ANZ 2016 Annual General Meeting
Address by David Gonski, Chairman

Good morning ladies and gentlemen.

My name is David Gonski and I welcome you to ANZ’s 2016 Annual General Meeting. Your directors are all here today, including your Chief Executive Officer Shayne Elliott and our newest director, Jane Halton.

I start by acknowledging the traditional owners of the land on which we meet – the Kulin nations – and I pay my respects to their elders past and present.

I also extend that respect to other Aboriginal and Torres Strait Islander peoples joining us today.

I thank you for taking the time to join us here in Melbourne. As you know, we rotate these meetings around Australia to give as many of our 550,000 shareholders as possible a chance to attend. I note this meeting is being webcast to enable those who can’t be here today to watch and listen to the meeting at their convenience.

Melbourne is our home. We established our first Melbourne office in Little Collins Street in 1838, almost 180 years ago. It involved two small rooms for customers and staff; and two rooms used as the manager’s residence.

It took until 1976 to move our head office here from London. And today our headquarters is in Docklands, just across the Yarra River from this auditorium. It covers 85,000 square metres of office space and is home to over six and a half thousand staff.

I am pleased to say our progress in reshaping and repositioning ANZ is moving much more quickly.

Shayne and his team have been making good progress in building a better bank for our customers, our shareholders and our communities.

Rapid change and economic uncertainty are a hallmark of the world we live in. As one of the region’s major banks, we have both a need and a responsibility to take bold action to make sure ANZ is fit and ready for this future.

Today, with economic performance in China softening, volatile markets and nervous consumers, economic growth seems to be stuck in the slow lane.

Banks are also facing challenges from regulation and technology. And there are other challenges for banks, partly of our own making, in relation to reputation and conduct.

This reflects a general lack of trust, and even anger, at major institutions. Many Australians have also become disengaged from our major political parties and are seeking a different “voice” in the political system.

While I will spend time this morning talking about our performance in 2016, and Shayne will discuss how we are reshaping ANZ for the future, I want to start by talking about the concerns we see many Australians have for their future and their childrens’ future.

Despite the Australian economy being healthy by global standards, many Australians are worried about their jobs and the future of the country.
They feel that their children are now less likely to have a better life than they did. The cost of living is a regular topic of discussion around the dinner table, and many people describe themselves as struggling to get ahead financially.

They see a growing disparity between the reality of their lives and how political and business leaders live and talk.

There is a large degree of resentment and frustration evident which is manifesting itself in disillusionment and disdain for politicians and for us in business.

Quite obviously, the major banks are bearing the brunt of this at present. And while criticism of banks is not new, I believe that large institutions including big business, have been slower than they should have been to open the windows, to stop the jargon and speak more plainly, to listen more to the views of the community, and – above all - to treat all of their customers fairly and responsibly.

Of course, the consumer experience at some corporations is exceptionally positive. However, in my view, to assume that the disdain that is being expressed is the fault of others and not institutions and big business themselves is naive.

In accepting fault on the part of the bank, I do note that many who criticize banks and large businesses often forget that these organisations are made up of thousands of people who come to work every day and try very hard to do their job as best they can. When you look at the banks, there is no doubt that mistakes have and will be made. That is the nature of large organisations operating over long periods of time.

But too often the tradition of business has been to try to keep our mistakes in-house and whilst fixing them and ensuring they do not re-occur, we have not kept customers and the public fully informed.

Some have said this is the arrogance of big business. Others have said it is their power. I am not sure it is either of those but this pattern of behaviour can and must be changed.

There has been a backlash which has evolved into a deeper problem – a growing gap in trust. Banks face many challenges but perhaps none is as fundamental as maintaining the support of society for the functions we perform.

Let me be clear. ANZ has not been immune from this.

And let me be equally clear. We get it.

We know we need to change and we are changing.

In October, Shayne appeared before the parliamentary inquiry into banking. He specifically addressed a number of cases where ANZ had failed some of our customers.

There were cases where we should have worked much more positively with customers, particularly where they were already in difficulty. This was wrong, we were too slow to fix it and we apologised. However, we have now changed our processes, increased our resourcing, resolved a large majority of the outstanding cases and supported industry reforms.
In the past, the conduct of a small number of staff in our Institutional Bank was also not acceptable. We’ve acknowledged this; we have taken an uncompromising approach with staff where breaches of our Code of Conduct have been identified; we have invested in training and systems; and we have cooperated with the relevant authorities.

