



**ANZ 2005 Annual General Meeting
16 December 2005**

Chairman's Address

Good Morning. My name is Charles Goode and I am the Chairman of Australia and New Zealand Banking Group Limited.

Welcome to the 2005 Annual General Meeting.

Let me also welcome shareholders joining us through our webcast on anz.com.

On behalf of the Board, let me say how pleased we are to be holding our Annual General Meeting in Adelaide.

South Australia is a very important part of ANZ and an equally important part of our history. We have operated here for 168 years. Our first branch opened in 1837. It was in a tent set up opposite Parliament House on what is now North Terrace. The next year we built a branch on the corner of North Terrace and King William Street.

Today, we have almost 21,000 shareholders in South Australia. And we have nearly 1,000 ANZ staff working from 78 branches throughout the State doing an important job in serving our customers.

This year we opened two new branches in Munno Para and Elizabeth and we plan to open four more in Adelaide in 2006.

Our staff show their commitment by working hard to be a vital part of the South Australian community.

This year provided cash assistance for customers whose homes and farms were destroyed by the tragic bushfires on the Eyre Peninsula in January.

We then came to understand how much South Australia relies on the Royal Flying Doctor Service to provide emergency medical assistance. In May, we committed \$120,000 over the next three years to support the Flying Doctor Service in South Australia and the southern part of the Northern Territory.

However the main contribution we can make to South Australia, as with any other state, is to be an efficient and effective partner in developing a strong and dynamic business sector.

For example, this year ANZ was pleased to act as sole arranger and underwriter for the syndicated construction facility for Adelaide Airport Limited's new \$260 million terminal.

Now turning to today's meeting:

As a quorum is present I now formally declare this Annual General Meeting of shareholders open.

I propose to take the Notice of Meeting as read. If you need a copy of the Notice, please ask one of the attendants. Minutes of the last meeting and copies of the annual report are available in the registration area outside.

At the meeting today our Chief Executive, John McFarlane and I will report on ANZ's performance and the priorities for the year ahead.

I will later open the floor for questions or comments on any matter related to our business.

After the questions we will move to discussion on the resolutions to be considered at today's meeting. I will ask you to vote on these resolutions by way of poll toward the end of the meeting.

After the Meeting the Directors and many of our senior management from Melbourne and Adelaide would like to meet with you and talk about ANZ over a cup of tea or coffee in the foyer.

Let me introduce your Directors.

On your far left is **Jerry Ellis** who chairs the Risk Management Committee and he is a member of the Audit Committee.

Then **David Gonski**, Chairman of the Nominations, Governance and Corporate Responsibility Committee. He is also a member of the Risk Management Committee.

He is seeking re-election at today's meeting.

Next is **Margaret Jackson**, Chairman of the Compensation and Human Resources Committee and a member of the Audit Committee.

Next to me is **John McFarlane**, the Chief Executive Officer. This year marks the start of John's ninth year as Chief Executive, having joined us in October 1997.

On my left, is **Peter Marriott**. Peter is the Chief Financial Officer. Peter has been with ANZ since 1993 and is recognised as one of Australia's leading chief financial officers.

Next is **David Meiklejohn**, Chairman of the Audit Committee and a member of the Nominations, Governance and Corporate Responsibility Committee. David joined the Board in October 2004.

Then, **Dr Roderick Deane**, Chairman of our bank in New Zealand. Roderick is also a member of the Compensation and Human Resources Committee and the Technology Committee.

Roderick is seeking re-election at today's meeting.

Next is **Dr Greg Clark**, Chairman of the Technology Committee and a member of the Nominations, Governance and Corporate Responsibility Committee. Greg joined the ANZ Board in February 2004.

Finally, **John Morschel** who is a member of the Risk Management Committee and the Compensation and Human Resources Committee. He joined the Board in October 2004.

You can read full details of the Directors' backgrounds and qualifications in our Concise Annual Report.

Now let me introduce the ANZ executives on the stage.

Behind me from your left are: Tim L'Estrange, Group General Counsel and Company Secretary; Shane Buggle, Group General Manager Finance; and John Priestley, Company Secretary.

Performance

This morning's meeting gives you an opportunity to review our progress during the past financial year and hear our views on the year ahead.

In 2005 ANZ's net profit after tax was a record \$3 billion.

For over a decade now, ANZ has demonstrated consistent growth in earnings.

Total dividends for the year increased by 9 per cent to \$1.10 a share fully franked returning \$1.9 billion to shareholders. The Final Dividend of 59 cents a share was paid into the bank accounts of shareholders today.

This is the twelfth successive year ANZ has increased dividends.

Shareholder return is a combination of dividends and increases in the share price. ANZ's total shareholder return in the 2005 financial year was 33%.

