Question and Answer

David Michael Gonski
Chairman of the Board

I think the first question is at #4.

Unknown Attendee

Thank you, Mr. Chairman. I've got a question here from Mr. Allan Goldin at the Australian Shareholders' Association.

Allan Goldin

Thank you, Mr. Chairman. Representing the Australian Shareholders' Association, I have proxies from 2,000 shareholders, representing 8 million shares. There's a very good answer you gave on the BBSW, which is the first thing I was going to talk about. I like the way that new procedures have been put in place and also the fact that you have disciplined and fired some staff and you have clawed back bonuses. A hard decision, but very good. The only question I have in that area is outside of the payment of $50 million, have you done a calculation as to what your -- what our internal costs were? The cost of lawyers, investigating, deciding that it was worthwhile doing this as opposed to fighting it. There obviously was substantial cost. Or is it just a small cost? That's my first question, sir.

David Michael Gonski
Chairman of the Board

Would you like to give all your questions? It might be better.

Allan Goldin

Okay, my next one, and I'll come back later. I'll just ask 2. This has to do on the sale of some of the assets. The $1.5 billion share buyback that you talked about, it was announced yesterday. It's wonderful. Though I must say that a lot of our members do prefer getting a dividend, as opposed to a share back -- share buyback. You have also -- both of you have made reference to the fact that with the $3.8 billion that you're going to be getting from the sale of the Wealth division, there's going to be hopefully further capital movements. And as I said, we hope that some of those are dividends which is what most of our members like. But what I want to know is that with this reduction in these assets, this increased capital, what is it, everything remaining equal, which, of course, it never does, what is it going to mean as far as return on equity and return on capital is going to look like? I assume you're also going to be having a reduction in headcount because you'll be out of some of those business. At the moment, your return on equity, though it has improved, is still behind CBA and Westpac. Do you think that these sales are going to see us having an increase in return on equity and also return on capital? Those are my 2; I'll come back later.

David Michael Gonski
Chairman of the Board

Thank you, Mr. Goldin, and they're both very good questions. Look, in relation to the first one that you asked, which is the costs that are not related to the settlement but related to running the case. The first point I would make is, obviously, when the board met to decide whether to settle it, we had regard to what it had cost us and indeed what we believed it would cost us in terms of legal costs, a lot of the staff perhaps being involved in it rather than building hopefully growth and wealth for the shareholders, and finally, indeed, the hidden costs, et cetera, of -- that relate to reputation and so on. So all of that was taken into account. We have not disclosed exactly what the amounts were that were spent in the period since the court case began. They were substantial, and obviously were taken into account in considering whether to accept a settlement at the $50 million mark. But there have been expensed, by the way, and are not carried forward in any way into next year. In relation to your point about buyback, can I firstly say the board is very aware of what shareholders want and so on. And I've got to also say all of us are shareholders ourselves. And your suggestion that one should consider dividends is obviously something that one does take into account. Our feeling, for a number of reasons, was that a buyback at this time was the right thing, particularly because any dividend we made at this time of that $1.5 billion would be unfranked because we did not have the franking available, and wanted to make sure that we have sufficient franking in good stead for the dividends going forward. We felt that your shareholders would perhaps prefer, indeed, the benefits of a buyback. What are the benefits? Well, obviously, as we reduce the number of shares, our earnings per share goes up in terms of the underlying assets and so on in good years. I'm not making any projections here. And it is good for shareholders. And basically, we felt that was a better way of giving some of these wonderful rewards back to our shareholders. You have absolutely nothing to worry about, but we will continue to look at all ways. If it be appropriate to do share and capital management, we will look at all things and we will make a decision, bearing in mind obviously the things you have suggested. And I appreciate your questions.

Shayne Cary Elliott
CEO & Executive Director

Shall we just answer the -- there was a question around the change on the return on equity from the sales.

David Michael Gonski
Chairman of the Board

Oh, thank you. Thank you.

Shayne Cary Elliott
CEO & Executive Director

Shall I answer them?

David Michael Gonski
Chairman of the Board

Please.

Shayne Cary Elliott
CEO & Executive Director

Yes. Look, actually mathematically, just -- some of the businesses that we've sold have a lower return on equity on the group average, so selling them will increase what's left. Some are a little higher. When you add them all up, it's broadly neutral in terms of the ROE. However, the reason we're doing these is really to be a much more focused business going forward. And what's not in that calculation is that continuing to own and operate those businesses takes management time, takes more investment, diverts attention and resources to those businesses which are not really core to long-term growth. So as a result of being a bit more small and focused, we will be a high-returning business because we're going to get more value from putting our future resources to the businesses where we can win, the businesses that we love operating. And so the rebalancing is designed to generate higher returns over a long period of time. Your question about whether we could ever have the returns of, say, CBA, I think that's unlikely because of the massive difference we have in our business mix. They have a huge weighting towards the mortgage business here in Australia. And despite the fact that we like that business and we'll continue to grow, it would take a very, very long time for us to be able to aspire to have that same business portfolio at CBA. But the important point is, at this point, ANZ is really the only major bank with an improving returns outlook and we're generating greater prosperity for shareholders as a result of that improving outlook.

David Michael Gonski
Chairman of the Board

Thank you, Shayne. And I apologize for not answering that.

Number two, Mr. Tilburn?

Unknown Attendee

Thank you, Mr. Chairman.

Jack Tilburn

Thank you, [Amanda]. Good morning to you, Mr. David Gonski, Chairman of a very fine bank, the ANZ Bank. Also, we thank Mr. Shayne Elliott for his address. And I would like to continue on with a couple of comments. And as you say in your report that we can ask 1, 2 or 3 questions. Well, I have 3 questions for you, thank you. I've done my homework, ladies and gentlemen. I don't renege on spending 2 or 3 days on the Annual Report and the Annual Review and the Notice of Meeting. This is my number 597 AGM, 38 years the [coal face]. I'm very pleased with my results. And I would like to tell you, Mr. Gonski, that you have 522,000 shareholders to look after. And I think they have been rewarded and they are fortunate in receiving the dividend of $1.60 not only this year, Mr. Gonski, but don't forget, it was the same as the year before, $1.60. And so we think that it should be on the up and up next year in 2018. My first big comment to your bank is the helpful information that has been given in the new first-ever edition, publication of the Annual Review. Thank you for doing that extra information for us. It's not a bad magazine. The only criticism is, Mr. Gonski, they don't us enough black ink. It's called bonus and the bonus is not just good enough. Second big comment on the ANZ is the Annual Report. It's a very good Bible, actually. It's not the only Bible because the Constitution of any company is the utmost Bible. But our Bible of 170 pages includes the Financial Report, the Directors Report and the Auditor's Report from KMPG (sic) [KPMG] and Ms. Kitchen. I would like to also comment, as I have told Mr. Gonski, in my 32 companies, ladies and gentlemen, on the stock exchange, this company is the only one that produces the utmost honesty and detail of non-audit services. You may not think it's very important, but to me it is. As everything in the Bible, books is important. And they present last year's 2016 non-audit services and this year -- last year, the year before, it was 557,000; and this year, it was 742,000. It went up by 185,000. But that's nothing to when you go down to Westpac, as I did 2 weeks ago. They get rid of and spend $6 million on non-audit services and don't even tell you the details. So congratulations, Mr. Gonski on non-audit services' accountability and transparency. And now, as you said, we can give you questions. My number one question is, I told you really when I spoke to you, I'm very, very concerned about the Visa credit card monthly statement which does not put in red ink -- and that's what I want you to do as a giant innovation -- put in red ink what the Australian government requirement is for the minimum repayment warning. Now I brought my ANZ Visa card statement here and it is not printed in red ink. I hardly noticed it. I always, like everybody else, turn to the back page, transaction details. Are they correct? Are they proper? What have I spent? But you should put, as an innovation, the requirement of the Australian government in red ink. Thank you very much, Mr. Gonski, on that matter. Now the next question after the red ink is on the matter of what you and Mr. Elliott, I think, slightly frankly, mentioned, was a buyback. You've got so much money, you're a very, very rich organization. Why? Because you've just sold the insurance arm to Zurich joint company in Switzerland for $2.8 billion. Well, we shareholders want some return of capital to us from $2.8 billion. Now the other question I think is, I've read that you've divested and got rid of and sold out many, many assets of ours in Asia, Southeast Asia. Well, you've got millions of dollars flowing back to you to us. What are we going to get from that? Because now, ladies and gentlemen, to finish my 2 big questions on money, they have millions and millions and millions of dollars coming back from Asia and Southeast Asia into ANZ Bank, the Treasury Department. And now, the Treasury Department is $2.8 billion from selling its insurance arm. So you know, Mr. Gonski, that I am after you and the bank to get a capital returns to us. It's not just good enough to give us a buyback. Not everybody wants to go into a buyback. I think it's discrimination up to a point you should arrange for a special dividend of $0.50 or $0.75 to every shareholder from the hundreds and hundreds of millions of dollars which you've now got. Thank you, ladies and gentlemen.

David Michael Gonski
Chairman of the Board

Thank you very much, Mr. Tilburn. I hope you won't mind, but in our discussion last week, you would me that, today, you'd be 91 and 5 weeks old. I do hope if I ever get there that I'd be as forthright as you are at your age, so thank you very much. Mr. Tilburn, you raised a number of issues, and as usual, on point. You raised a number of issues in relation to ink. Firstly, in relation to us not being bold enough with our black ink, I will make sure that the people who are doing that have a very good look at what ink we're using and whether it's bold or not bold. In the question of the red ink in relation to your Visa credit card, we are considering that and I must say, at the moment, very favorably, we just have to check out that it's not misleading in doing that. But I think it's a very good innovation. In relation to your questions, and I'll take those 2 together of the return of the capital. Let me make it quite clear that the board understands exactly that these are large sums of money, that they are from the sale of assets which the shareholders have, previously through the company, spent money on. And we sit and we look at what is best. The first thing, by the way, which is absolutely undeniable, will be to make sure that we are happy with our CET1, our various ratios. And indeed, that will always be our first criteria. We will not make this bank weak. Having established that, we will then look at what is the best way to give it back to all shareholders for their maximum benefit. And we'll be looking at whether dividends are good, whether buybacks are good, whether reductions of capital are the way to go. So all I can say is we will look at that, but we will never spend the money until we actually get it. And we've announced that we've got a deal, but the board has determined with management's input that we will not consider capital management things until the money is actually received, as we did last -- yesterday, having received just before the weekend the money from the Shanghai sale. But thank you, I understood your points.

If I may now move to question -- who's on #3?

