31ST ANNUAL GENERAL MEETING

CHAIRMAN'S SPEECH

Ladies and gentlemen, good morning. I am Charles Goode. As your Chairman, it is my pleasure to welcome you and to declare a quorum present and open the 31st Annual General Meeting of the company. It is with particular pleasure that I welcome shareholders living in Sydney, who have not been able to attend previous AGMs or shareholder information meetings. I also welcome shareholders listening on anz.com. This is the first time we have webcast our meeting.

The final dividend of 30 cents per share is being paid today into the bank accounts of those electing direct credit; while cheques, Dividend Reinvestment Plan and Bonus Option Plan notices are in the mail. The Shareholder Privilege Card will be mailed to eligible shareholders with our publication, Shareholder Contact in January.

After we have handled the several items of business on the Agenda, and the shareholders' questions, I hope you will join us for refreshments, which will be served in the Harbourside foyer, after the meeting.

Now allow me introduce to you the members of your Board, and the executives on the podium.

Starting on your far right, **Jerry Ellis**. Jerry has extensive mining and manufacturing experience both in Australia and overseas notably during his long career with BHP. He is Chairman of Sandvik Australia and the Australia Japan Foundation; a Director of Aurora Gold and Pacifica Group; and also Chancellor of Monash University. Jerry chairs ANZ's Risk Management Committee.

Next, **Dr. Roderick Deane**. Roderick lives in Wellington and is widely recognised as one of New Zealand's leading business executives with experience in both the public and private sectors. Roderick is the Chairman of Telecom New Zealand, having retired as Chief Executive Officer earlier this year, and is a Director of Fletcher Challenge. He is Chairman of ANZ Banking Group (New Zealand) Limited, and is actively involved in the Intellectually Handicapped Children Society.

Then, **Dr. Brian Scott**. Brian lives in Sydney and has wide experience in consulting particularly in human resources. He is Chairman of Management Frontiers, WD Scott International Development Consultants and the Australia Korea Foundation. He is also a Director of the James N Kirby Foundation. Brian chairs ANZ's Human Resources Committee.

Next to me on my left is the Chief Financial Officer, **Peter Marriott**. Peter joined ANZ in 1993 from KPMG where he was a partner involved in their banking practice. Before being appointed to his current position Peter was head of Risk Management.

On my right is **John McFarlane**, the Chief Executive Officer. John joined us in October 1997. Before joining ANZ he had 23 years experience in banking with Citibank and Standard Chartered. In 1995 John was awarded an OBE for his services to banking.

Next, **John Dahlsen**. John's backgound is in the law and he was a partner at Corrs Chambers Westgarth. He is Chairman of Woolworths and has other directorships including Southern Cross Broadcasting. John is Chairman of the Melbourne Business School and is a director of The Smith Family. He is Chairman of ANZ's Audit, Compliance and Finance Committee.

Then **Margaret Jackson**. Margaret's background is in accounting. She is Chairman of the Victorian Transport Accident Commission and a Director of BHP, Pacific Dunlop and Qantas. Margaret is also a Board member of the Howard Florey Institute and a Director of the Brain Imaging Research Foundation. She chairs ANZ's Strategic Issues Committee.

Finally, **Gary Toomey**. Gary joined the Board in March 1998. He is Deputy Chief Executive Officer at Qantas with responsibilities for finance and operations. He is also a Director of Air Pacific.

I believe that with this collective experience and broad reach of business and community involvement we have a well-qualified and balanced board to fulfil its responsibilities and meet the expectations of ANZ shareholders.

Behind me to my right are: **Peter Hawkins**, Head of Personal Financial Services, **David Boyles** who heads our technology and e-Commerce area and **Roger Davis** Head of Corporate Financial Services. These three with **John McFarlane** and **Peter Marriott**, form the Executive Management Committee of the Bank. As Roger Davis has only just joined us, a few words about him. Roger is originally from Sydney and as an ex Wallaby probably needs no introduction to rugby followers in this city. He was also a Rhodes scholar. He spent 20 years with Citibank holding a number of senior executive roles in North America and Asia. Roger is the first member of the Bank's Executive Committee to be based in Sydney.

Behind me on my left are **Bruce Brook**, Deputy Chief Financial Officer, **Peter Mathews**, Company Secretary and **Tim Paine** Legal Counsel.

I encourage shareholders to take the opportunity to approach any one of us during refreshments and introduce yourselves and to ask questions.

At this point, I wish to express our appreciation for the contribution and dedicated service of **Colin Harper** who retired as a Director on 30 September. Colin was a Director of the company from its incorporation in Australia in 1977. He brought to the Board table a wealth of experience from his prior investment banking days and from his Directorships of other companies. This depth of experience and his wise counsel will be missed. We thank Colin for his contribution and wish him and his family the very best for the future.