The Group's capital position remains strong and slightly above our target range. This has allowed us to continue the \$350 million on-market share buy back we started in January and which is now 75 per cent completed.

Today ANZ is Australia's fifth largest listed company with a market capitalisation of \$42.1 billion.

Our cost-to-income is 45.6% placing us in the top category of cost-efficient banks in the world.

ANZ was named Bank of the Year by Personal Investor magazine for the sixth year in a row reflecting the strength of our products. To acknowledge this achievement, you will have seen the number six featured in our Annual Report and in the foyer here today.

Importantly, we are increasingly building reputational capital. At the heart of ANZ's transformation is a commitment to take the hard steps to show customers, community, shareholders and staff that ANZ is a bank of which they can be proud.

In 2005, the steps we took in building reputational capital included:

- Issuing ANZ's first Corporate Responsibility Report.
- Improving our Customer Charter with stronger commitments to convenient, simple and responsible banking services. This included a formal responsible lending code. ANZ is the first bank in Australia to adopt such a code.
- Continuing our commitment not to leave rural communities. Last financial year, we opened 15 new branches around Australia.
- Committing \$3 million over the next three years on community partnerships to help those in most need with financial literacy and savings.
- And we continued to work on creating a more vibrant, engaging flexible culture.

Our focus on culture is not simply about making ANZ a nice place to work. Attracting and retaining the most talented staff and building a successful culture is critical to our success.

This year, our level of staff engagement was the highest of **any** major Australian company. Staff satisfaction rose from 62 per cent in 2001 to 85 per cent in 2004.

Diversity within our staff is an asset. One example of our diversity is that within our 32,000 people located in 29 countries we have a capability in 75 languages.

This year we have moved further along this path with the recent appointment of Fiona Krautil, formerly Director of the Equal Opportunity for Women in the Workplace Agency, as Head of Diversity

Other initiatives included:

- Providing rights for staff over 55 to work part time.
- Launching a new program called 'My Health' that assists employees in maintaining their health and wellbeing through free health checks and comprehensive health information.
- Introducing a new parental leave package that includes a doubling of paid parental leave to 12 weeks.

These new initiatives add to other family-friendly initiatives that we have introduced in recent years including priority access to childcare places and flexible work practices such as job sharing, telecommuting and flexible hours.

We have also taken steps to encourage our staff to own shares in ANZ both through Share Save Schemes and a further grant of \$1000 of shares to employees in 2005.

I would also like to acknowledge the contribution of three of the members of executive management board who are retiring this month.

Sir John Anderson, Chief Executive of ANZ National Bank in New Zealand, and New Zealand's leading banker, who will be replaced by Graham Hodges who moves from Corporate Banking Australia.

Peter Hawkins, Group Managing Director Strategic Development who is leaving us after a 34-year career. In his career, he was Head of ANZ New Zealand and Retail Banking in Australia.

Elizabeth Proust who ran Esanda is retiring after eight years with the Group. She was formerly Head of Retail Banking in Australia and Head of Human Resources and Shared Services. David Hisco will replace Elizabeth.

On behalf of shareholders, I would like to thank Sir John, Peter and Elizabeth for their contribution and wish them the very best for their future.

ANZ is recognised for the strength, stability and depth of its management. Our ability to replace those executives with experienced, talented leaders demonstrates the real depth we have at ANZ.

Let me now turn to our business performance in the year.

Australia now accounts for roughly two-thirds of Group earnings and is our best performing country. In 2005 underlying earnings were over \$2 billion for the first time and up 14 per cent on last year.

With the acquisition of The National Bank of New Zealand, New Zealand now accounts for about a quarter of Group earnings and earnings were up 11% on the previous year.

Our international activities across Europe, North America and Asia Pacific now account for 11% of Group earnings and had a relatively flat performance.

ANZ manages the Group through six Divisions. All of these Divisions, if separately listed would be among Australia's largest public companies. Two of them – Personal and Institutional – had earnings of around \$1 billion.

In **Personal Banking** we have had a very strong growth and investment focus and this is paying dividends for us in increases in customer satisfaction and market share.

In the year, we opened 15 new branches and spent \$100 million on branch upgrades. 330 net additional ATMs were installed and our staff numbers increased by 700, mainly in positions where they serve customers. We also added 130 new mobile mortgage franchisees.

Personal continued to grow its market share and overtook one of our major competitors to make ANZ the number three retail bank in Australia based on Main Bank Market Share.

We plan to expand our branch network in growth areas in line with our commitment to opening 80 new branches over three years.

We will continue to focus on our goal to become the number two retail bank in Australia.

Our **Institutional Banking** Division deals with the financial services needs of major Australian, New Zealand and international customers globally.

