



ANZ 2009 Annual General Meeting

Chief Executive Officer's Address

Good morning everyone.

Last year I was pleased to make the point that ANZ was one of only 14 AA-rated banks in the world.

Well, the 14 are now just 11. And ANZ is not only one of the 11 but is also one of the most strongly capitalised banks in the world right now.

We have remained strong in a year in which almost eight million jobs have been lost in the United States, almost three and a half million in continental Europe and over 700,000 in the United Kingdom.

Yet Australia is the only one of the main developed economies to be growing and the only one not to have recorded a drop in export volumes.

Charles outlined the major reasons for this disconnect between Australia and the rest of the world.

What I would like to highlight is the role the Australian banking system played in minimising the effects of the financial crisis on this country.

Unlike the other developed economies, the major Australian banks remain in a very healthy state and the banking system itself remains strong.

In fact, the Australian banks have absorbed much of the pain of the economic downturn. This includes around \$21 billion in provisions in the last two years and they have done this while remaining profitable and well capitalised.

This is the traditional role of a properly functioning, stable banking system, and it has cushioned the pain of the global financial crisis here in Australia.

In contrast, more than 130 banks in the US have failed, total write-downs by banks globally are now over \$1.3 trillion and many of the world's best-known banks in the US and Europe are now effectively in the hands of their respective governments.

This morning, I'd like to spend some time talking about how ANZ is managing the new reality of a more volatile, slower growth world.

And, how our strategy is creating opportunities and value for shareholders.

To remind you of the course we set for ANZ, let me take you back to December 2007. This slide shows you the five-year roadmap we created then, to guide us through until 2012.

It shows that our vision then and now, is to become a leading super regional bank in Asia Pacific. In a few minutes, I will talk more about that.

But back to December 2007 - given the issues facing banking globally and those we faced at ANZ, this super regional objective could have seemed something of a pipedream.

It is fair to say, as I told you last year, that we didn't go into this crisis as well positioned as we would have hoped – many of you will know the legacy issues we faced and managed through last year – Opes Prime, credit intermediation trades, tax issues in New Zealand the list goes on, as you heard from Charles.

So our immediate priority was to restore parts of our business, particularly Institutional, back to health.

This turnaround was not just about improving financial performance. It was also about significantly improving governance and risk management, and refocusing ANZ on our core banking activities.

I'm pleased to report that this year we made substantial progress in completing this task.

In our Institutional business we appointed Shayne Elliott to lead a relatively new team of very experienced world-class bankers who are now running a great business.

At last year's AGM, I also told you that this period in banking would be about the survival of the fittest and that the gaps between strong and weak banks would widen further.

My belief was that strong banks would attract more deposits.

That strong banks would get the pick of new clients as other banks and institutions retreat from the market.

And that strong banks would be in a position to re-price to reflect the higher cost of funds and the higher cost of risk.

So how have we done this year?

In what has been a very difficult year in global banking, we have delivered on what we promised you.

Deposits growth was a feature of ANZ's result, particularly in Australia where deposits grew by 16 per cent and in Asia Pacific where they were up 35 per cent.

We have grown our customer base through organic growth and by acquisition - which I'll talk more about later.

And we restored margins by 16 basis points to pre-crisis levels which reflected the higher cost of funds we face today and the increased pricing for risk.

Looking at our results in more detail and to add to Charles' comments:

- Profits from Australia were up 13 per cent with both Retail and Institutional performing strongly.

- Asia Pacific delivered an exceptional performance with profits up 81 per cent reflecting strong contributions from our partnerships and the Institutional business.

This result from Asia Pacific represented 19 per cent of Group earnings.

- New Zealand managed through challenging economic conditions and saw profits decline.
- In Institutional, the Division delivered an underlying profit up 82 per cent on last year with the performance of Global Markets being a feature of the result.

Provisions, in particular individual provisions, were at a cyclical high although we expect to this to improve through 2010.

Given the resilience of the Australian economy, I believe credit quality is now stabilising and the bad debt cycle has already peaked.

During the year we continued our program of systematically strengthening capital, strengthening liquidity and strengthening provision coverage.