Unknown Attendee

Thank you, Mr. Chairman. I now have a question from [Ms. Nikki Richwood], a shareholder from Sydney.

Unknown Shareholder

I have 2 questions. My first is in June this year, ANZ participated in a refinancing of Oil Search's general corporate facility. Was ANZ aware at that time that Oil Search planned to acquire the underdeveloped Nanushuk, pardon my pronunciation, oilfield in Alaska? How does ANZ's support for Oil Search, a company actively seeking to expand the scale of the fossil fuel industry, square with our own commitment to ensure that the companies we support are conforming to the goal of holding global warming below 2 degrees? So my second question is to the auditor. I can see from Page 34 of our Annual Report that our credit risk incorporates the risks associated with us lending to customers who would be impacted by climate change. Does this mean we classify climate risk as a material business risk?

David Michael Gonski
Chairman of the Board

Thank you, [Ms. Richwood]. Thank you very much for your questions. On the very first question, I've always, whenever I -- this is my fourth meeting, we won't talk and will never be drawn to talk about individual names. Just as by the way, if somebody got up and said, "Are you banking [Ms. Richwood]?" We wouldn't talk about it. But be of no illusion, as I've said earlier in what I said, we do have our policies. You can take it that we do adhere to our policies. And by the way, and I've met the team, they're a switched-on team who understand that the policies are very important, and we're not just out there to bank anyone. So you have the assurance that our people do seek to find out everything about customers and will apply our policies. Otherwise, first, I'll have to deal with this fellow and then they'll have to deal with us, and that won't be so good. So that's what I'd say on the first one. On the second one, I will give our auditor Alison Kitchen, she's here. But perhaps, your question might be -- I mean, I don't know whether you want to just reframe it for the auditor a bit, it's really a question for us, and by the way, a sensible question. You've asked the question, "Do we see climate change as a material risk?" And what we've done on Page 34, those who've got it, we've mentioned it under credit risk. And when you think about it, that actually is where for a bank it should be. And we absolutely take credit risk as one of the most material risks we can deal with. And one part of credit risk is, in fact, the question of climate change, how it affects those we're lending to, and indeed, what they're doing with our money. And I think for a bank, rather than somebody actually involved in, be it coal mining, whatever, that is a sensible way to look at it. So you have absolutely an assurance it's a very important risk. We have chosen, however, to put it where it really counts to us, which is under credit risk. And I don't know, I'll just look over at Alison. Was there anything further you could add as our auditor on that?

Alison Kitchen

Look, I'm happy to answer the question, if you like, Chairman. So good morning, shareholders, and thanks for the question. From our point of view, our job is to form an opinion on the truth and fairness of the financial statements as a whole and we're focused on financial reporting risks, which is not necessarily the same as the overall business risk the bank addresses. Credit risk is one of the biggest financial reporting risks that we look at. And as David said, we look at climate change as a subset of that. So when we do our testing, we look at the controls they have around identification of climate change as a material risk in credit and then we test if they'll consider that at the individual line, both at inception and ongoing monitoring of the lines.

David Michael Gonski
Chairman of the Board

Thank you, Alison.

Unknown Shareholder

I guess, I just had a bit of a follow-up. If you say that climate is a risk, a material business risk, I understand that ANZ has debt exposure to Cooper Energy [indiscernible] Ltd and big energy companies that are clearly exposed to climate risk, but none of which consider it a material business risk. Given our knowledge -- acknowledgment of climate risk, will we continue to lend to borrowers who ignore material business risks. And if so, why?

David Michael Gonski
Chairman of the Board

Can I firstly, say -- again, I won't comment on those specific names. But let -- be of no illusion. If it is a risk that we're looking at, we would be questioning our borrower, whoever it may be on that risk, and we won't do with unless we're satisfied with the answers. We are the custodians of your money, shareholders' money, and we understand that in performing a credit risk decision, this is part of it. Thank you for your question.

I now move to number 2.

Unknown Attendee

Thank you, Mr. Chairman. I have Peter Berger from Springwood.

Peter Berger

How do you do, Chairman and board? I noticed yesterday the ASX announced that you completed the purchase of Shanghai Rural and Commercial Bank. I've read the notice 4 or 5 times and nowhere in it could I work out how much we, the ANZ Bank, actually lost on this transaction over time. Could you help?

David Michael Gonski
Chairman of the Board

I think we can help. We made money. Do you know how much?

Michelle Nicole Jablko
Chief Financial Officer

We made money on it. The IRR on that transaction was close to 20%. So of earnings we took out over time as well as the ultimate sale price. So we actually made money on the investment.

Peter Berger

Great. Why not put it in the notice?

David Michael Gonski
Chairman of the Board

Well, I think in fairness, the notice came out well before the settlement occurred, because as you know, we've got to give a period of time for the notice. But thank you for asking the question.

Peter Berger

The next question is, what is the expected impact in the 2018 financial year of the -- in millions of dollars, of the Commonwealth onerous super profits tax -- excuse me, I meant bank large deposits tax?

Michelle Nicole Jablko
Chief Financial Officer

That's for tax.

David Michael Gonski
Chairman of the Board

Our estimate, taking what it cost us for the last 3 months and taking over next year, is roughly $340 million in tax. And that's pretax because it is tax-deductible. So our tax rate is around 30%. So you can take 70% of that.

I move now, if I may, to microphone 1.

Unknown Attendee

Thank you, Mr. Chairman. I have a question from [Angel Ionio], a shareholder from Sydney.

Unknown Shareholder

Good morning, Mr. Gonski, and the rest of the board. As a shareholder from -- since 2008, I appreciate the performance that ANZ has done and the dividends over those years. I also appreciate hearing the comments of the Chairman and the CEO on some of the initiatives in terms of the business and in terms of the -- giving back to the community. My question is a concern as a father and a grandfather, and it has to do with climate change. And my question -- I have 2 questions, thank you. ANZ used 2 policy scenarios to stress test customers in the thermal coal supply chain. One of the scenarios called, the world Under New Policies Scenario, or business as usual, which allows for up to 2.7 degrees Celsius rise by 2020. And the other scenario called the world under 450 Scenario, which gives a 50-50 chance of limiting to 2 degrees rise by 2020. On Page 63 of the 2017 Corporate Sustainability Review, ANZ itself acknowledges that neither these scenarios are consistent with the Paris agreement. So my question, why wasn't a more ambitious pathway used for the scenario analysis? And will ANZ commit to conducting far more stringent scenarios analysis next year?

David Michael Gonski
Chairman of the Board

Thank you. I might also ask the CEO to comment. But can I comment? Because this will be the first time ever I can say I'm a father and I'm also a grandfather, and I want you to know that I also care about this, as do I think all board members, whether they have grandchildren or children, et cetera. The second thing I would say is we have said very clearly that we believe that the 2% level is the right level, and that we should be looking for that and we're committed to that. And our policies will seek over time to achieve that. These are various models which we look at and we obviously will look at others as we go along. But our commitment, and we've said that, as you know, many times, is that the Paris type commitment is the right one and that this bank believes that's the way we should head.

Shayne Cary Elliott
CEO & Executive Director

The only thing that I would add to that, the reason we chose those 2 scenarios is they're sort of internationally accepted standards, so it's a good place to start. So we've done that. The work that we're getting from that shows that some customers that we have are much more prepared for the future than others and we're working -- that's given us great data and a great ability to go and have a conversation with those customers, what are they going to do about it and whether they're still going to remain customers that we can work with for the future, in terms of your question. So it's good, really good material to us. So it's not just something we put on the shelf, we use it to inform those conversations and make decisions. In terms of having even better scenario analysis, yes, this is a start. We want to continually improve and make sure that our customers are ready for the future and they're ready to comply and be part of the solution brand that just transitioned to new energy sources.

Unknown Shareholder

Thanks for those responses. And I didn't mean to allude that none of you are concerned about climate change.

David Michael Gonski
Chairman of the Board

No, I didn't take it that way. Thank you, thank you.

Shayne Cary Elliott
CEO & Executive Director

Thank you.

Unknown Shareholder

If I could, quickly with my second question. Again, it is about the 2 scenarios, the IEA scenarios. The question is why aren't we modeling scenarios that align with the goals of the Paris Agreement? You both said a few moments ago that it's driving towards that. But wouldn't it be consistent or stronger statement to say we are fully aligned with policies that help keep climate change 2 degrees maximum by 2020?

David Michael Gonski
Chairman of the Board

Yes. Would you want to...

Shayne Cary Elliott
CEO & Executive Director

Sure. So I don't disagree with that and we are committed to the Paris Agreement. As I said, this is just a start and we, obviously, we want to do more. And so yes, we will undertake tougher scenario analysis in the future to ensure that our customers are prepared for that future, and so is for ANZ. I mean, it's a total alignment of interest here. It's in our shareholder's interest and the bank's interest to make sure that our customers are prepared for that new world. And so we will do whatever analysis it takes to assure us of that.

David Michael Gonski
Chairman of the Board

Thank you. I'll move, if I may, to microphone 4.

Unknown Attendee

Thank you, Mr. Chairman. I have a question from [Margot Saville] from Rozelle.

Unknown Attendee

Chairman, you mentioned in your opening address that the bank's lending policies are changing to help you manage the risk of climate change. According to a recent Thomson Reuters article, the bank was expected to be part of a lending group for Alinta Energy's acquisition of the Loy Yang B coal-fired power plant, which has received approval for turbine replacement that would decrease its capacity emissions. My question is, why would the bank invest in the third most carbon-polluting plant in the country? And given that we don't like to support new inefficient coal power, will we rule out lending to a capacity upgrade?

David Michael Gonski

Chairman of the Board

[Margot], I've known you a long time and I just want to say this that we have made it very clear in what we said what our policies are. We will not comment on specifics, but you may assume that if our policy is one thing, we won't deviate from it. And I think that's the best I can do on specifics. Obviously with your background, you believe everything one reads, that's fine, in the newspapers. But we respect your point of view. But to be blunt, we won't comment on specific points and I think we have answered it. Thank you.

Unknown Attendee

Just one thing, it's such a pleasure. I haven't been to as many AGMs as Mr. Tilburn, such a pleasure to come to an AGM and see such a diverse board, including so many women.

David Michael Gonski
Chairman of the Board

Thank you. It's actually not just diverse in terms of gender, you should see the different views around the table. So thank you.

All right, if we could move please to number 3.

Unknown Attendee

Thank you, Mr. Chairman. I now have [Mr. Hugh Bourne], a shareholder from Sydney.

