



2013 ANZ Annual General Meeting

CEO's Address

Thank you John and good morning to everyone. Let me also say what a pleasure it is to be here in Brisbane.

Like ANZ, growth in Queensland is based on the strength of its position in the Australian economy and on its strong connection with Asia.

John has spoken to you about ANZ's super regional strategy and the strong results we produced for shareholders in 2013.

What I'd like to do this morning is to 'pop the bonnet' and have a closer look at ANZ's engine to help explain our 2013 results.

I'll also share with you the key opportunities we are focused on to ensure that we continue to build a better bank for customers and a better bank for shareholders.

John spoke to you about the Group's high-level performance but let me share some highlights he didn't mention.

- We grew market share growth in key customer segments, particularly in Australia and in Asia.
- We made significant progress with productivity.
- We improved credit quality as well as improving shareholder returns.
- And we invested \$1.3 billion in Australia, New Zealand and Asia Pacific to produce growth and returns for the longer-term.

Overall, the 2013 result demonstrated that ANZ is 'firing on all cylinders'.

Today, our success is based on a strategy that is different; one that sets ANZ apart from our domestic peers.

Let me say though that there are times when I feel that some domestically focussed commentators don't really understand the true potential of what we are creating at ANZ.

Some still say: "The local market is attractive. Why do you continue to invest in Asia?"

What this fails to recognise is that the opportunity created by Asia's growth and our customers' growing business and personal connections with Asia are actually integrated into every part of our business.

In Retail Banking, for example, we supply Australian tourists travelling to Asia with foreign exchange. We provide loans for Asian investors wanting to buy in property in Australia or New Zealand.

We also provide banking services in Australia and New Zealand to Asian students and their families, and credit cards to Asia's growing middle class in Indonesia, in Taiwan and in the Philippines.

In Corporate and Commercial Banking our regional and rural business provides trade finance for farmers exporting beef, wheat or wine to Asia. And we provide Renminbi and other foreign currency services to electronics companies sourcing products from China for their customers.

In Institutional Banking our network in Asia and our AA credit rating makes us a leading bank for multi-national companies doing business in the region.

In other words, the opportunity being created by Asia's growth now underpins our growth and performance in every country that we operate in including our major domestic franchises here in Australia and in New Zealand.

It provides us with the options to focus on both returns and growth, and by doing so deliver long-term value creation for our shareholders.

It means that the value of our business is much more than the sum of the individual parts and shareholders will increasingly invest in ANZ, not just as an Australia bank yield play but also as a growth stock.

Of course, as Chief Executive I know that my job is to deliver on commitments rather than to spend too much time talking about potential, so let's look at our 2013 performance in more detail.

As John said, the first pillar of our super regional strategy is a promise to deliver strong growth and returns in our home markets of Australia and New Zealand.

In the Australian Division profit was up 11 per cent.

- We saw the strongest overall growth of all major Australian banks across home lending, deposits and credit cards.
- There was strong customer acquisition in Commercial with 30,000 new clients and above system growth in lending and deposits.
- And these results are not just one off – we've had above system growth in mortgages for the past 15 consecutive quarters; and in Commercial lending, for the past 7 consecutive quarters.
- We are also driving customer acquisition and loyalty through new digital mobile and online applications for both customers and for our frontline staff.

An example of this is goMoney, Australia's first and most popular banking app with 1 million active users making over 25 million logons each month.

- We have reduced costs while also investing in the future through our Banking on Australia program.

In fact, at under 38 per cent, the current cost-to-income ratio in our Australian Division is world class, and our strategy will actually improve that further.

In the New Zealand Division profit was up 29 per cent in New Zealand Dollar terms.

- Here we are simplifying the business, improving productivity and building share in core markets such as home lending and small business.

- Expenses were down and there was a significant improvement in provisions.

In the Global Wealth Division we are focused on cross-sell, simplification and digital innovation.

- Profit was up 36 per cent.
- Highlights included an 11 per cent increase in Wealth solutions held by ANZ customers, and the success of our Smart Choice Super product which has seen 58,000 accounts opened since its launch earlier this year.

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

In 2013, the International and Institutional Banking Division grew profit 15 per cent, and Institutional Asia grew 28 per cent driven by strong growth in Trade, in Markets and in Cash Management.