Today, as shareholders, we are owners of a bank with one of the the strongest balance sheets, the strongest provision coverage and what I believe is one of the strongest management teams in Australia and among banks globally.

This reflects our focus on something that may sound a bit old-fashioned – the importance of traditional bankers with strong values and strong ethics.

Together this has positioned us ahead of the game and allowed us to use the financial crisis to accelerate our regional strategy much faster than I originally thought possible.

So, let me talk a little about our aspiration to be a leading super regional bank.

The starting point is that economic growth in Australia and New Zealand is, and will continue to be driven by Asia.

These economies are linked to Asia through their geographic positions; through immigration, through their position as major exporters of hard and soft commodities, through imports of manufactured goods, through education and through tourism.

As someone who has spent much of the last 30 years working in Asia, it is very clear to me that Asia - particularly China and India - are going to be the engines for growth for a long time to come.

I see Australia, New Zealand and the rest of the Pacific as being joined at the hip with Asia.

The trade figures bear this out and clearly demonstrate where our future prosperity lies.

Last year the value of the total trade in goods and services between Australia and Asia increased by over 30 per cent.

Since 2003, total trade value has increased by an average of 13 per cent a year. Asia and New Zealand accounts for over 70 per cent of Australia's total trade in goods and services.

Last year I told you that banks that were on the front foot would have the most opportunities. This was because the current crisis would offer rare chances for business, as US and European banks operating in the region retreated to their home markets and offloaded good clients and good assets to shore up their domestic operations.

That's exactly what's happened and we have been able to take advantage of the fallout from the financial crisis to selectively make acquisitions at the bottom of the cycle that will help us to achieve our super regional aspiration.

In August, we agreed to acquire selected Asian assets from RBS in Taiwan, Singapore, Indonesia, Hong Kong, the Philippines and Vietnam.

This portfolio of businesses gives us 54 additional branches, \$4 billion in loans and almost \$9 billion in deposits from a base of approximately 2 million affluent clients.

The acquisition of these RBS businesses also gives us a much stronger platform for our retail and wealth businesses in Asia but, more importantly, it allows us to participate in a very meaningful way in the trade flows between Australia, New Zealand and Asia, and the trade within Asia itself.

Earlier this month, we finalised the purchase of ING's stake of the ANZ-ING joint ventures for \$1.8 billion.

Like the RBS acquisition, we were able to take advantage of the global financial crisis and ANZ's strong balance sheet to advance our strategy.

The transaction highlights the point I made earlier, that ANZ's super regional objective is not just about Asia – it's a regional objective based on strong positions in our Australian, New Zealand and Asia Pacific markets.

For us, the ING acquisition brings certainty to our wealth management position through full ownership of what is an established wealth management and protection business with a 120 year history.

In the medium term, it also gives us the flexibility to pursue further growth opportunities without the constraints of a jointly owned corporate structure.

Last week, we announced the acquisition of Landmark's loan and deposit book from AWB.

As Charles has told you, the acquisition gives us over 10,000 agribusiness customers and we'll also have in place an agreement for ANZ banking products to be offered to Landmark's 100,000 customers through over 400 rural outlets.

In our view, the Australian agricultural sector is well placed to benefit from growth in the global population and food demand over the next ten years, particularly in Asia.

As incomes rise in developing countries, people eat more meat, dairy, fruit and vegetables.

It is clear then, that this transaction is not only a major commitment to rural Australia, it's another stepping stone in our super regional objective.

Both the ING and Landmark transactions reflect ANZ's bullish outlook on Australia and we will continue to look for growth opportunities within our Retail, Commercial, Wealth and Institutional businesses.

While we are investing in the future of the Bank, I know many of you are concerned about the decision to reduce the dividend this year.

The Board knows the value shareholders place on dividends so the decision to reduce it was difficult, but given the reality of the economic environment, it was a carefully considered and measured step.

However, those many shareholders, who supported our capital raising in July through participation in the Share Purchase Plan, have been delivered a capital gain of over \$7,000. This is the after tax equivalent of around three years' dividends for the average retail shareholder.

During this time, our share price has recovered from the shock of the financial crisis and has performed strongly in the second half of this year.