Unknown Shareholder

Thank you, Mr. Chairman and board. On Page 63, the 2017 Corporate Sustainability Review states that ANZ completed climate-related scenario testing on customers that has some operations in the thermal coal supply chain. When does ANZ intend to conduct similar analysis on all high-risk sectors defined by the task force and climate-related financial disclosures, including all customers in energy, transport, property and agriculture sectors?

David Michael Gonski
Chairman of the Board

Well, I think I would answer it this way and then I'll ask the CEO. But my own view is, and I think that this is correct, is that we have started this -- this is very -- I think you'd give us, what's the word, points for the fact this is innovative to be doing this. We will consider broadening it over time, but we will not be making commitments as to which industries we'll do it to, how we'll do it. We have our policies, as I mentioned earlier, to the earlier questions, and we will stick to our policies. To implement them, we often have to look more broadly and we will do that. But I can't give you an answer, and I'm sure the CEO [can't], of specifics that we are going to do.

Number 1.

Unknown Attendee

Thank you, Mr. Chairman. I have a question from [Julian Vincent], a shareholder from Melbourne.

Unknown Shareholder

Before I ask the question, I just want to acknowledge the opening remarks from yourself, Mr. Chairman. I think it set a really encouraging positive tone. So there's certainly a transformation from what we've heard not just from ANZ, but other banks in the last few years. Look, I'd hate to sort of rake over old issues; however, I've been in contact with communities from Cambodia who, as you would be aware several years ago, there was an issue concerning the Phnom Penh sugar company that ANZ subsidiary had provided a loan to that resulted -- their activities resulted in a forced displacement and essentially there are still ongoing turmoil in this area. Now I know that has ANZ withdrawn from that customer, it was obviously appropriate but also appropriate is making sure that you stick around then follow up to make sure that the communities are protected. So are you able to provide any sort of update as to whether or not there's been support provided, say, through the proceeds of the transactions that go into the communities in this area that are still off their lands and have not been adequately compensated? And I can provide more detail, but I assume you're aware of the transaction...

David Michael Gonski
Chairman of the Board

Oh, no, I know exactly the question that you're asking. I mean, I would answer it this way, and the CEO may want to add extra to it. I mean, yes, we did, as you know, take very decisive action in relation to that. And some of our people continue to keep an eye. But these are big issues you're dealing with and there are obviously [big] issues in a country which is not our head office and not our involvement. And I'm not giving excuses. I'm simply saying that we felt strongly about it, we did what was correct in terms of shareholding and so on, and we did not just leave. We had other people keep an eye on it. But we're not responsible and indeed can't make enormous difference in other countries. We can simply make our views felt, which we did.

Shayne Cary Elliott
CEO & Executive Director

I mean, all I can add to that -- so I agree with that. All I can add to it is, obviously, as you pointed out, [Julian], we did exit the customer. We no longer bank them, but we are continuing to engage both with the Cambodian government and a wide range of U.N. and other NGO bodies that are there in terms of making sure that, that company is doing the right thing by the local community. So we're engaged in those dialogues. We are not -- ANZ is not directly funding compensation to that, but we're participating to make sure that the company sticks up and does what it said it would do. Our understanding from recent reports is that the company has agreed to make financial compensation to about 350 families of a reasonable amount of money and it's our job to make sure that they do that.

Unknown Shareholder

Okay. So as I understood right, that process has taken place by the Cambodian government.

Shayne Cary Elliott
CEO & Executive Director

Well, it's through the -- my understanding, it's actually through some EU -- through some EU pact working with the Cambodian government, but directed by outside agencies. That's my understanding.

Unknown Shareholder

Thanks for that information. But just briefly to turn to Agribusiness. In Australia, you've got some forward-thinking work done in the Sustainability Report on Agribusiness and managing clients there. Obviously, we're witnessing really dramatic increases or potential increases well in land clearing, and I'm just wondering whether or not the steps you've taken on -- you've heard our questions around energy, also extend to, say, customers and clients who are heavily involved in land clearing activity, which there is a spate of new leases being earmarked for land clearing.

Shayne Cary Elliott
CEO & Executive Director

Well, we have -- and I'm not up to speed on the total details on that one, [Julian]. But all I can say is we do have pretty clear policies around land acquisition and land use, which we take very seriously and understand obviously the impact of that, A, environmentally but also in the communities that are involved. And those policies are generally pretty available publicly, and I'll make sure -- if they're not, I'll make sure that they are and we stick by those.

David Michael Gonski
Chairman of the Board

Thanks for the question. We move to microphone number 2.

Unknown Attendee

Thank you, Mr. Chairman. I have a question from [Paul Fanning], a shareholder from Melbourne.

Unknown Shareholder

Thank you, David, and thank you, Shayne, for your addresses. And I've been coming to many ANZ AGMs over the years. Look, just a -- I'm going to wrap up a few questions very tightly together, but hopefully it will flow. The effect of TLAC loss-absorbing capabilities on the Australian banking sector is an area that APRA will be probably addressing in the next 6 to 12 months. What impact could that have on ANZ as a banking group in terms of loan liabilities? And probably also in that same area, last Thursday, Basel Committee on banking from Switzerland announced some recent -- or more reforms, possibly leading to Basel IV. How is that being received by the bank, if there's been time to absorb that? And what is the likely risk or impacts in the future? David, you have commented on -- my other question asked about ability to use franking credits for cap returns such as special dividends. I gathered there that of the 6.5 being estimated capital returns in the next 12, 18 months -- and probably Michelle would be the one to point to on that one -- there might not be sufficient franking credits available to fund any more special dividends, but would have to be probably in the form of share buybacks. And that probably would be related to the type of business that's being sold outside Australia, which would endure -- invitation credits. So I comment -- I know what the answer is, but probably for the broader shareholder community probably worthwhile highlighting and noting. In the sale process of the -- from Wealth Australia, were you -- was the bank happy with an accounting loss of $520 million on the original carrying capacity of $3.38 billion? Or what was it the case of saying, well, yes, we -- there really weren't any other buyers in the market who would be wanting to take on life insurance assets, which is clearly probably not a key -- a core area for Australian banks to be involved in. And -- but then the same, it's a little ironic almost that ANZ is still happy, at least for the moment, to retain our lenders' mortgage insurance. Or is that an APRA requirement? And do you seem to have some small life insurance business still on your books in New Zealand? One other issue, which is related but generic is our card security. We seem to be in an age where we're quite happy to swipe and go with card payments without using a pin number. I'm one who is probably super conscious on security and also I would be very concerned at what losses could be incurred by ANZ. I know 1 or 2 the banking competitors can actually remove -- can actually put the PIN -- re-enable PIN on all debit card transactions, even less than $100. So merchants like to be able to do a quick transaction. We probably all would like to be doing a quick and easy transaction. But really, if a card was fraudulently stolen and used, well, there could be hundreds of dollars just -- will wipe off the account. I assume someone in the back-end, perhaps the Chief of the Australian banking division has already looked at that and done some risk analysis. So they are my few questions.

David Michael Gonski
Chairman of the Board

[Paul], thank you. Thanks for those questions. Let me -- can I deal with a few of them? Then I might ask Shayne to deal with a couple and we'll ask Michelle to deal with your franking credit point. The first thing I'd say is on TLAC. We've got a lot of acronyms. But we don't know what the requirements on TLAC will actually be. We need to see the detail. And until then, we would be either misleading or guessing, I don't know which is worse, in answering your question. I mean, we believe -- obviously, we're a well-capitalized bank. And we believe also, I might say, that APRA is a very wise regulator. But those 2 are the -- all we can give you at this point on that. In relation to Basel IV, we have had a look at what came down now a week ago, and I think we're satisfied that we're in a very strong position. How Basel IV will be developed and [so on] by regulators going forward, of course, is for the future. But at the moment, we're very satisfied. I thought I might just deal, if I may, with the wealth question because that's really a broad question and it's a very good question you asked, what do we feel about losing money on wealth? For us, as a board, what we wanted obviously was to get a good price absolutely. But more importantly, we wanted to get a relationship with a strong partner because we're going to be dealing with them, as you will have seen in the various announcements we made. Zurich, in our opinion, is an excellent partner and we're very happy with that. So it wasn't -- I want to make it absolutely clear for everyone, it wasn't sitting there saying Zurich is the only buyer, or for that matter, we'll just take them because there's no one else around. The fact is that they're a wonderful company, a company that many of us have known and read about over the years. They're innovative, they're strong, they're big and we think they'd be an excellent partner and this relationship could go on for many years, I mean, 20, et cetera, years. So that was very important to us. And we think in terms of whatever monies are involved, it will be recouped in our opinion because of the strong relationship and the quality of the person who's stepping in there. I might, if I may, I'll go to -- can you deal with LMI and this card security?

Shayne Cary Elliott
CEO & Executive Director

Sure. So the LMI business, now this -- it's not an APRA requirement that we need to retain ownership of that business. At this point, we want to retain it. It's a good business for us. There's a natural adjacency obviously with our home line business so it's going to go back into our Australian division under the leadership of Fred Ohlsson. So that's just a business strategic choice for us. To answer your card question is a really good question. I get that a few times. Look, people love the convenience of being able to just tap and pay and do things very quickly, but obviously there's a little -- there's a change in the risk profile. Actually, the data today suggests that there's been no change in card fraud as a result of that. So nothing really seems to have changed. But I take your point that for some customers, they would prefer having a higher sense of security. So that idea of if you want, being able to kind of disable that function, I think it's a good idea. But the real solution to that is one of these and being able to pay with your phone

Because when I go and tap with this, it now -- if I had the old [indiscernible] to last week that needed my fingerprint, and this one, it needs me to look at it because it takes a face print of me, which is massively secure and multiple times more secure than a PIN -- a 4-digit PIN number. So I take your point, we will look at enabling you to kind of demand a PIN if that's what you want. I understand that. But there is -- technology is really changing and improving security all the time.

David Michael Gonski
Chairman of the Board

Thank you, Shayne. Just back on insurance because Michelle has pointed out, I should have pointed to you and said that the value we got was in line with our other transactions, as you probably know, because I know you look at that, and to assure shareholders that the loss on sale you referred to won't have an impact on capital. But now while she's giving us the answer, would you like to talk about just franking?

Michelle Nicole Jablko
Chief Financial Officer

Sure. So in terms of franking, the divestments themselves, certainly, the Asian divestments don't impact franking one way or another, so -- and none of the divestments, as we look at them, should have a material impact on our dividend. And as the Chairman said, as we look at -- if we have surplus capital, as we look at alternatives for that capital, we'll take into account our franking position at that particular point in time in terms of the best way of returning capital.