Review of 1999

I would now like to review 1999. I hope you have taken the opportunity to read our 1999 Annual Report (*hold up report)* and like the new format. We have tried to make it more appealing. We would like to receive your feedback on the report, the conduct of this meeting and on any other matter on which you would like to comment. At the conclusion of the meeting will you please take a few moments to complete the questionnaire, which was handed to you on registration.

I would like to comment now on four aspects of 1999: our performance, re-balancing of the business portfolio, strengthening of the management team and capital management.

1999 was a very good year for the Bank, with particularly strong performance in our domestic markets of Australia and New Zealand. The 17% growth in earnings per share was principally achieved by growing income by 6% and reducing costs by 4%. We have made dramatic progress over the last two years in improving ANZ's cost income ratio, from being the worst of the four major banks to now being second best, and closing fast on the leader. The beginning of the improvement coincided with John McFarlane's arrival at ANZ.

There was also a reduction in the level of risk. Total non-accrual loans were reduced, as was the specific provisioning requirement. This was achieved mainly through further improvement in asset quality in Australia and New Zealand. However, while our international loan portfolio was reduced, non-accrual loans continued to increase in China, Korea and the Middle East. With the closure of the emerging market bond trading activities based in London, the level of traded market risk was reduced substantially. As a result, the major rating agencies improved our credit rating outlook from negative to stable.

All of this was very good for shareholders. The return on shareholders' equity was lifted to 17.2%, which is well above our cost of capital of 11%. For the first time, we have disclosed the amount of Economic Value Added, which is the profit after deducting our cost of capital. In 1999, the company created some $834 million in Economic Value Added, 44% higher than in 1998. The dividend was again increased, as was the level of franking.

We have continued to re-balance our business mix towards more sustainable and lower risk businesses. With our Australian and New Zealand businesses now accounting for 84% of Group profits, and half of that from Personal Financial Services, the company is better balanced. Of the international earnings 6% come from the mature markets of Europe and USA and 10% from rest of our network.

In Personal Financial Services we have achieved strong growth in transaction banking, mortgages and credit cards with significant gains in market share for the latter two. The rollout of Premier Banking underscores our commitment to improving the customer experience. I might add that our Premier Branch in Martin Place opened today, and I would encourage you to visit it. We are particularly pleased with our progress in personal e-Commerce with 130,000 customers now registered for Internet banking. John McFarlane will talk a little more about this shortly.

Our Corporate Financial Services businesses were also very successful with the contribution to Group profits increasing by 17%. We continue to build on our traditional strengths in the corporate market, including the provision of credit and transaction services, auto finance, structured finance, foreign exchange and trade finance. Roger Davis's appointment to head this business reflects our commitment to this area.

In International we have made also made progress in simplifying the business and focusing on Asia and the Pacific and in markets where we have, or can attain, a material position.

Another aspect of 1999 is the progress in building the senior management team. With increasing competition and globalisation of the finance industry, attracting and maintaining a high calibre management team is fundamental to creating shareholder value. Significant changes have occurred starting with the appointment of John McFarlane two years ago. Under his leadership, a much more internationally experienced, yet younger executive team has been put in place, through both internal and external appointments. During the last year we have recruited from overseas Roger Davis, Brian Hartzer to lead the Cards business and Mark Lawrence as the head of Risk Management. From Australia we have recruited Alison Watkins from McKinsey to lead Group Strategy. We have also promoted high calibre people internally, such as Elmer Funke Kupper to international and Grahame Miller to investment banking. I am pleased to report that we have in place a first class management team.

Some time ago, there were unfounded suggestions in the media regarding the relationship between the management and the Board. We could hardly have a better relationship. In fact, the Board gave Mr. McFarlane 10 out of 10 on this aspect in his performance appraisal for both last year and for the previous year.

It is our people at ANZ, who are the key to our future success. We are placing increased attention on the training and continuing education of all our staff. A special talent program has been introduced to identify the most capable young managers and assist them to gain the experience and develop the skills to fill tomorrow's executive ranks. We have also more than doubled the intake of graduates. Incentive schemes have been introduced for managers at all levels, and for all front-line sales staff. Those who delivered on their targets, earned bonuses, many for the first time.