Importantly, I believe as the world economy recovers, our existing franchise, together with our acquisitions that give us a unique position in Asia, will deliver significant rewards for shareholders.

However, there is still much to do. The second part of our plan is not just about acquisitions, but about creating a bank that:

- has a quality on par with not just the best banks in Australia but the best banks in the world;
- that provides our customers with a significantly higher levels of service than they are used to; and
- that unlocks the value of our ANZ brand.

If we are to achieve these objectives and have the foundation in place to realise our super regional aspiration, then we have to have the best people in the world at all levels of the bank, everywhere we operate.

Now, let me just let you know my own preferences here.

I have been a banker for three decades and as I said earlier, I have what some call traditional views about banking.

For instance, I think you need experienced bankers to run banks. Banking isn't like running a supermarket chain, a car factory or a soft drink company.

One thing I believe in is the value of experience and the virtues of good common sense management.

The other thing we all know, is that you can't simply teach values or ethics – you also have to live them.

At ANZ we have set down the values and the ethical standards we expect from ourselves and all our people. We are making them part of the culture ... we are making them part of our everyday life.

So we have taken the time to build a world class management team of very experienced bankers from a diverse set of backgrounds.

Let me introduce the other 12 members of our Management Board to you and tell you a little bit about their experience.

First there is Graham Hodges, the Deputy CEO.

Graham has been in banking and international finance for 31 years. He has been our Chief Economist and one of our most experienced business bankers. Most recently he was CEO of our New Zealand business.

Peter Marriott is here on stage with me. Peter is regarded as one of Australia's best Chief Financial Officers. He has been a banking specialist for 30 years including 16 years at ANZ.

Then Phil Chronican. Phil is the CEO of the Australia Division which is ANZ's largest business. He is also a career banker with 27 years experience, having joined us recently from Westpac.

Then Shayne Elliott. Shayne is Group Managing Director Institutional. He has 23 years experience in banking and joined us this year from investment bank EFG-Hermes after a 20-year career with Citibank.

Then Alex Thursby, our CEO Asia Pacific Europe and America who is a career banker with 23 years experience.

Alex joined ANZ just over two years ago from Standard Chartered Bank where he held senior roles in Hong Kong, London, Indonesia, Singapore and the UAE.

I also want to introduce Jenny Fagg. Jenny is CEO of ANZ National in New Zealand. She is a long standing ANZ executive with 20 years experience in banking and holds a PHD in risk management.

Next is David Hisco, Group Managing Director Commercial. David is also a long standing ANZ executive with 29 years experience in commercial banking including three years running Esanda.

Then there's Chris Page, the Chief Risk Officer. Chris is one of the most experienced risk professionals in banking. He previously worked with me at HSBC where he was Chief Risk Officer. Chris has been in banking for 36 years.

Next, there's Joyce Phillips, the Group Managing Director Strategy and Marketing. Joyce has 22 years experience in banking and financial services including a career with Citibank in Asia and the United States.

David Cartwright is our Chief Operating Officer. David has 27 years experience in banking.

He is a technology and operations specialist having worked for much of his career with Barclays Bank in the United Kingdom.

Then Susie Babani. Susie is the Group Managing Director HR. She has over 20 years experience in banking and financial services, including 18 years with HSBC working in the United Kingdom, China, Canada and the United States.

And finally, we'll be joined in January by Anne Weatherston. Anne has been appointed Chief Information Officer. She joins us from the Bank of Ireland and has had a 24 year career in banking.

My point in highlighting the 340 years of banking experience on our management board is that there is no substitute for bankers who have been through the cycles of good and bad times and who have learnt how to deliver value for shareholders.

Let me talk to you now about the people at ANZ. There are 38,000 people in over 30 countries who work tirelessly to do a great job for customers and a great job for the Bank.

Over the past two years I have had the good fortune to personally meet over 20,000 of them at every level of ANZ.

As owners of this Bank you will also be pleased to know that the people I have met are extraordinarily talented and are deeply committed to ANZ.

It's up to the executives you have seen here today to ensure those staff have the leadership they deserve and to make sure everyone of our people understand that they have a career at ANZ, not just a job.