David Michael Gonski
Chairman of the Board

Thank you, Michelle.

Unknown Shareholder

Sorry, just one supplemental question. What -- why is the franking credit that we're seeing at the moment on the books?

Michelle Nicole Jablko
Chief Financial Officer

So there's no material surplus.

David Michael Gonski
Chairman of the Board

We've paid the dividend yesterday.

Michelle Nicole Jablko
Chief Financial Officer

We we've -- yes.

Unknown Shareholder

Okay. So in essence, Michelle or through David, there's probably really not a great deal of surplus frank credits to pay any special dividend from viable reserve that there are now?

Michelle Nicole Jablko
Chief Financial Officer

As our business mix changes, the more earnings we generate from Australia, the more franking credits we'll generate over time. But as we sit here today, that's correct.

David Michael Gonski
Chairman of the Board

Okay. Thanks, [Paul. Peter Melser], I believe, is on number 3.

Unknown Attendee

I now have [Mr. Peter Melser] from Sydney.

Unknown Attendee

Thank you and good morning. Our energy policy states we'll only support new coal-fired power plants that emit -- are below a certain level of emissions. Yet this year, ANZ arranged a lending for India's Rural Electrification Corporation whose main business activity is disbursing loans to power projects, most of which are coal and emit above ANZ's stated limit. I understand that ANZ intends its restriction to apply only where the use of proceeds are explicitly for coal-powered plants, however, according to Thomson Reuters, the proceeds in this case were indeed to fund infrastructure power projects. Furthermore, according to the IEA's 2017 world energy investment report, 3/4 of new thermal generation takes the form of balance sheet finance, whereby use of proceeds often takes the opaque form of general corporate purposes or CapEx. The intent of ANZ's policy is clear, to cap funding to inefficient coal-fired power stations. So why haven't we closed obvious loopholes in the policy to restrict funding for entities like the Rural Electrification Corporation?

David Michael Gonski
Chairman of the Board

Thank you for your question. Firstly, can I say, as I've said, forgive me, a number of times, we're not going to talk about specific customers. But you're raising an issue, and the issue, I think, you're raising is we're not going to lend directly, so are we lending indirectly where someone has a substantial balance sheet? And this is a perceptive question and one which is not easy. I mean, for example, you might say, "Well, I don't want to lend to people who deal with cigarettes." Well, most retailers sell cigarettes in some ways. So what are you going to do? Not lend at all to retailers? We deal with this daily. We look at it. Our people are well aware of how to do it. I'm not going to give you, and I can't, general commitments except to give you the commitment that we have our policies. If our policies are being circumvented, we would not allow the loan. But you -- sometimes, when you're dealing with enormous companies, you can't say I'm not going to lend to you because it's got an Intel chip in one window and you don't believe in Intel or something like that.

Unknown Attendee

No, so -- and it is the difficulty of tracking how they spend...

David Michael Gonski
Chairman of the Board

It is the difficulty. But what we have committed to is that we have policies. We do ask the questions. We have responsible people. And they're not dumb. If somebody is circumventing the policies, they will find it. Thank you for your question.

Unknown Attendee

Good. So a second question is earlier this year, our CEO, Shayne Elliott, confirmed to a parliamentary inquiry that ANZ was reviewing its properly lending portfolio to determine the impacts of sea level rise. Can the board shed more light on this review and what it actually involved?

David Michael Gonski
Chairman of the Board

Would you like to Shayne?

Shayne Cary Elliott
CEO & Executive Director

Yes. So what I actually said in that parliamentary inquiry, I was asked the question whether we talk climate change into -- or rising sea levels, would we take that into account when making loans. And what we said is, we have started to consider climate change and are feeding that into our risk appetite. So for example, not in that case, but for example, when we think about lending to farms, we do take into account the propensity for drought or weather change. And what I said was in terms of housing, it was a legitimate question and it was something that we do need to start doing scenario analysis on what they would mean. Having said that, the issue with most -- the average mortgage in Australia was 5 years, so and even in the most extreme scenarios around rising sea levels, it's not -- these are normally decade issues. So it's not ignored but it's not of an immediate threat in terms of our business portfolio.

Unknown Attendee

Right. So there's nothing that's possible to report to [household] is about this kind of loan?

Shayne Cary Elliott
CEO & Executive Director

No, it's not like there's a document where we went and did a review of our mortgage portfolio, but it is influencing our -- what we call our risk appetite, which is how do we think about risk. And we used actually -- insurance is an interesting idea, where insurance companies are much more likely to take into account those issues because they are very immediate risks for them. So they are further advanced in their thinking. And with our Chief Risk Officer, Nigel, and I and others have been thinking about how we can learn from that industry, although accepting that the kind of time horizon for risks are very different between the 2 businesses. So we're learning.

David Michael Gonski
Chairman of the Board

Thank you for your questions. I move to the number 4.

Unknown Attendee

I've got a question from [Natasha Lee] from Sydney.

Unknown Attendee

Thank you, Mr. Chairman and board. Also, thank you for your results last year. Impressive. Just got a few little questions. Looking at the annual report, your professional fees seem to be a [significant] increase. Can you give some detail around the reasons for the increase? Were these auditor fees or legal fees, et cetera? Your dividend payout ratio is 73.4% this year. I see that it's jumped around, that it's higher from last year but lower than the previous year. Do you have a target for this year, for the 2018-year? And I'll also note that you've got to 250 people employed under – under-represented group arrangement. Just want to know, 250 people is a very small number in relation to your overall staff numbers. Did you intend to expand that program in the future? And are these people getting real useful skills for the future, which is probably more important?

David Michael Gonski
Chairman of the Board

Thank you, [Ms. Lee] for -- those are very good questions. In a second, I'll just ask Michelle to tell you about the professional cost. But can I deal with the direct -- with the dividend? As everybody would know, we reduced a little while back the level of our dividend. We've made it very clear that 60% to 65% is where we wanted to be because that allows us to maintain strong credit leadership in terms of our bank size and so on, and also allows us very much to keep building our business for the future. That is why it did drop when you look at the level. Your 73% is actually from cash profit. I think it's 68%, from memory, on statutory. So it's coming to the level where we want it to be, and we're quite happy with that. We are also comfortable, as Michelle said earlier, that we can frank that level of dividend, and we know the shareholders like fully franked dividends. On the question of the 250 people, we are proud with what we are doing. We believe it's a commitment to our society. These people are doing very good jobs. And we believe and obviously, it's probably a question for them, not for me, that we are helping them to increase their skills and to become even more productive than they were when they joined us. Do we intend for it to be greater? Over time, I'm sure it will. And clearly, it's something that we're proud of. We obviously mention it. But we mean it. We think that diversity is -- one of the questions asked earlier, diversity is very important throughout the entire business and from different walks of life, not just gender, geography, but also capacity and so on.

Shayne Cary Elliott
CEO & Executive Director

So I just -- really, quickly, just to add to that, the 250 is actually not just how many people are working at ANZ with a disability or underrepresented groups. That's the number that we hired just in that year. So the numbers that actually work in the group are much higher than that. We've made a public commitment to employ 1,000 people from those groups by 2020 and in the first year we already got 250. So we really want to do more. And not just because it's a nice thing. It's actually great for our people. It's great for the bank. It's a really -- it's a great asset for us. And then just finally on professional services fees, a lot of that was to do -- has to do with the very real legal costs that we've had to undertake in terms of our preparation for things like the asset case and others, and there's been an increasing imposition on banks, which is right, to ready ourselves in terms of -- particularly around cyber risk. So changing things that are happening in our environment. Sometimes we need some help. We don't always have the right skills immediately, and so we get help from professional services firms to get us up and running while we build those skills.

Unknown Attendee

By the way, I'd just say that the annual report was very easy to read. So I appreciate that as well.

David Michael Gonski
Chairman of the Board

Good. Thank you, thank you. Thank you very much. I think number 1. Microphone number 1.

Unknown Attendee

I have a question from Nathan Rees, a shareholder from Sydney.

Nathan Rees

Good morning, Mr. Gonski, directors and your executive team. All of us want an ANZ Bank that's profitable in the future and I was encouraged by your earlier remarks that you weren't seeking simply a social license to operate, but in the longer-term, you wanted a support of community. Against that backdrop, on occasion, we wake up to read that thousands of jobs in the bank will go. That sends one message to the markets, but it also sends shockwaves through the homes of those workers and their families that wake up to read that sort of a headline. So my question is this, to what extent do you see the fair and decent treatment of your staff as fundamental to the restoration of trust and confidence in the broader community?

David Michael Gonski
Chairman of the Board

Yes, so just before -- I'm going to ask the CEO to answer that, but I cannot resist, and I do not wish to make any light of your excellent question, but I just feel we need a little bit of liberty. I have tried for ages to get an AGM in Sydney. We've got this wonderful theater and former Premiers even come to elevate the place. So thank you. We didn't get that in Melbourne. We didn't get it in Adelaide. So thank you. I'll now ask the CEO.

Shayne Cary Elliott
CEO & Executive Director

So I think it's a really good question and it's something that we think hard about in terms of the way that we run the bank for a number of reasons. We do have to -- we do -- we are grappling with the very rapidly changing nature of our business in terms of our customer expectations, more and more people want to deal online and not go to branches and other things and we have to retool and think about the resources that are required to do that. Unfortunately, that means Sydney in the recent past and probably in the future that there'll be less jobs in our industry. That's not something that we look forward to and because those people are our customers as well, they're part of the community in which we operate. So we do understand the circularity of the issue. So our role is to make sure that we manage it as respectfully as we can. So if I look at the people that have unfortunately lost their jobs and -- or the numbers that we're seeing reductions in Australia in particular, the vast bulk of that is being done through natural attrition. So when people, for whatever reason, decide to leave the bank or retire, we just don't replace them. So that's been the vast -- that's been the best way for us to try and manage that. And as I mentioned before, we've also improved pretty substantially our redundancy terms. We have increased the amount of money that we pay people if they are in the position of unfortunately losing their job. Not only do we improve that, we backdated it. So we went back and said that we're going to backdate this to a previous time. So we're doing everything we can. We've also invested much more in retraining. So making sure that people have opportunity within the company to find new roles. And as I mentioned, there's a bunch of assistance programs that we've put together. So it's not something we take lightly. It is absolutely, you're absolutely right, it is absolutely -- it is part of our social license and part of being responsible member of the community.

David Michael Gonski
Chairman of the Board

Thank you, Shayne, and thank you for your question.