In 2005, our Institutional Division performed well with profit after tax up 8% to \$923 million.

In particular, success in our Markets business, International Trade Finance and in Corporate and Structured Financing saw strong momentum in the second half of 2005. Annual lending and deposits growth was 15% and 10% respectively.

Institutional has a strong market position and is reinvigorating its business following a number of years of de-risking. In recent years, this has included exiting non-core lending and selling our London-based project finance business.

In the year ahead, we expect to see growth in International Trade Finance building on ANZ's strong position in Asia. This includes developing new trade opportunities following our recent investment in Cambodia and a renewed focus on India.

We also expect growth in our foreign exchange and capital markets business from an expanded product range in areas such as debt capital markets, structured products and in Asian products to broaden our offering to financial institutions and mid-sized investors in Australia, New Zealand and Asia.

The momentum we are already seeing in Institutional gives us confidence that we are on track to regain our number one position in this segment.

I have already mentioned **New Zealand** where our acquisition of The National Bank of New Zealand in December 2003 made ANZ the leading bank, and one of the leading companies in New Zealand.

We acquired The National Bank of New Zealand as a long-term strategic investment. New Zealand's economy performs similarly to Australia's and over the last decade its growth has out performed the average of the OECD economies.

However, in the short term the acquisition has not been without its challenges. The integration has been complex, the regulatory environment has been difficult and the acquisition was met by a price war initiated by a major competitor.

With integration of the businesses now virtually complete, we are focusing on leveraging the benefits of our market leadership position.

In New Zealand, the ANZ and The National Bank of New Zealand retail and small business brands are managed separately.

Given our substantial investment over the past two years on integration, we expect considerable benefits in the coming years.

Going forward we expect a less adverse margin environment. Together with integration benefits, New Zealand earnings should improve in 2006.

Our **Corporate Banking** Division serves large, medium and small businesses and has more than 200,000 customers.

In 2005 profit after tax was up 10 per cent to \$376 million.

We continued to invest in customer service by broadening our geographic presence, employing almost 200 additional staff.

A special area of focus will be our Wall Street to Main Street strategy that provides investment banking-style products to medium sized businesses.

In 2006, we expect another good performance given the strong outlook for business credit.

I now turn to **Esanda**, which provides vehicle and equipment finance services and savings and investment products in Australia and New Zealand. This year it celebrated its 50th anniversary.

Net profit after tax was \$159 million up 11%. Profit growth in Australia was up 15% but this was partially offset by a flat result in New Zealand.

In 2006, the car market is expected to soften with new car sales forecast to be up 2 per cent compared to a rise of 6 per cent in 2005.

However Esanda is expected to show continued growth due to efficiency gains, new product development and expansion into adjacent markets.

Finally **Asia Pacific**, which covers 22 countries across Asia and the Pacific.

Net profit after tax was down 14 per cent to \$95 million in 2005 as a result of high one-off earnings in the previous year.

Significantly we are continuing to make strategic investments in local retail banks in Asia to put ANZ in a unique position to capture the benefits of growth in the region, particularly in consumer banking.

In this regard ANZ last week agreed to make a US\$120 million investment to acquire a 19.9% stake in Tianjin City Commercial Bank. Tianjin is a city of 11 million people. It is one of the fastest growing cities in China, 120 kilometers east of Beijing.

Tianjin is strategically located in the key Bohai Bay development region that has a population of 300 million people. The Bohai Bay region is China's third development region after Shenzhen and Shanghai's Pudong.

Our credit card joint ventures in Indonesia with Panin Bank and in The Philippines with Metrobank together have almost 700,000 cards on issue, up almost 50 per cent on 2004.

We have established ANZ Royal Bank in Cambodia, a joint venture with Cambodia's Royal Group, where we built a new bank from scratch and installed a world-class banking system in eight months.

We have also acquired 10% of Sacombank, one of Vietnam's leading private commercial banks. ANZ is working with Sacombank to leverage its growing consumer and small business franchise, which includes 92 branches - one of Vietnam's largest branch networks.

We believe these investments are creating long term growth opportunities for ANZ and we expect to make further investments in the coming years.

Before I move on to talk about governance, on behalf of the Board and shareholders I would like to thank our staff for making us Bank of the Year for the sixth year in a row, and for their role in achieving our record profit.

Governance

Let me now move onto the topic of governance.

ANZ's approach to corporate governance is laid out in this year's Annual Report. You can read much more detail on our website.

Corporate governance is an important focus for our Board and we continually aim to ensure that we achieve the highest standards.

During the year, the Board worked closely with management to review and update ANZ's policies in the light of changes to regulations, legislation and guidelines.