I want to again thank, on your behalf, all ANZ staff around the world for the contribution that they have made in one of the most difficult years I can remember in banking.

Because of their work, we have made good progress with our strategy and created real value for shareholders.

But at the end of the day, the real question to ask is whether we are serving our customers better.

We have a long way to go but our new brand and advertising campaign is laying that objective out very clearly for our customers and our staff.

And I want to make it clear that this is not the old customer focus line - this is about having better customer insight and better understanding of our customers' needs.

It's about understanding where they are in their life cycle; and about delivering products and services to meet those needs.

To me a major symbol ANZ today is our new headquarters at 833 Collins Street, here in Melbourne.

This is our new head office and I believe symbolizes what ANZ is aspiring to become in the next decades.

It is environmentally conscious, it's technologically advanced and because it is designed to encourage collaboration, it's a great building to meet with and work with our customers.

And from a traditional banker's point of view, it will also help reduce our property costs over the longer term and indeed, it will also increase productivity.

While it is a building that Australia can be proud of, more importantly, it's a building of which our staff and you – our shareholders - can be equally proud.

Over six and a half thousand ANZ staff will eventually be working together in the building and the feedback from those of our people working there now is very positive.

While you can see some photos and a video of our new building in the foyer, I would encourage you to take a short walk and visit it for yourself.

If you talk to our staff on the stand in the foyer here today they will be happy to organise a tour for you.

Finally let me give you the main messages coming out of our 2009 results.

The first is that despite the global financial crisis we have delivered a strong operating result.

The second is that there's now clear evidence that we've reached a turning point.

We've had the 'drains up' on the business over the last two years and we've made significant progress in addressing the legacy issues.

But importantly, in getting on with fixing those issues, we haven't stalled the business or lost momentum – that's evident in the good performance this year in Australia, in Asia and in Institutional.

The final point is that our capital position that means we are one of the strongest banks in the world with the capacity to continue to take advantage of opportunities to grow either organically or by acquisition.

So, we're delivering on our commitments to our shareholders. We are delivering real value for our customers, and we are delivering opportunities to our staff and to the communities in which we operate.

And in doing so, I believe we have also delivered real value for shareholders.

Before I hand back to Charles let me say a few words about him.

I came to ANZ because of Charles Goode. In fact, long before I knew a lot about ANZ, I knew of Charles.

He is known throughout business and financial circles in Australia, New Zealand and Asia as an ethical and principled leader. During his long career he has made an enormous contribution not only to business in Australia but to Australia as a whole.

I can honestly say I have never met a more dedicated, loyal and committed director.

His contribution to this company has been quite extraordinary and I know he will be missed by the Board and all of ANZ's staff.

Let me now invite John Morschel, who the Board has proposed to succeed Charles as Chairman of ANZ from February 2010, to say a few words about Charles.

(John Morschel speaks)

Thank you Mike, and good morning everyone.

It is an honour for me to say a few words about our outgoing Chairman Charles Goode.

As Charles said earlier this morning this will be his last AGM as Chairman and it is fitting that we recognise his wonderful service to the company this morning

During his fourteen years in the chair Charles has successfully overseen an extraordinary period of change at ANZ and has made an outstanding contribution to both business and the community.

He steered ANZ through the period of recovery following the recession of the early 90s and through the reinvigoration of the Bank in the early part of this decade.

More recently he has guided ANZ through the global financial crisis and has strongly supported the development of our company as a regional bank focussed on Australia, New Zealand and Asia Pacific.

His long experience, his keen intellect, his strong sense of values and above all, his passion for ANZ defines a person that I believe has been a most outstanding Chairman.

On your behalf, I would like to thank Charles for his commitment and his enduring contribution to the success of the company over the last 14 years.

Charles we wish you and your wife Cornelia good health and every success in the future.

Would you please join with me in thanking Charles.

Thank You. Let me now hand you back to Michael Smith.

(Michael Smith resumes speaking)

Thank you John.

In closing, can I add that I am grateful for the assistance and guidance Charles has provided for me and others at ANZ and I also wish him, and his wife Cornelia good health, good luck and great happiness for the future.

Thank you Charles.