Shayne Cary Elliott
CEO & Executive Director

Sorry, one more thing. I understand the tone of your question. We have not announced big job losses. We have not come out. There are no headlines around ANZ announcing job losses, et cetera. We manage this as sensitively as we can. And as I mentioned, that's really to try to manage it through attrition and making sure that's the -- we think that's the most sensitive way to manage this, rather than big announcements of job losses.

David Michael Gonski
Chairman of the Board

Thanks, Shayne. May we move to number 2.

Unknown Attendee

I have a question from [Dr. Hutchison], a shareholder from Tamarama.

Unknown Shareholder

I've got 4 simple questions. What is the company's cash-equity ratio? Secondly, what is the company's debt-equity ratio? And thirdly, how many years were the fully franked dividend at this year's rate held in reserve? And the fourth one, what is the management expense ratio of the company?

David Michael Gonski
Chairman of the Board

Well, I'm glad you think they're simple questions doctor. Can I -- I'll just, if I may, deal with a couple of them. Firstly, number 3, on franking. As our CFO mentioned earlier, we don't have franking balances going forward. In other words, we make the profits, we pay the tax, we're a big taxpayer and we can frank the dividends at the level that we're at, at the moment, and that was what the effect of what Michelle was talking about earlier. So I think that answers your franking question. In terms of cash to equity and debt to equity, the only thing I'd say is those are excellent questions of non-banks. For a bank, I mean basically, our job is to have debt, and our job is to have cash. So I don't know that you're going to learn a great deal from it but Michelle can work it out.

Michelle Nicole Jablko
Chief Financial Officer

Yes. So the debt equity is 12x. Cash equity is a bit of a strange concept in a bank some I might leave that one. And then in terms of...

David Michael Gonski
Chairman of the Board

Management expenses.

Michelle Nicole Jablko
Chief Financial Officer

Management expenses, sorry, our expenses were about $9.5 billion on revenue of around $20 billion. So a bit under half. Yes.

David Michael Gonski
Chairman of the Board

Thank you, Doctor. Any other questions? Question -- questioner number 3.

Unknown Attendee

I now have [Mr. Ron Strauss] from Sydney.

Unknown Attendee

I've got not only a simple question, but it's also a pretty petty question in the eyes of many here. But anyway, it relates to small business. We know that a lot of small businesses really do struggle. We've heard Mr. Elliott tell us about Business Ready business hero (sic) [Employment Hero] and how the bank wants to simplify things for business. Well, I don't believe that's absolutely true. The new ANZ, listening to customers, let me just tell you a little bit about the ANZ business premium account. Until recently, this account, for sums over $5,000, paid 0.15%, which we all agree is not a large sum of money. To get the bonus, and you have to have, I think, about $100,000 or extra, you have to apply physically every month. You can do it by sending an e-mail. But when you send the e-mail, the staff member could be on annual leave, could be on holidays, could be on secondment and that system doesn't work. So I have been reduced to going into my local branch every month to apply this little bonus, which is currently 0.85%. If Mr. Elliott is serious about simplifying things, why can't this very small sum of money be applied automatically? Why should I be wasting staff's time and why should I be wasting my time by going into the bank every month to try and get this 0.85%? It doesn't make sense. And if you are serious, Mr. Elliott, you'll bring about change. I talked to staff members and they always say, "What can we do?" And I'm just sick and tired of listening to other people whining and complaining because not only am I waiting to talk to a staff member, I have the privilege of listening to all the other issues that are going on because of these new offices where there's no privacy. So please, Mr. Elliott. And the other final thing is, not all of us are on big incomes. We're all struggling, and some of us do have these phones that have lasted us for the last 15 years. We're not in the situation of changing phones every second day. Thank you, sir.

Shayne Cary Elliott
CEO & Executive Director

Well, I think that's clearly not good enough. And Fred Ohlsson, the gentleman who runs the Australia business, he and I will deal with that.

David Michael Gonski
Chairman of the Board

And [Mr. Strauss], thank you for that. And just on your point about older phones, I'm not going to take mine out. It might be older than yours. But our CEO proudly yesterday said he'd upgraded his phone. And I think -- I'm not sure he regrets it. But anyway, we won't go into that. He doesn't do it every 10 minutes, so I can tell you that. Otherwise, we'd hear about it every minute. I'm hoping we can bring this section to a close shortly because we have a long ways still to go, but I believe there's a question on number 4.

Unknown Attendee

I have a question from Allan Goldin from the Australian Shareholders' Association.

Allan Goldin

What I'd like to know is how long is the firm, that is now known as KPMG, been ANZ's auditors for? There will be a follow-up, depending on what your answer is.

David Michael Gonski
Chairman of the Board

Well, I can answer it. 30 years.

Allan Goldin

How many?

David Michael Gonski
Chairman of the Board

30 years. But I should emphasize that we have changes in the personnel from KPMG regularly. And indeed, our current partner, who happens to be the Chairman of partners, I might say, at KPMG, has been with us for 12 months, I think. Alison, 12 months? 12 months.

Allan Goldin

12. So 30 years. When was the last time you put it out to competitive tender?

David Michael Gonski
Chairman of the Board

I don't think we have done that through -- but we have very good reasons for doing that. I mean, we are a very complex bank. If -- I don't want you to feel, Mr. Goldin, that we just sort of say, "You've been with us for 30 years. We're loyal. You can stay forever." Every few years, through our very good, and I must say, excellent Chair of the Audit Committee, we convene and go through a procedure to determine, A, whether there should be continuance; B, whether we're getting the right expertise to do the job as directors; and C, who are the actual people doing it. And I have to say because I was part of it 2 years ago when there was to be a change of partner in charge at KPMG, I sat through the interviews, and Paula Dwyer did an amazingly in-depth job questioning. Maybe it's because she comes from that profession, she knows exactly the questions to ask. But she tested very carefully. We are very comfortable with our auditors. They give us very good service. And let me assure everybody, good auditors is good for the board. And we -- we're strong to police it and to work with them to get the best product.

Allan Goldin

Look, I think that's an excellent answer, and it sounds like it was done well on both cases. But it just seems strange still that -- I can understand obviously, you're looking to change audit partners at least once every 5 years, if not more frequently. That's just good prudence. But I would have thought that you'd also be looking at the possibility -- I mean, I understand, obviously, you have a complex business, but you're not unique in having a complex business. And I just would have thought, just like you're spending so much time, and I applaud it, looking at innovation and looking at different methods of doing business, which I think is fantastic. I'm just a little bit surprised that you don't also think, "Well, maybe we should look at some of the other things that we've been doing for a long time. Maybe there's other's way to do it."

David Michael Gonski
Chairman of the Board

Well, thank you for that advice, and we take what you say seriously. But I have to say, we balance up at all times the benefits of getting new advice, which may not know what's going on in our business against basically someone who has. But we will definitely take that idea onboard, and we do talk about it often. Thank you. Number 1.

Unknown Attendee

I have a question from [Graham Thompson], a shareholder from Canberra.

Unknown Shareholder

My question is relatively simple. It concerns the date of payment of the dividends. I'll only talk about the final dividend, which I understand was paid this morning. But if one looks at the date of payment of dividends over this century, the last 17 years, do you know that the best practice was in 2013, when the dividend was paid on the 12th of the month? And then you have to go way back to 2001, when the dividend was paid on the 14th of the month. Typically, dividends, the final dividends have been paid around the 16th to the 18th of the month, and one year, as late as the 21st of the month. Now this is a best practice issue, I think. Yes, you have to arrange your affairs, board meetings and arrangements with your payers and so on. But could I suggest, given these times of static dividends and the need for cash flow, cash is king for us as well as probably for you, to see if you can't get back to, not only achieving best practice, but what about incentivizing your management team to exceed best practice? How about it?

David Michael Gonski
Chairman of the Board

Thank you, Mr. [Thompson], and thank you for the challenge. We'll definitely look into it. Thank you very much, and I should quickly say that any delay is not caused by not having board meetings and so on. That's -- we will facilitate what is best, but we'll have a look at that. Number 2.

Unknown Attendee

I have a question from [Mr. Herbert Turney], a shareholder from Balmain.

Unknown Shareholder

I would like to pay a compliment to the bank for the last 40 years, of which I've been a customer. And it's been an excellent 40 years as far as banking is concerned. I can't say the same thing about the share trading activities. And I have heard on the grapevine, rightly or wrongly, the bank is considering moving out of share trading, but it has been a constant worry to me.

David Michael Gonski
Chairman of the Board

Thank you. I think you're in for some good news.

Shayne Cary Elliott

CEO & Executive Director

No, we're not -- if I can -- so we're not getting out of allowing our customers to trade shares. What we've done is we've rebranded it from, it used to be called E*TRADE, and now it's called ANZ -- it's part of ANZ Share Investing. And what we're getting out of is some of the back office activity and the technology. So we're working with a partner to provide that, but you'll continue to be able to buy and sell shares through ANZ. And in fact, that partnership is going to make it better. We're going to get new features and functions and a much easier way of doing it. So we're not getting out of that business.

David Michael Gonski
Chairman of the Board

All right. Number 3.

Unknown Attendee

I now have [Mr. Tom Taylor] from Sydney.

Unknown Attendee

I just wanted to raise a little question out of the presentation from the CEO. And it related to the discussion generally about change in the world and certainly, banking is a very dynamic industry and lots of changes are happening both economically and culturally. How about -- I was a little perhaps confused that he was talking about, on the basis of no change, a 300 basis point reduction in return on equity, and that's about 25% of earnings. Now there may be some context about past changes and future changes, but the term that has been vexatious to me that you're forecasting a 300% reduction in return on earnings and a consequent fall in dividends subject to no other changes. I'm at [indiscernible] -- and that was attributed to the bank tax, capital and liquidity. So the bank tax, and if I think about what Westpac had done, they have notified that in the first financial year, which is similar to yours, ends in September, they paid $95 million, which was $0.02 of earnings. So on an annualized basis they said that would probably be around about $0.08. Now all banks' balance sheets are slightly different. Yours, I suspect, could be even be a bit lower than that because of your international versus domestic. However, if you attribute $0.08 and draw that conclusion, to your $2.37 earnings, it's only about 3 basis points, maybe call it 10 basis points on average. Already, you said your capital is at the unquestionable strong. APRA has already said that Basel IV was probably going to be benign to Australian banks. And you talked about the next thing is the net stable funding ratio, which is a general evidence of the dynamics and arcane nature of banking in many ways. It just seemed to me that, that 300 basis point -- well, and you said in the statement this is something we all knew. Actually, I have to say, I'm following the industry pretty close, I would not have said 300 basis points, approximately 25% of industry earnings for the banking industry. So maybe a little bit of explanation and perhaps a bit of review on that would be appreciated.