- During the year we were recognised as one of the top four banks in Asia by Greenwich Associates; the best foreign exchange provider in Australia by Asiamoney magazine; and equal number one for overall market penetration by Peter Lee Associates.
- There were improvements in the quality of our lending book that contributed to lower provisions, which were down 30 per cent.
- There were strong cost disciplines and we continued to improve capital efficiency.

Today, ANZ is the only Australian bank, and one of just a few AA-rated international banks, that provides customers with a network and a connectivity to Asia's fast-growing markets.

As I said earlier, this provides ANZ with growth options and earnings diversification that are just not available to our peer banks.

Importantly, we have built the management team and the expertise to manage and build an international regional bank, and we have established a track record of delivering.

We have built the number 4 ranked international bank in the region from nothing in just six years.

So Asia is a key driver of global growth; it's a key driver of Australia's growth; and it's a key driver of ANZ's growth – now and in the future.

The final pillar of our strategy is an enterprise approach to building highly efficient, scalable businesses on common platforms and processes.

This is an operations strategy involving our hubs, business simplification and investment in technology.

The outcome is lower unit costs and better management of risk through standardisation.

Importantly, this is also delivering a better service for our customers by bringing products to market more quickly, through shorter turn-around times and with more reliability.

We are now at a more mature stage of our operations and technology strategy, and we are really beginning to realise the benefits of the investments that we have made in previous years.

Notably, in 2013 we absorbed business volume increases of up to 12 per cent while actually reducing operations expenses by 10 per cent.

So in summary, I believe ANZ's performance in 2013 shows we are building a bank that is faster growing, is of higher quality, and is more predictable for shareholders.

I'd also like to highlight some of the non-financial measures that demonstrate our progress.

- We have a terrific team of 47,000 people who again made a huge contribution by producing these results and working hard to prepare ANZ for further success in the future.

I'm pleased to report that staff engagement improved during the year by 2 per cent.

- We are continuing to build a diverse and inclusive workforce.

For example, women lead a number of our key businesses including 5 country CEOs; the Managing Director of Asia Pacific Commercial, the Chief Risk Officer of Australia and the Chief Financial Officer of New Zealand.

In addition, some of the most senior executive roles in the bank are women - the Group Chief Information Officer, the CEO of Global Wealth and the head of Human Resources.

We know we need to do more though and we are developing a strong pipeline of senior female leaders.

Management is also increasingly culturally diverse with growing numbers of leaders from Asia and from the Pacific.

- In 2013 we also made progress with our approach to Corporate Sustainability. By building sustainability into our business we can ensure that we achieve the greatest benefit for all of our stakeholders.

Our approach saw us again ranked as the leading bank in the world in the Dow Jones Sustainability Index – a ranking we have held for 6 of the past 7 years.

I said at the start of my presentation that our super regional strategy is all about building a better bank for customers and a better bank for shareholders.

It's a long-term strategy and our progress in 2013 and the initiatives we have in place, leave me confident that there's more 'gas in the tank'.

We have 4 clear priorities that we'll deliver on over the next few years:

- The first is improving the customer experience.
- The second is continuing to diversify revenues.
- The third priority is a focus on driving productivity.
- Our final priority is to increase shareholder returns.

Each of these priorities is supported by multiple programs across the bank; programs which recently allowed us to set new targets for the next three years. These targets are:

- Reducing the cost-to-income ratio by a further 2 percentage points by the end of 2016.
- And to achieve a return on equity of above 16 per cent in the same period.

Our 2013 results and the targets we have set mean that I am confident that we will deliver on our promise to shareholders to achieve above-peer, earnings per share growth and above-peer, total shareholder returns.

So it's been a strong year for ANZ, a year in which we made further progress in building a great company with a great future.

I would also like to add my thanks, and those of management, to Greg Clark, David Meiklejohn and Alison Watkins for their unfailing support and commitment to the company during their time on the board.

Of course, this is also John Morschel's final Annual General Meeting, and although he still has a number of months as our Chairman, I do want to formally acknowledge his contribution.

John has done an outstanding job, first as a director and then as ANZ's Chairman. He has been of particular support to me and to all of senior management and I want to extend our thanks to you on behalf of shareholders and management.

I am also pleased to welcome David Gonski back to the board and as ANZ's incoming Chairman.

Many thanks to you all, and may I wish you all a very happy Christmas and a healthy and prosperous New Year.