

## **ANZ 2017 Annual General Meeting**

### **Chief Executive Officer's Address**

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Thank you David. And good morning everyone.

I would also like to pay my respects to the Traditional Owners of the land on which we're meeting - the Gadigal people of the Eora nation - and pay my respects to Elders past and present, and to any other Aboriginal and Torres Strait Islanders who have joined us here today.

Some of you probably know that I joined Citibank in Auckland as a young trainee in the mid-1980s just as Australia and New Zealand's financial markets were opened up to foreign competition.

I relished the opportunity to learn, to try new things and to adapt to change. And it was exciting to be part of a truly global organisation.

Reflecting on all that's changed since then, I'm reminded of GE's chief executive Jack Welch, who said of business: "If the rate of change on the outside exceeds the rate of change on the inside, then the end is near."

As David said, the scale and pace of change on the outside is now greater than perhaps any time in ANZ's history.

We all know that the rise of Asia is the single biggest economic, social and geopolitical event of the last 50-plus years. It's literally changing the world that we live in, particularly here in Australia.

Then there are the huge changes driven by technology.

For example, our customers with smart phones now carry their bank in their pocket and access our services 24 by 7.

Digitisation, mobility, cloud computing and increasingly artificial intelligence, machine learning and robotics are transforming industry after industry - breaking down barriers, creating new forms of competition, providing nimble players with new opportunities while imposing fundamental challenges to the incumbents.

And banking is no exception.

And our customers' lives are changing fast too. People work differently, buy differently, pay differently and expect more from their bank.

Population growth, rapid urbanisation and rising living standards around the world are placing an increasing strain on resources and the environment, and this is happening at an unprecedented pace.

Customer and community expectations are changing just as fast. So business needs to radically re-think its relationship with customers, communities and governments.

But this isn't just about better relationships.

The break-down in these relationships has driven higher capital, tighter liquidity requirements, and now, a new bank tax.

Left unmanaged these changes would see the industry's return on equity fall by around 300 basis points all else being equal, and means that your dividends will be lower in the future than they might otherwise have been.

None of this is news to you I'm sure.

In media articles and at AGM, after AGM around the country, Chairs and CEOs have been highlighting the incredible changes that we are all wrestling with.

But change brings opportunity for the bold. What matters is how your bank responds.

And these changes are just as important for the country. Governments – both state and federal – need to respond and consider new areas of economic opportunity for Australia in an increasingly global and dynamic world.

For example, how does Australia develop the work skills our children will need to be successful? How will changing demographics impact the demand for government services? And how can technology improve the way these services are delivered, and what will successful infrastructure look like in the future?

Rapid change affects us all. We need a strong and inclusive conversation about how we adapt, embrace opportunity and continue to prosper for the benefit of all members of our society.

That conversation needs to focus on economic growth that reduces community divisions, enables just transitions, meets the tests of equity and fairness, while also forming the basis for future prosperity.

At ANZ we accept that rapid change is the new normal.

In fact we embrace it and we're excited by it. Our financial, digital and cultural transformation is creating an organisation with the capability and the attitude to identify, and to embrace change, and to win.

I won't pretend this is easy but let me explain briefly how we are changing.

It begins with our purpose. Knowing why you are doing something makes it a lot easier to stay the course, particularly in a fast changing world.

Our purpose is to shape a world where people and communities thrive.

Change is also easier if you are doing fewer things, and so we have radically simplified our strategy.

This means focusing on those areas where we can deliver exceptional customer outcomes, solve real customer problems and make a good return for our shareholders.

In Australia and New Zealand, our aim is to be the best bank for people who want to buy and own a home, and for people who want to start, run and grow a business.

In Institutional Banking, we want to be the best bank in the world for customers who move goods and money around the Asia-Pacific region.

These are areas where we do well, that offer good returns and where there is the opportunity to grow profitably.

This is a simpler, more focussed strategy which, in the short term, will see ANZ become a smaller bank, but with higher returns.

But we are not shrinking for the sake of it. Greater focus will drive long term growth, but in areas with better shareholder returns.

Let me explain.

In saying our aim is to be the best bank for people who want to buy and own a home, I don't just mean the best bank for mortgages. That limits our opportunity.

And when I say the best bank for people who want to start, run and grow a business, I don't just mean taking deposits and making business loans.

These traditional banking activities are attractive markets, we have strong credentials and capability in each, and we have been selectively growing our market share, for example in owner occupied home lending where we have grown market share consistently for six years.

But many of these traditional activities are also highly competitive, increasingly commoditised and are experiencing low market growth.

ANZ's strategy explicitly addresses this, and we are embracing the digital age not only to compete but to redefine our target markets and create a new ANZ with new growth options for the future.

The key to sustainable, profitable growth is to recognise and embrace the changes that are disrupting our business and to invest in the technology, people and relationships that are needed to provide customers with the solutions they want in this new world.

Let me give you some examples of this new way of thinking.

Last year I spoke to you about ApplePay and how thinking differently to our peer banks, embracing change, and partnering with one of the world's most loved brands, helped to deepen our relationship with existing customers and attracted thousands of new customers to ANZ – in fact, it's now helped attract more than 250,000 new customers to our bank.

But that was not enough. We now offer new mobile payment solutions to Android phone users, Samsung users, and even those with wearable devices like the FitBit or a Garmin watch.

We are the only major bank to offer our customers a full range of mobile wallet solutions.