Shayne Cary Elliott
CEO & Executive Director

Okay. I think it's a really good question. So, first of all, the -- to give you some comfort, the 300 basis points is widely accepted by industry analysts. So it's not about ANZ. It's what other people have said what will happen to the industry all else being equal. So that assumes we don't do anything about it. You're right, it's a big number. Why is it such a big number? Because we've been asked, the biggest single change in it is not the bank levy. To your point, that's reasonably small. By the way, our numbers are about the same. In a full year, it will cost about $0.08 per share after tax. The biggest issue is the change in the levels of capital we have to hold. So we make roughly $7 billion a year, and we used to have to hold, call it $50 billion of capital to get it. You get a certain return on equity as a result of that. In order to make the same money, now we have to hold even more capital, and so the return on that capital is going down. And that's what I was referring to. There's also other changes in there in terms we have to be -- hold, our balance sheet needs to be more liquid. And what all that means is instead of being able to lend money, we have to keep it and put it into things like government bonds, which are lower return. So when you add all those things up, more capital to run the same business, more of our money sitting in things like government bonds instead of being -- going out into productive use, and the bank levy, and there are some other bits and pieces in there. If we did nothing, they would reduce the return on equity of the banking sector, not just ANZ, by about 3%. So instead of being 14-ish, they would be more like 11%. Now the good news is we are doing something about it. We're managing our costs heavily. We're looking at the businesses we're in. We're being really ruthless about the way we allocate our capital and run the bank to try and offset and mitigate as much of that as we can. So I hope that have explained it. If not, I'm happy to have a chat out when you're having a cup of coffee or tea.

David Michael Gonski
Chairman of the Board

Thank you, Mr. [Taylor]. We now move to number one.

Unknown Attendee

I have a question from [Peter Sainsbury], a shareholder from Sydney.

Unknown Shareholder

You'll be pleased to know that I'm not one of the many living ex-Premiers of New South Wales. Quite surprising if there wasn't at least one here. My question relates again to the bank's policies around the environment and the application of those policies. I'll read the question and then make a comment and illustrate it. Why is it that the ANZ is apparently enabling the construction of projects that are blatantly incompatible with its stated support, that support stated here today on more than one occasion, to limit global warming to 2 degrees in accordance with Paris? Now my comment, just so that there should be no misunderstanding because I think an implication was made earlier, by I'm not quite sure who, that 2 degrees is okay. I just want to make the point, 2 degrees is far from okay. 2 degrees is an extremely dangerous level of global warming that will cause environmental catastrophe and many -- a great deal of ill health and premature death. So we should be under no illusion that simply because politicians have agreed to 2 degrees that, that means it's in any way safe. We should be trying to aim for the maximum under 2 degrees that we can achieve. I just want to illustrate my concern. So apparently, ANZ has made loans to at least 2 new gas-fired power plants, a 500-megawatt one at Muara Karang in Indonesia, and 550-megawatt one at Black Point Power Station in Hong Kong. And yet there's evidence out there, a paper published last year, peer-reviewed academic research, which found that we cannot be building any new greenhouse gas-emitting power plants after 2017 to have any hope whatsoever of staying under 2 degrees, the far from safe 2 degrees. So I repeat my question. Why is ANZ enabling the construction of projects like these that are apparently blatantly incompatible with staying within even the unsafe 2 degrees?

David Michael Gonski
Chairman of the Board

Thank you, Mr. Sainsbury. Can I just ask -- I mean, I think that might be the last question, which basically says exactly the same. We have -- and if I may just say, I answer it in exactly the same way, because we've made it very clear, when we, by the way, say the 2 degrees, we didn't say that, that was in our opinion the minimum you should seek to be. In other words, we should try much harder. What we were doing is comparing it to a questioner who had actually shown that in one, on Page 63, we've talked about a higher level, which is not acceptable. Can I say we have policies? I am not and should not be taken as confirming or denying that the 2 situations you have suggested occurred. We don't talk about specifics in this meeting, but we absolutely keep to our policies, which are written at least 4 times in the documents you've got, and I might say 10 in the ones that I'm given for this meeting. So thank you. And I would just ask, given we've got so much to do, I know this is a very heartfelt idea, but it probably is also felt by us. We understand what you're saying. We've given the commitments. And I think we could just ask if there are any other questions before we move on to the actual substance of the resolutions. So I move to number 2, and I hope that's not about the climate change issue.

Unknown Attendee

I have question from [Gary Calderbank] from Allambie Heights.

Unknown Attendee

All right. Now with all the juggling that you have with all the questions coming from all directions, just a yes or no will do me. Have board members been pressurized by external forces to stop funding of coal mines or power stations? Number two, has any board member read the Institute of Public Affairs' Climate Change: The Facts 2017, written by 23 qualified contributors? And number three, I know renewables is the future, but at this stage they are very expensive and unreliable. If many businesses are forced to close and unemployment rises, how will this affect ANZ's future profits?

David Michael Gonski
Chairman of the Board

Thank you for that question. But it really does -- sadly we've got to answer it. But I will answer it. The answer to question 1 is no. The answer to question 2 is yes. And the other one is noted. Thank you. Can we move on, please, to number 2?

Unknown Attendee

I have a question from Chandra Gulati from Wollongong.

Chandra Gulati

I really admire you for all you have done for the education. My questions are related to I attended 4 meetings in the last couple of weeks with the banks. And in that meeting, the board agreed to consider four-pillar policy. I'll just bring it forward, I don't want to take any comment. My other comment is related to getting customers as shareholders. The ANZ Bank has the lowest shareholder percentage having ANZ accounts. And I see that NAB is making a lot of effort to become a customer of [them] as a shareholder. They offer credit-free cards. They offer lower deposit rates. That's my one comment. On the bank's DRP plan, there's a rule which state that if you cease to be a shareholder, then we will give the money -- donate the money to a charity. Now that's my money. It should be returned to me, not to -- I mean, I can give it to a charity of my choice. It's not the bank's privilege to give it to a charity just because they want to reduce the cost of mailing or something. And my last sort of a comment on the bad rules that exists in the bank. I tried to close an account about 3 years ago with a 0 balance, and the bank told me that, "No, we can't close it because we need the death certificate." Now I get a statement from the bank every month with 0 balance and say, go to bank, "No, we can't close it because we need a death certificate." And I'm not going to provide death certificate which costs me $30. I don't care. You want to send me statement, send me a statement. But that's a bad sort of thing on the part of the bank. And that's my comments.

David Michael Gonski
Chairman of the Board

Well, thank you very much for your comments. Can I just take a few of them and answer them. The first thing is thank you, it's good to know that the opposition are making offers to their shareholders today. I think that's something we can look at. I'm not entirely sure how we would know whether a shareholder had an account or not because there are different names and so on. But it's a very good idea, and I'm sure we've looked at it previously and we can look at it again. On the DRP, I just wanted to make it clear. The only time monies would ever be taken to charity is through what was started by stock exchange, and it relates to a rounding depending on, I think it's $0.01 or $0.15, but it's total, it's tiny. Let me assure you it is your right if you want to give it to charity, it comes to you. But there is a, I think, it's called share plan that the stock exchange runs, which we are a part of, as most big companies are, and it is purely a rounding. It's tiny. And the final point I just wanted to make is, please, if you're having a problem with your account, there will be people outside. We don't like to deal with specific things. But I have to remark, I hope they're not asking you for a death certificate for yourself. Could we move now to number 4?

Unknown Attendee

I have a question from [Mr. Darius Patrick] from Sydney.

Unknown Attendee

I would like to make just a comment that I've been a shareholder for 10 years. And I was buying at around $28; today, it's $29. I was getting dividends along the way, so I should be a fairly happy shareholder, and I am. But at the same time, I've seen hundreds of millions of dollars being wasted during that time in ANZ as a business. We had an Asian expansion which didn't go that well. And I believe that's why we had a much better dividend in 2015, which was $0.20 more, than the dividend in 2016 and then '17. So obviously, since now we are getting lots of money from selling other businesses, I hope that those money will be used much wiser. My question is also around ANZ shareholding -- sorry, ANZ share trading (sic) [ANZ Share Investing]. Because I'm trading shares quite often, and I would like to find out if it's you -- if it's not -- if that information can be disclosed, what's the market share of ANZ shareholding -- sorry ANZ share trading (sic) [ANZ Share Investing], versus CommSec and other major brokers? And my suggestion would be here, that actually I think it's not very competitive because the price I pay is like $25 and some brokers say CommSec, they introduced not a long time ago $10 commission for share trading. So I would like to find out a bit more about that. What's the strategy here? If I could just -- would like to make just one final comment about the AGM today. I've been on other AGMs of other banks, and it's always an opportunity to do a bit of showcase or what products and services we can have from ANZ. I've seen that with Westpac and other banks, but I didn't see much of it in ANZ. So there is not many things that you can show off, I'm wondering why.

David Michael Gonski
Chairman of the Board

Well, maybe I'll deal with that one. I hope that when you came in, there was plenty going on, on the screen. I must say when I read the CEO's report, I thought there was a bit of showing off going on in there. But we do understand your point. On the other point, and I'll ask the CEO to deal with the share trading one. But you did talk about the Asian monies, monies that were put into Asia over the 10 years you've been a shareholder, it's not quite correct to say we lost lots of money. I just wish to point out, with the SRCB, that's the one we got the money back from last Friday, we made a 20% IRR; Metro card, we made a 40% IRR. We are the #4 institutional bank in Asia. We've established that from that. So I think it -- in my opinion, it should be seen for what it is, that companies evolve -- and I'm actually very proud of what this company is doing in Asia. We are not withdrawing from Asia. We have learned, with all that we've done in Asia, what we're good at, where we can make money, where we can make a difference. And that is what the last 10 years have done for us. And now and I know you will, you will watch in the years to come what the CEO, and indeed, the board, make of it going forward, and that would be our test. And now, could you just comment?

Shayne Cary Elliott
CEO & Executive Director
So, no, it's a good question about ANZ share investing. So our market share is small. So if you look at online share investing, so not traditional, so just online, I think CommSec's literally about 80% market share. I think we're about 15% from last time I looked, and there are some bits and pieces around. But that's part of the reason. And you're right about the pricing and frankly, even the service level of what you can do on it, it's not good enough. That's why we've taken a different approach, we're going to work with a world-class provider out of the U.K. We're right in the middle of now making that transition so that we can offer better services and ultimately, a better pricing and operation for customers. That's why we took the change. So we want to make it better.