We believe openness and transparency are essential in maintaining good relations with the investment community, from the largest institution to the retail investor, and our broader stakeholder group.

Regulation

This year the regulatory focus on corporations continued to increase.

Indeed, industry in Australia and internationally has seen the 'perfect storm' of regulation in recent years.

This includes the many new regulatory requirements such as CLERP 9 in Australia, the US Sarbanes-Oxley Act, the Basel II Capital Accord and the International Financial Reporting Standards.

Australia, with its federal system of government, faces special challenges. We have over 600 regulatory bodies at the national, state and local level issuing more regulations every week covering businesses and individuals.

However, increasing regulation comes at a cost.

We estimate the additional cost of complying with new regulations has reduced ANZ's earnings in 2005 by between a half and one percent.

This is not surprising. This year we received over 31,000 government notices. We submitted almost 100 state and territory payroll returns and 200 monthly Business Activity Statements related to the GST.

There is now a very real danger of regulation moving into the area of diminishing returns for both shareholders and the community.

- In 2003 Queensland, the state with the greatest volume of new legislation, added 8,700 pages of laws and rules.
- Here in South Australia, the state with the lowest volume, the government added over 1,000 pages to its laws.
- In the four years 2000 to 2003, the Commonwealth Parliament passed the same amount of legislation it passed in the 69 years from 1901 to 1969.
- A recent study by the Business Council of Australia found that the level of new laws and regulation is now growing at 10 per cent a year – **three times** as fast as Australia's economic growth.

The bottom line is that Australia is becoming less competitive as a result.

While there are a number of studies of world competitiveness, the International Institute for Management Development, one of the world's oldest and most respected business schools, found that in 2005, Australia had slipped from being the fourth most competitive economy in the world to the ninth most competitive.

There is recognition of this in some quarters of government. For example, the Federal Government has recently established a Taskforce on Reducing the Regulatory Burden on Business.

ANZ has provided the Taskforce with 11 examples of legislation where change would result in significant compliance cost reductions for our industry and therefore its customers, while still meeting the goals of regulation.

The Federal Government's initiative in establishing the Taskforce is to be applauded but much more needs to be done at all levels of government.

I believe what we need is an ongoing red tape commission reviewing regulation, just as we have the Productivity Commission to improve the productivity and economic performance of the economy.

This needs to be a continuous struggle against red tape and it requires a cultural change by our governments and regulatory authorities.

In the United Kingdom, for example, there is a recommendation that the Government adopt a "one in, one out" strategy to ensure the volume of regulation does not continue to balloon out.

I want to highlight that prevention is as important as finding the cure for excessive regulation. We have recommended to government that:

- Regulators should be expressly tasked with ensuring regulations reflect the intent of legislation rather than making it more onerous; and that,
- Regulators and government need to ensure there is effective public consultation on any new regulation before it is launched.

I also want to raise a particular point about the importance of harmonisation of regulation between Australia and New Zealand.

Given the Australian ownership of New Zealand banks, if we cannot achieve harmonisation in banking, then broader Trans-Tasman harmonisation initiatives will surely be stalled at the first fence.

Allow me now to provide you with our sense of the year ahead.

Outlook

Generally any bank's financial performance is very much dependent on the state of the economy.

There are a number of factors that present risks in the global economy – current account imbalances, rising oil prices, rapid growth in housing prices in some countries, terrorism and pandemic diseases.

Despite these risks, the global economy seems likely to have grown by more than 4% in 2005 - the third consecutive year of above trend growth. We believe this above trend growth is likely to continue in 2006.

Much of this growth has been driven by the economies of China and, to a lesser extent, India. Here in Australia we are now entering the 15th year of uninterrupted economic expansion.

We expect good economic growth in Australia to continue for the year ahead at around 3 per cent per annum.

However, while much of our economic growth in the first half of this decade has been led by consumer spending and housing, those sectors are likely to have slower growth with business investment providing a greater portion of growth.

Australian system credit growth in 2006 is likely to be around 11 per cent and while it would be prudent to remain cautious about margins, we expect the contraction in interest margins to be more moderate in 2006 than 2005.

The coming year will see the full impact from the run-off of certain structured finance transactions and the end of transitional tax relief benefits in the ING Australia joint venture.

2006 will also see the full year cost impact of our investment program with some revenue benefits emerging in 2006 and being more fully delivered in 2007.

Overall our trading in the first two months of this financial year is satisfactory. We are seeing a similar rate of growth in earnings in the first two months of 2006 to that which we experienced in 2005 and our current expectation is that this will continue for the balance of the year.

That completes my formal address and I now invite our Chief Executive, John McFarlane to address us on our corporate responsibility, and our growth and transformation agenda.