These are still early days but the approach of listening to our customers, thinking more broadly about their needs, of working with partners and bringing innovation to market at pace is now being embedded throughout our business.

For example, because our strategy is to be the best bank for people who want to start, run and grow a business, we have introduced ANZ Business Ready in partnership with Honcho, a new start-up company based here in Sydney.

We learned that one of the biggest frustrations our small business customers face is that it takes weeks to get their business started and often they don't know what steps to take next.

ANZ Business Ready is a simple, efficient and cost effective solution that allows them, in just a few steps on-line, to receive their ABN, get a logo, register their business name, set up a website and a business email address, and open a business bank account.

It means they can be up and running from idea to business in 24 hours. Just imagine what that means.

ANZ Business Ready allows us get in at the ground floor with small businesses as they start up and to really establish ourselves as their partner.

This is a large opportunity with about 300,000 new businesses established each year in Australia and, through initiatives such as ANZ Business Ready, we have already helped 13,000 new Australian business get started this year.

Another example for small business is our partnership with the human resources innovator, Employment Hero.

Employment Hero provides everything a small business needs to recruit, manage, pay and engage their workforce in a simple cloud-based solution.

Through the partnership, our business bankers can deliver Employment Hero to business owners and help them stay on top of important but time consuming administration.

This deepens our relationship and moves ANZ from their bank to their business partner and drives real shareholder value.

These are early examples but they show that we understand and embrace the changing world around us and we are investing in change to develop new growth opportunities.

Our strategy in this rapidly changing world is to build digital ecosystems around customer needs, to collaborate with technology partners and create innovative products and services.

This will deepen relationships, drive higher levels of growth and unlock new value for both customers and for shareholders.

We have also been reshaping the wider ANZ team. Getting the balance right between experience and fresh thinking.

Last year we brought in Maile Carnegie from Google to help build digital and data capability.

This year Gerard Florian joined us from Dimension Data to rethink our technology architecture; and Kathryn van der Merwe joined us from Bain Consulting to overhaul our approach to people and culture.

Our experienced executives are also leading change throughout the business.

Fred Ohlsson for example, a long-standing ANZ executive, is leading the implementation of new ways of working in the Australia Division, commonly known as agile.

This new way of working is allowing us to respond more quickly to customer needs, create higher staff engagement and make further improvements in efficiency.

And it's already seeing a much less hierarchical ANZ, one built around small, collaborative, self-directed teams focussed on delivering continuous improvement in the customer experience.

It's also resulting in a more efficient business with fewer, but better products and lower costs of delivery.

In a digital world lower cost and better customer experience go hand in hand.

In the past two years, we have closed more than 200 products, decommissioned around 100 systems, and removed 70 tonnes of computer hardware. That's better for customers and shareholders.

We're a leaner organisation, with 4% fewer people than a year ago, and 12% fewer than our peak three years ago.

This requires difficult decisions about our people, but we work hard to minimise job losses and ensure that when people do leave, they're treated fairly and with respect.

And we have invested heavily to support this with improved redundancy terms, more retraining and better employee assistance programs.

In the past two years we have agreed to sell 16 businesses. This includes the recent sale of our Pensions and Investments business to IOOF and our Australian Life Insurance business to Zurich Insurance.

In total, the sale of these 16 businesses has simplified our portfolio, reduced our operating risk, freed up investment and strengthened our capital position which is now the strongest of our peers.

Shareholders are benefiting too. Simplification makes it easier to invest in long-term profitable growth and will improve returns and dividends for shareholders over the medium to long-term.

For example, you saw our announcement yesterday that we will buyback \$1.5 billion of ANZ shares. This would not have been possible without our simplification agenda.

Finally, underpinning how we will win is our culture.

We cannot impose a culture on an organisation with ANZ's history and its size, but through our actions, leadership and interventions, we can give it shape.

As David said in his address, we understand the importance of rebuilding bridges with the community through progressive, positive and proactive engagement.

Your executive team is spending more time listening to our people, our shareholders, our customers and the broader community.

Personally, I have spent much more time in branches, in call centres, in regional and rural Australia and across our Asian and New Zealand network, engaging with the community directly on social media and even talkback radio.

I will continue to do so. I invest this time because it's key to our strategy.

It's key to our brand. It's key to our customer proposition and it's key to our earning our social licence and building social support.

So in summary, the new ANZ is driven by four factors.

The first is focus. Choosing a few things to do, and doing them extremely well.

The second is speed. Listening to customers, testing and launching new features and solutions, and doing so quickly.

Third, there is digital. Building a bank which balances digital capability with empathetic human design and service.

And finally, culture. Building a stronger sense of our core purpose, ethics and fairness, and investing in people who can sense and navigate a rapidly changing world.

We have a clear plan and we've made significant progress this year. We are leaner, stronger and fitter; better placed to win while still investing to deliver long-term earnings per share growth and stronger dividends for shareholders.

But this is only the start. I'm incredibly excited about the opportunities we're creating. I'm also pleased that so many of our people are deeply engaged with what we are doing and really embracing the need to change.

On your behalf, I thank them for their hard work and commitment to doing a better job for our customers, for shareholders and for the community.

By any measure, we still have a great deal to do.

But I'm confident that we have the right team to deliver a better bank for all our stakeholders – a bank that can truly shape a world where people and communities thrive.

Thank you.