It is important for a bank to be well capitalised. However, it is also important to have an efficient capital structure. In 1998 we took advantage of developments in capital markets, to issue US$775 million of hybrid capital in the form of preference shares. This, together with the build up in retained earnings, meant that during the last financial year we had capital above our normal levels. This was a prudent approach in view of the uncertainties following the Asian crisis. Since then, we have been successful with our risk reduction program and the level of non-accrual loans has stabilised. Further, it is looking increasingly unlikely that we will make a major international acquisition during calendar year 2000, and we are now moving to bring our capital ratios to more normal, yet prudent, levels, initially through the buy-back, which is currently underway.

In summary, I believe ANZ's performance in 1999 demonstrates that the bank is delivering on the commitments made to shareholders to provide strong earnings growth, to reduce costs, to lower risk and to improve the quality and sustainability of our businesses.

A critical area for banking on which I have not commented is technology. I will ask our Chief Executive Officer, John McFarlane, to update you on how ANZ is using technology to improve efficiency and customer service. As we move into the 21st century and the so called "information age", the effective use of technology is mandatory for survival let alone progress for almost all companies. This is particularly so in banking.

John

(John speaks)

Thank you John.

Public Interest Issues

I would now like to comment briefly on three areas in relation to the Bank and the public interest, namely executive salary levels, country branch representation and the public image of banks which includes the customer experience.

Firstly, there has been much recent adverse comment about remuneration levels of senior executives in our country.

Senior executives are not, of course, the only people to receive high earnings. Some entrepreneurs do, but the community seems to accept that an owner who sells out, or goes public, has done so after taking risk and is receiving due entitlement for building a business.

Some sports people and some entertainers do too. But we, the public, have come to accept high rewards for these sporting heroes and popular entertainers. This may be partly because many of them perform on the world stage and we have little say in their rewards, and partly because we easily recognise their exceptional abilities.

It is not so easy for the public to assess the performance of a Chief Executive or senior business executives. Shareholders are generally not in a position to judge their individual performance and there are many variables which affect a corporation's results.

Now I cannot unravel the complexities of our private enterprise economy, and explain why senior executives receive higher remuneration than many other professionals. It is a worldwide phenomenon and is particularly evident in the financial sector.

I can however explain why your company pays its levels of remuneration in the interests of shareholders.

It is because Australia and New Zealand now compete in global markets.

Globalisation has bought many benefits such as EFTPOS, e-Commerce and Internet Banking. The level of efficiency in delivery has improved enormously and growth opportunities through innovation have developed in many different areas.

We need to hire some executives from overseas, and although this is a wonderful country in which to live, we have to some extent to meet international remuneration levels. These executives then join our management team and it is quite inappropriate for us not to reward Australians within our company, occupying positions of similar responsibility, with a comparable remuneration package.

We would have to do this even if we did not hire any executives from the international market, as otherwise we would have an executive talent drain both to overseas and to our domestic competitors. We are thus inter-related with international markets whether we wish it or not.

It is clearly vital for our shareholders that we hire and retain a high-calibre executive management team. Leadership at the top is very important in embracing change in an organisation, in providing drive and developing strategy and setting the standard for ethical and business performance.

At the ANZ we are facing up to the reality of the market. We are also seeking to ensure that the senior executive positions are available to all with the capacity. We are also adopting programs to further train our staff to develop the necessary abilities. We are further seeking to hold the level of executive salaries around current levels and provide an increasing proportion of remuneration by way of bonuses that are only paid if pre-agreed objectives are achieved. For longer term incentives we are using options which can only be exercised if ANZ outperforms other companies and are only of value if the shareholders are also receiving the benefit of a higher share price.

I might add that overall we are fortunate that the business community has not rejected the reality of the markets, and that Australia has not suffered the brain drain in business which has impacted on other professions.

As a country we also need to recognise that our manufacturing, mining and rural industries can not employ more than a minority of our labour force. We need to make a quantum leap in our commitment to education and training so that Australia can be a leading player in higher skilled industries, particularly those associated with computers, telecommunication and science. It is only by making this step change that we will maintain our high standards of living relative to other countries. Not enough people seem to recognise the urgency of this need.

I would now like to turn to a second area of public interest, namely banking in country areas. There are many valid responses to the criticism of banks closing branches in country regions, including that businesses have already left town and taken their banking with them, that major customers in the town are doing their banking in the closest major centre anyway, and that the technology of telephone banking or e-Commerce provides an alternative.

Your Board took the view eighteen months that we would not, for as long as we could, close any further country branches or withdraw from a community. This remains our policy, although it must be said at some cost to shareholders. Over this period we have been investigating economically sustainable ways of servicing country areas. We are discussing partnerships and other methods of cooperation, but to date are finding a constructive solution elusive. We also realise we must charge at least the cost of our services, as other providers of financial services are cherry-picking the most profitable areas of our business and not providing the broader services.