We will continue to do whatever it takes to avoid these incidents happening again.

The bottom line is, that if we make a mistake, we will own up, we will apologise and we will work hard to put it right and to make sure it does not happen again.

We see this pact with our customers as a core element in our drive for ANZ to fundamentally change itself.

At the same time, we need to be a simpler company. A company more able to move quickly to engage with our customers whenever, wherever and however they want to deal with us; to enable innovation and new business models; to keep driving productivity and to be highly capital efficient.

Ladies and gentlemen, today the board is more diverse than at any time in our history. We believe this better reflects society and our commitment to engage more deeply with modern Australia.

We have a new CEO who spent much of his first 100 days in the job personally meeting and listening to staff and customers in suburban branches, in rural towns and in call centres and operations hubs throughout our network.

We have a new senior executive team with a diverse mix of established and new talent from inside and outside ANZ. This includes Maile Carnegie the former managing director of Google Australia who’s now our Group Executive Digital Banking; and Michelle Jablko, a former managing director of a global investment bank, who is now our Chief Financial Officer. Michelle is sitting here on my left.

Importantly, Shayne is changing ANZ to create a stronger sense of the bank’s purpose in society and to shift the culture to be one that emphasizes ethics, fairness and humility. And as I said earlier, where we find unacceptable behaviour, we have and we will take an uncompromising approach to enforcing ANZ’s code of conduct.

Let me now turn to our financial performance in 2016.

The 2016 financial year has been a year of transition for ANZ with statutory profit after tax of $5.7 billion, down 24%.

Our core business continued to perform well. Our result was however impacted by a number of items, primarily related to initiatives that will deliver future benefits.

These included a restructuring charge and a change to the application of accounting policy to accelerate software amortisation which recognises the rapidly changing technology landscape and the Group’s evolving digital strategy.

The total dividend of 160 cents per share fully franked represented a decrease of 12%.

This change reflects both our performance in 2016 and a move to gradually consolidate ANZ’s dividend payout ratio within its historic range of 60-65% of annual cash profit. Your Board believes this provides a more conservative and sustainable, fully franked dividend base.
The decision to cut the dividend was a difficult one; however it has assisted ANZ in continuing to strengthen its capital position. Our common equity tier one capital ratio ended the year at 9.6%, well positioned ahead of expected increases in regulatory capital required of Australian banks.

This is not a decision that we took lightly but I would like to point out that as of yesterday’s share market close, this dividend at $1.60 per share fully franked will deliver a yield of 5.3% or 7.6% gross, and remains very competitive.

At the same time, we recognize we have broader responsibilities.

For instance, the ANZ business growth program has helped small businesses learn how to lead, manage and accelerate growth.

This partnership with the University of South Australia has helped the small businesses that entered the program to increase revenue and profits, and to export to new countries.

We are committed to managing the social and environmental impact of our activities.

Our aim is to make balanced and informed decisions, and to work with our customers to help them improve their management of environmental, social and governance risks and to make the most of their opportunities.

The approach we take includes screening our customers; applying sensitive sector policies; providing sustainability training and education; and taking account of the United Nations principles on business and human rights.

We also understand the need to give back to the community.

Working with ANZ staff, we support the many communities where we operate through our GIVE program, which stands for giving, investing, volunteering and emergency relief.

During the September storms that caused serious damage across South Australia, New South Wales and Victoria, we provided affected customers with a relief package.

This included suspending repayments on loans including credit cards; providing temporary adjustments to existing lending limits to assist with unexpected costs; and assistance including emergency funds and temporary accommodation.

Let me conclude by saying that we are building a better bank. Not just better in operational terms but a bank that is better for Australia, New Zealand and everywhere where we have a presence.

ANZ is in a strong position due to our leadership team; our willingness to make the right decisions for long-term value creation; and the hard work and commitment of our staff.

In closing, I would also like to formally acknowledge one of our long serving directors, Ian Macfarlane, who retires from the board at the conclusion of this meeting.

Ian has served as a non-executive director with great distinction since he joined the board in February 2007. This included very ably chairing our board Risk Committee. Ian has given significant service to our Bank and we thank him for his contribution.
That completes my address to the meeting and I now invite our Chief Executive Officer Shayne Elliott to speak to the meeting. After Shayne speaks, we will turn to the Business of the Meeting.