Question and Answer

David Michael Gonski
Chairman of the Board

Thank you, Ilana, and thank you for your leadership on the committee. Can I ask, are there any questions regarding the adoption of the remuneration report? I think, Mr. Goldin, number 4.

Allan Goldin

Look, I think it's -- firstly, this report is so much better than your previous ones. I'd really like to congratulate you and the people who are monitoring you in Victoria have made sure that I definitely say that because they say it is such a great improvement. But one of the things -- there are 2 things I have some difficulty understanding. Firstly, is it's tremendous that most of the performance rights are now based upon actual price. The same price us shareholders go and buy the shares. That's really good. But I can't understand, and if you could please explain to me, why the Chief Risk Officer's rights are artificially inflated. They are not based upon actual, and I'm just wondering if that can be explained why that is done? My second part, and this is taking into note this review that you're doing. I accept what you have just said very much so that the LTIs have not been vested in the last 5 years, that there's been a problem in meeting the targets. The main target for this company for the 75% LTI is based upon the relative total shareholder return being at 50% level compared to the comparator group, which is the other financial institutions, other banks mainly. I think it's unfortunate that people have not been paid money because you want to see people actually getting some rewards. But at the same time, if executives -- if the company cannot be better than 50% of a comparator group, I don't see why they should be getting paid money either. So I hope that when you're looking at it and I think there always should be changes, I think there should be incentives. If there isn't incentives, there's no sense -- if there aren't achievable incentives, there's no sense. But I can't -- I hope you won't be looking at lowering the standards that you have.

David Michael Gonski
Chairman of the Board

Thank you, Mr. Goldin. Look, firstly, on the CRO, the Chief Risk Officer, I think you're referring on Page 43 of the remuneration report. There is a note there that talks about how we calculate the chief remuneration -- the Chief Risk Officer and his remuneration. Let me make it quite clear. It isn't artificially increased. Basically, what we do for him, as a requirement, I might say, of APRA, is that we can't give him, and I think that's right, and by the way in the future, if it's female or whatever doing it, absolutely, we cannot give something that's akin to the rewards of others because their job is central to looking at risk. So the way we do it is we work out the dollar amount that is appropriate. We take a face value calculation. But then we diminish it because we don't give the CRO the benefit of dividends, that's all we take out. That's an easy calculation. Very different to previous things that people have done in terms of determining fair value because he doesn't get the dividends until, of course, the shares are vested in his or her hands at the time. So I just wanted to make it very clear, it's not an increase and it is done specifically by the requirement of APRA.

Allan Goldin

So what you're saying is that only upon vesting, when the shares vest, then you add in a calculation for the accumulated dividend...

David Michael Gonski
Chairman of the Board

No, no. He's lost the dividend because there's a period of time that he holds the shares, which are, if you like, muted of dividend. He doesn't get the benefit. So when you get the shares, you'll get the future dividends if you keep the shares, but you don't get a catch-up. And all we do is say, "Okay, no dividends for the period. So it's appropriate to take out the value." I can take you through it later. We did take your colleagues through, it's not a thing. On the second point, which is a very wise point you make. And I must say, I listened very closely to what Ilana was saying and she was very categoric that we believe in a proper remuneration system. That does not mean we're going to lower our hurdles, it does not mean we're going to make things easier. We're going to balance up what is proper incentive, what is good for the company as a whole and also to incentivize our people. But please, your warnings are correct, we will not be lowering standards.

Can we move to Mr. Tilburn?

Unknown Attendee

Thank you, Mr. Chairman, I have a question from Jack Tilburn, a shareholder from Dee Why.

Jack Tilburn

Yes. And thank you, again, monitor. Mr. David Gonski, as you would know, I've done my serious, significant and sustainable homework again on this item #2 as you call it or resolution on the remuneration report. We thank Ilana at this, for her address to the meeting. We thank her for writing up comments on the remuneration report on Page 36 of the remuneration report. Ladies and gentlemen, the remuneration report is covering pages 36 to 60, it's 25 pages. We thank Ilana Atlas, again, for contributing to that remuneration report on Page 20 -- Page 36, the first page. Allow me, Mr. Gonski, of course, to comment on some comments on the remuneration report, and then I'll give you one big leading question to finish up my comments. Ladies and gentlemen, I've studied this report, Page 39, the whole of ANZ' remuneration report is shown on this Page 39 under 2 structures, number one is fixed remuneration structure and number two is at risk variable remuneration structure, and if you accept those 2 things and look at the report, and then you're making headway. Page 43 states how we calculate the number of performance rights using a face value basis. This is quite an involved mathematical calculation device, and it's coming into the next resolution, #3, for the performance rights, come performance shares for Mr. Shayne Elliott. Page 49, as you know, Mr. Gonski, states the actual remuneration received and the CEO -- by the CEO, Mr. Shayne Elliott. Ladies and gentlemen, Mr. Shayne Elliott gets $4,260,000 a year. Divide by 52 weeks, he gets $82,000 per week. Divide by 5 days, he gets $16,400, so his appearance here today, he's a very lucky man, he gets $16,400 for his attendance today. Page 40 -- Page 53 states remuneration received or for 7 nonexecutive directors up there on the stage, plus the Managing Director, Mr. Elliott, who I have mentioned. So what are the 7 nonexecutive directors getting? Well, they're very well paid. They're getting about $300,000 a year. The most paid one is the Chairman, of course, of all companies and our Chairman, Mr. Gonski, gets $825,000 a year. Divide that by 52 weeks, it's $15,866 per week. Divide it by 5 days, David Gonski, you get $3,173 for your attendance today. Congratulations. So these men are being very well paid, in my opinion, Mr. Gonski, and then Mr. Elliott. Page 58, ladies and gentlemen, states the number of shares held by the 7 nonexecutive directors, ranging from 31,000 shares held by Mr. Gonski, bought by Mr. Gonski, of course, and the other 6 directors average nearly 12,000 shares each. All the shares shareholdings are satisfactory loyalty to the ANZ Bank. Now the big leading question please, Mr. David Gonski, after those very good comments on the remuneration report, which in itself is a very, very involved mathematical structure and strategy. Sir, do you look at increasing the remuneration for the 12 salaried executives shown on Page 23 of the annual review? And do you look at yearly increases for the 7 nonexecutive directors, plus the 1 Managing Director, Mr. Elliott, and all those people shown on Page 22 of the quite good annual review? So I'm interested to know, what happens at the end of 1 year? What happens at the end of 2 years? And do you ever stretch it for 3 years? Thank you. That's the question.

David Michael Gonski
Chairman of the Board

Well, thank you very much, Mr. Tilburn. We do look, as you know, very regularly at the question of salaries and so on. And as Ilana mentioned, there's been no increased in the fixed levels. They've stayed as they are. We look at that annually and, indeed, have a very good eye to the fact that we want obviously to be fair, at the same time and not to be too obviously taxing on the company and its shareholders. So all I can do is assure you that we look to that and we seek to do the right thing. We have outside advisers as well to make sure that we know what's happening. One thing I did want to just mention to you, I can't resist, Mr. Tilburn, because your mathematics is, as always, superb. The only thing is I'm pretty sure that you shouldn't divide by 5 days per week for the CEO because I've got to tell you, he rings regularly on a Sunday, so that must mean he doesn't work on a Monday. But I'm pretty sure you have to divide it by 6 or 7. But thank you for your comments.

Jack Tilburn

[indiscernible]

David Michael Gonski
Chairman of the Board

May we move to #1.

Unknown Attendee

Thank you. Mr. Chairman, I have a question from [Graham Thompson], a shareholder from Canberra.

Unknown Shareholder

Thank you, Chairman. You spoke a lot very rightly about restoring trust in this industry. And can I suggest that the amounts of money that are paid to senior executives of the financial services sector have been excessive. I mean you, more or less, admitted that in respect to certain mistakes that this bank has made in the past. And I listened carefully to Ilana's presentation, she also mentioned restoring trust. Let me just say as a matter of record that I vote against all remuneration reports because I think they are all excessive in the amount of money that is paid to executives. I think also listening to the structure and defense of executive pay by various boards is that it's -- you have to pay this to retain good staff. Well, I think the time has come because if you ask millions of Australians, they would say in terms of your essential task of restoring trust, one of the first things to do would be to substantially bring down remuneration levels. And what a great thing it would be if the ANZ Bank were to lead the way. Now I was actually talking to a chairman of one of the top 15 Australian companies by valuation, and he said his Chief Executive Officer would work for $2 million, period, a year. Why? Because he loved the job, as many of us have loved the jobs we've done without these levels of remuneration. The justification of this particular incentive is it's fundamentally a kind of a Ponzi scheme. You benchmark yourself to others and it acts as a kind of a ratchet. Chairs, I know, have spoken publicly about soon this was published -- a requirement published the standards, it worked as it ratchet up. Wouldn't it be great if some board and chair could actually take some steps? Now I know you have reduced the remuneration this year. Surprise, surprise. You had to. It would be outrageous otherwise. But there's a long, long way still to go. Please, can you show some leadership in this area? Thank you.

David Michael Gonski
Chairman of the Board

Thank you, [Mr. Thompson]. We understand the points you're making. I just would make just a couple of points. Firstly, I do think we've showed leadership in how we have reduced salaries quite considerably. Having said that, I do believe very strongly that we do have to meet the market. And everybody says, "Oh, the market is the market." I don't think I'll be standing here as a Chairman if the shareholders lost the management team because somebody either overseas or, indeed, other competitors were prepared to pay and we weren't. There is nothing better than a person who enjoys their job. But I don't think because they enjoy it that they should receive less payment. I would much prefer that they enjoyed it, were paid properly and we're able to compete with the best people. All I can do is assure you we understand your point, but we will safeguard this company until the end of our time. Right.

Unknown Shareholder

Thank you for those remarks, but it's comparative. Does the Chief of the Defense Staff, with soldiers, airmen and sailors committed in combat, get that kind of reward? Does he have more than 45,000 people for whom he's responsible? He has 60,000 or 70,000 and he gets, what, 1/5, or 1/6 or 1/8 of what Mr. Elliott's getting. It's not comparable.

David Michael Gonski

Chairman of the Board

We understand your point. But the only thing is we're in an industry where others will pay. And whilst I know Mr. Elliott is incredibly loyal to the blue brand and we'll keep him to that, but I wouldn't blame him if we decided to cut his salary down to $1 million or whatever, I'm not negotiating, and somebody else -- I mean, he's a very intelligent man, don't tell him I said that, but basically, others will want him, and they'll pay for it. So it's a matter of guidance. But all I can say is we have a very active committee. We look at these things. We understand your point, and we do the best we can for all stakeholders. Could we move to #2 please?