This leads me into the next area of public interest namely the reputation of banks in the wider community. Over the last decade the banking industry has clearly lost much of the broad respect it held. Interestingly most of this decline occurred early in the decade when banks faced serious financial difficulties as a result of the recession in Australia and consequent fall in commercial property values.   While we have restored asset quality and profitability, we have made little progress on the reputation problem. Somewhat paradoxically people's view of their own bank branch and the people they personally deal with is very positive, much more favourable than their perception of the industry as a whole.

We fully accept that some of our actions have not helped. For instance the Australian Bankers' Association's attempt, on behalf of the industry, to address the banks' poor reputation with the public. It is worth expanding on some aspects of this situation. Firstly, the initial proposal by the ABA to enter into an arrangement with Mr John Laws was not supported by ANZ, nor by the Council of the ABA. The subsequent proposal, which was finally approved, was screened by the Council, against specific criteria, including transparency. As it was presented, the proposal fulfilled these criteria. However, we are particularly unhappy that its implementation did not conform to these criteria.

The arrangement was not made transparent to the public, as was intended. What actually was implemented was a misconceived and mishandled public relations exercise and, as a member of the Council of the Australian Bankers' Association, we bear equal responsibility with the other member banks of the Council, for what has happened and we unreservedly apologise.

At ANZ we consider there are really two aspects to this issue. Firstly the adequacy of the customer experience, which I will address shortly, and secondly the public perception. We are concentrating our own efforts on making a difference on the first issue. But we realise the second also needs to be addressed. Banks being large and profitable players in the economy are easy targets for criticism from both the public and politicians. Nevertheless, let me assure shareholders that we are listening to the criticism and will be adopting policies to address it.

This brings me to the more important aspect of service levels for our customers. At last year's meeting in Melbourne our Chief Executive spoke of our aspirations for serving our customers - the policy of going the extra yard. This is a management philosophy that is being instilled throughout the company. While we have made progress in some areas, in others, this is proving more difficult. Our customer satisfaction in business and corporate banking is excellent. It is with our retail customers where we need to improve and are determined to make significant progress. Our progress is slower than we wish but it is coming. It is partly a problem of embracing technology to reduce costs in the face of declining margins while at the same time providing personal and individual service for non-routine matters. We are making progress with our Private Bank in the central business district of the cities and our Premier Banking service in our major branches. We realise that it is our staff who inter-relate with our customers and they are the key to lifting our customer experience. We are learning and this area is one of our major initiatives for the year ahead.

I have moved from our profit performance into areas of public interest, but I wish you to know that these are considered very important issues by your Bank.

Outlook

Now to the outlook for the year ahead.

Prospects for the world economy are much brighter than they seemed at this time last year. Most of the countries affected by the Asian financial crisis are recovering more strongly than had been expected. Japan, too, seems more likely to be on a sustainable recovery path. Economic activity is clearly picking up in Europe. The US economy continues to grow strongly with little sign of inflation, although we believe that US interest rates may rise further next year, as the Federal Reserve seeks to ensure that American inflation remains low.

The global environment for Australia is therefore favourable. We expect the Australian economy to continue to perform strongly over the year ahead, albeit growth may be a little slower and inflation higher than in the year now ending. New Zealand is also clearly recovering from the recession which accompanied the Asian crisis last year. In both these markets, we expect that interest rates will continue to move higher next year, although the extent of that movement should be much smaller than during previous periods of monetary tightening.

Against this generally positive background there are of course some uncertainties. For example, while we believe that most of the developed world is adequately prepared for the rollover into the new millennium, the risk of disruption flowing from the transition to Year 2000 cannot be discounted. There is also the risk to economic growth that might arise were there to be a major correction in the world's equity markets.

In the year ahead for ANZ you can expect continued focus on growing our domestic businesses, in simplifying our international operations, and in outperforming our peers in the growth of earnings per share. This will be enhanced by leveraging technology to improve efficiency, by improving our customer service, by reducing our risk profile and by managing our capital structure.

The reductions in the corporate tax rate will be beneficial to our on-going profitability and the value to shareholders overall is positive. We do however expect a writedown in the balance sheet value of Future IncomeTax Benefit of up to $60 million dollars, as an abnormal item in the first half. This is likely to be offset by abnormal gains from other sources leaving a modest net abnormal charge in the half. For the first two months of this financial year, business is tracking close to our expectations and the outlook for full year profits remains strong.

It is the policy of the Bank to manage its operations for performance both for the current year and also for the medium term. We have a strong foundation and the enthusiasm for the Bank to continue to perform and to deliver value for shareholders and we are confident that this will be achieved.