholders today, with the challenges facing the sector, we are not sitting idle.

This year, we invested a record amount of $1.4bn on our business and will invest more again in 2020.

These investments are designed to strengthen our infrastructure, reduce the risk of running the bank and drive better services for our customers.

This makes ANZ one of the largest technology investors in the country and is essential for building the capability to thrive over the years to come.

Strategy

Four years ago we recognised that while banking would remain attractive, a step change in the operating environment meant the strategies of the past would no longer be successful.

The cornerstone of our strategy is to generate decent and stable returns by improving the financial well-being of our customers.

We know we will only achieve our aspiration by focussing on the things that really add value to customers. And do those right the first time.

In order to achieve this, we will continue to simplify our business, improve our customer proposition and invest in innovations that deliver better customer outcomes.

That means we need the right people who listen, learn and adapt. We will also put the best tools and insights into the hands of our customers and people. Given we must manage the business for both the short and long term, we have agreed to focus on some key elements over the coming year to ensure longer-term profitable and cautious growth.

These include:

- Running our core businesses well while remediating past failures
- Keeping Institutional focused on cautious, profitable growth
- Actively managing the NZ capital challenges

- Continuing the transformation of our Australia business, as well as implementing our response to the Royal Commission
- Driving further simplification and automation across the Group
- And finally, building a more resilient, adaptable and capable workforce

Simplification has become the mantra of the industry. However, our early action has seen the successful divestment of 23 businesses since 2016.

This has not only improved our focus and reduced complexity, it has also released around $7 billion in shareholder funds.

This is on top of the $5 billion that was released from the transformation of our institutional business.

We don't just sit on this capital.

Around half of this $12 billion was used to reinvest in our core Australia Retail business as well as to respond to new capital requirements.

A quarter was returned to shareholders through our recent buy-backs, while the remainder strengthened our balance sheet and provided options for the future.

Customers and community

We also recognise we have a broader role to play in the community.

In fact, it is our purpose of shaping a world where people and communities thrive that guides this work.

As such, we remain committed to supporting our customers' social, environmental and economically sustainable initiatives.

We have already funded around $20 billion of these projects in recent years and have set ourselves an ambitious new target to fund $50 billion or more by 2025.

This is not just the right thing to do…it's also good business.

Take for instance the financing of renewable energy, where our leadership position has been financially beneficial for shareholders.

An example of this was the €1 billion Sustainable Development Goal Bond that we issued just last month.

There was extremely strong demand from the world's largest investors, meaning we were able to raise the funds at a good price for shareholders.

In turn, we are able to support innovative projects that will provide a solid return for the bank - while also having environmental and community benefits.

This is not just about financing large renewable projects.

For example, the support we provided Seaforth Civil in Mackay or Zappala Quarries near Cairns to purchase energy efficient equipment resulted in fuel reductions of up to 50%. While smaller in scale, this is equally important.

The same can be said of our pledge to help Kiwis better protect their homes from damp and cold conditions.

We know half of all Kiwi homes lack adequate insulation, making them cold, damp and expensive to heat. That also has health impacts for residents.

These loans, while interest free, are mutually beneficial. The homes we are financing are safer and better quality, and our customers are healthier.

It's also why we are so committed to improving the financial literacy of our customers through our programs like MoneyMinded.

Having reached almost 90,000 people this year alone, one of the best ways we can contribute to the community is by investing our expertise and resources to support people as they build their financial wellbeing.

At ANZ, we believe it makes good business to carefully manage environmental and social risks.

Sustainable, long term shareholder returns actually depend on a company being a stronger thread in the social fabric of society.

Customers expect us to be good citizens, our regulators expect us to be alive to environmental, social and governance issues – as do our investors.

We have also been responding to regulator interest in our management of carbon risks with our detailed disclosures aligning with the Financial Stability Board's guidelines.

Effectively what we are trying to do is to negotiate how positive social outcomes and good business outcomes work together for the benefit of all stakeholders.

Royal Commission

In February, the Royal Commission's final report set out how banks, and others, had failed their customers.

At ANZ, we are paying customers back as fast as we can and acting on the Commission's recommendations.

For retail and commercial banking in Australia, we currently estimate that over 3.4 million bank accounts need fixing.

To date, we've made good on more than one million of these bank accounts. While each issue is unique, on average we have refunded these customers around $60 each.

No one is proud of the fact we need to remediate mistakes of the past but we are learning from our failures and strengthening the bank as a result. We're teaching our people about what went wrong and how it affected our customers to ensure we don't make these mistakes again.

To meet the letter and spirit of the Royal Commission's report, we have made significant progress on the sixteen initiatives we announced in February.

We have also implemented the Sedgwick pay recommendations we were able to act on now, made our senior executive accountability frame-work stronger and implemented changes to help family farmers in distress.

There has also been considerable shareholder interest in the role banks play in the prevention of financial crime.

We take this role incredibly seriously and have been proactively reviewing the systems and processes we use to transfer money to ensure we are reporting the information required by our regulators.

I can confirm to shareholders today that while this review remains ongoing, we have not identified any material issues. We are also not aware of any impending litigation from AUSTRAC.

Changing how we reward our people

Importantly, we have reformed how we pay people to reduce incentive payments and better align us with our customers' interests.

This means variable remuneration is now a smaller part of our people's take home pay and these reduced bonuses are determined by the overall performance of the bank.

This is not about paying our people less.

It is an industry leading initiative that will positively enhance our culture and become an important point of differentiation.

It also reduces the potential negative impact an over emphasis on individual bonuses within a bank can have on customers and the community. It is a positive for shareholders.

As part of this, we also strengthened our accountability frameworks to ensure there are appropriate consequences for the small number of people who do not meet standards of behaviour or performance.

Conclusion

These measures we have taken and continue to take are why, despite the challenges, my team and I are excited about the opportunity ahead.

We are building a better bank for customers, the community and our colleagues that is ultimately better for you our shareholders…a bank that is lower risk, drives better outcomes and costs less to run.

We have achieved a great deal this year and none of this would have been possible without a passionate and engaged workforce.

The people who work for your company are committed to doing the best by our customers and their colleagues. I’m proud of what they have achieved over the last few years.

Thank you