Unknown Attendee

Thank you, Mr. Chairman. I have a question from [Dr. Hutchison] from Tamarama.

Unknown Attendee

I'd like to reinforce the -- what the previous speaker had said and I have written here. Seeing the military, police and security do not receive financial reward or bonuses when they win battles against internal and external attacks, including keeping us safe inside this venue. I would like to ask why company members receive rewards. But I don't reinforce that unless you really have got a satisfactory answer. My question is what is the benchmark, if any, that has been used to determine the salary basis that has been read out? Is it [PACE]? Australians to the company directors? Is it AIM? Is it Governance Institute of Australia? Is it dog's breakfast, as someone answered the other day? Or is it ANZ's own benchmark rather than a wider researched benchmark?

David Michael Gonski
Chairman of the Board

Well, I think, including the dog's breakfast, I don't think it's any of those that you mentioned. But we do receive, correct me if I'm wrong, and I'll hand over to Ilana, advice from our advisers who can tell us what other banks, other financial institutions are paying. We actually do benchmark very carefully with the advice we receive. And indeed, because it is a comparative thing, whether we like it or not, we're very careful to make sure that we...

Unknown Attendee

[indiscernible]

David Michael Gonski
Chairman of the Board

Yes, we go wide and we go on the whole financial institute. But do you want to add something, Ilana?

Ilana Rachel Atlas
Independent Non Executive Director

Yes. Thank you, Chairman, and thank you for the question. So we do conduct rigorous benchmarks every year when we consider remuneration. We get benchmarking both within our sector and also outside the sector to try and analyze what is happening in the market. But it isn't the only thing we take into account, quite obviously. But yes, we do. And not through any of those organizations that you mentioned.

David Michael Gonski
Chairman of the Board

Thank you, Doctor. I think we are now at #2 again.

Unknown Attendee

Thank you, Mr. Chairman, I have a question from [Paul Fanning] from Melbourne.

Unknown Attendee

Thank you, David. Just a couple of questions on remuneration. And probably through this chair to Ilana will be where the answers will come. I'm looking at pages 44 through 46 of the annual report. But probably before I have to ask that question about the performance outcome structure, Ilana, I think you alluded to the outcomes of the pending BEAR legislation. And I attended another AGM recently and the same topic came up about the BEAR legislation is still in draft or is still in formation. So are you able to look forward such clarity in next 12 months in structuring remuneration and making allowances for whatever outcomes there will be from the pending BEAR legislation, one question. The other question is one of the other banks incurred a significant no vote on remuneration and with regard to people and culture. And there is a very heavy weighting to put to the equipment, people, culture. ANZ calls it people and reputation on Page 44. And then on Page 46, you've given a break down on that makeup of people reputation. How do you determine, on your group of performance assessment, what the weightings will be, i.e., 50% for financial discipline, consumer, customer 30% and 20% people and reputation? Will this weighting be in sync with what some of the advisory groups are saying to the institutional investors how they should or not -- should -- could -- should or would vote because being very sensitive issue in the last year or 2?

Ilana Rachel Atlas
Independent Non Executive Director

Would you like me to...

David Michael Gonski
Chairman of the Board

Would you like to start?

Ilana Rachel Atlas
Independent Non Executive Director

Thank you, Chairman. So just in relation to the BEAR legislation, we anticipate that it will come into force in July 2018, and we are ready for -- and we will be ready for that legislation. It will not significantly impact the way we remunerate our executives. There are requirements in relation to deferral, so that is obviously, something we need to take into account but the reality is it's pretty similar to what we do already. Other than that, the requirements really are around accountability of executives and also a process of "registration with APRA". So the requirements will not materially affect our remuneration framework or the way we actually remunerate. In relation to people and culture and the weighting given to that in the balance scorecard, it's a judgment that's taken -- that we take every year in determining where we think we should allocate the percentages of the scorecard. And so as you quite rightly said, there's 20% allocated to people and culture in the various quantitative and qualitative factors or key performance indicators we've taken to account in determining the result of that.

Unknown Attendee

Are you happy with what that doubling?

Ilana Rachel Atlas
Independent Non Executive Director

We're happy with...

Unknown Attendee

I'm obviously happy with the [point] and the only reason I raised it is the significant negative vote between the other Tier 1 banks incurred in the last couple of years, so I'm just wondering how you respond to that.

Ilana Rachel Atlas
Independent Non Executive Director

Sure. As I understand it, that significant vote related to these types of metrics being long-term incentive metrics, which is not the case with us. And so we feel that we have an appropriate balance in relation to our shorter-term metrics between financial discipline, customer and people. And as I said to you, it's a judgment every year as to how we allocate those percentages.

David Michael Gonski
Chairman of the Board

And I might just add there, which is implied in what you're saying, obviously, shareholders are incredibly important, but you do ask us to run this company. And if we think it's the right percentages, which we do, even if it was not popular, we would have to try and talk to people's and see if they would agree. Thank you. Thank you, [Paul]. Thank you. We'll move to #4.

Unknown Attendee

Thank you, Mr. Chairman, I've got a question from Mr. [Kai Chur Ching] from Sydney.

Unknown Attendee

Good afternoon, Mr. Chairman. I would like to ask a general and broad question, but I do hope you give me a specific answer. My question is what your opinion about the forthcoming Royal Banking Commission inquiry by the Parliament in next year. And a follow-up question is what do you think it will be, any impact to ANZ and, of course, for our shareholder? We want to know there are any particular effect or impact to our ANZ profitability.

David Michael Gonski
Chairman of the Board
Thank you. I don't know if the questioner was here in my introductory remarks, which I did deal with the Royal Commission. Obviously, the Royal Commission -- the only person who knows where it's going to go and what it's going to do is the Royal Commissioner. That's his right. And as I said in my introductory remarks, we will cooperate fully with the Royal Commission. We have determined that we will put, obviously, resources to making sure that we assist and we're involved. But at the same time, we are going to run this company to the best we can for all stakeholders, and we're making steps, indeed, the CEO has pioneered this, to make sure that we can do all of that's required of us for the Royal Commission but at the same time, we can proceed with our plan, our simplification that we're doing and indeed, the goals going forward. So you should be very comfortable about that. On your question of what will the Royal Commission find, that's ahead of us. And obviously, when we know, I'm sure to Royal Commissioner will do a very good job of telling everyone. But when we know, and if you don't know, we'll gladly tell you. But at this point, we can only be guessing, just as you would. So thank you for the question.

Question and Answer

David Michael Gonski
Chairman of the Board

Could I ask if there are any questions on this item 3?

Number 2.

Unknown Attendee

Thank you, Mr. Chairman. I have Jack Tilburn.

Jack Tilburn

Thank you, monitor, again. Mr. Gonski, as you know, I have been very, very troubled and unable to understand all these rigmarole and shenanigans that goes on with, ladies and gentlemen, fellow shareholders, extra, extra rich awards, extra, extra huge rewards to Mr. Shayne Elliott, the one and only person in the company out of 45,000 employees that gets these very, very rich awards or rewards, and I don't think there's much difference, ladies and gentlemen, between the use of the English word award as against reward. But we have to look at the overall resolution #3 and the 2 or 3 pages in the notice of meeting, which try to examine the performance rights to Mr. Elliott. We should concentrate, Mr. Gonski, as you know, on that very, very sustainable significant word, performance because I have the question, is he really carrying out extra performance, duties, and responsibilities to us 422,000 shareholders? I doubt it. If Mr. Elliott comes to work at 9:00 to 5:00 5 days a week, he gets $82,000 per week to do it. How the hell, and I emphasize that phrase, how the hell can he perform more and better to get more and better awards and rewards on top of $82,000? If he comes to work for 38 or 40 hours a week, he can't really do another 38 or 40 hours a week. He's not Jesus Christ superstar yet. I've examined, ladies and gentlemen, the performance rights explanatory notes in the notice of meeting, and he gets 108,000 performance rights, which can become shares if he jumps over certain hurdles. And he gets on top of that 108,000, 36,000 more shares for tranche #2. And the total number of shares for tranche 1 and tranche 2 is an enormous 144,000 shares, multiplied by $29 each is where you get the $4.2 million of awards and rewards to Mr. Elliott. Mr. Gonski, as you know, I depart from this culture that this board, and every other board of 1,800 companies on the Australian Security Exchange, indulging in giving 1 man enormous rich rewards and awards. Now the trouble with the resolution #3, and I have given a few comments for it, and then I have a leading question at the finish because I have done forensic, amateur forensic accountancy work on this resolution 3. Question one, of course, would be the why of it all for 1 man, Mr. Elliott, $4,200,000. Why is he the one chosen man? Why it has not been explained at all of why he needs to get $4,200,000? I emphasize, Mr. Gonski, as I told you I see no why for this $4,200,000. I am no lover, as you know, ladies and gentlemen, of these schemes using capturing so many thousands of ANZ shares worth approximately $31 or $32 each. 0.5 -- the Westpac CEO, Mr. Hartzer, got STI and LTI, short-term incentive and long-term incentive, Mr. Gonski, of $5,200,000. And it's no wonder, Mr. Gonski, that I told that Chairman Maxsted of Westpac, that whole affair is over extravagant, over lavish and over-generous. And that's the 3 criticisms that comes with ANZ and $4,200,000 in 2 tranches to Mr. Elliott. Has the board considered at all ANZ shareholders being treated so very badly? And is it all part of the contract of employment? Or is it so-called superior performance? Well, I don't agree that it should be in the contract of employment, and I don't agree that Mr. Elliott can do superior in [4 months]. Otherwise, he'll drop dead. I turn over to the next page, and I notice that there are 9 banks, as you know, Mr. Gonski, in the comparative group. That's a bit difficult to understand. We have 9 banks on which they do research to find out how their managing directors are going. And then how they are going reverts back, comes back to Mr. Elliott and our Managing Director. Now the leading question I think I worked out for you, Mr. Gonski, was what metric or measurement is acceptable or required for the value of the dividends for comparison to what Mr. Elliott can do? And we, poor ordinary shareholders, are not presented or provided with these 2 metrics, where the first metric was to get the share price up, and the second metric was to get the dividend up. Well, I haven't seen Mr. Elliott getting the share price up beyond about $28, $29, and I haven't seen him doing anything with the dividend, which is still $1.60 for 2 years running. Now those metrics of how the share price has gone up or why it's gone up and has the dividend gone up and why has it gone up, and if the share price is not increased, Mr. Gonski, and the dividend has not increased, why is he getting $4.2 million in awards and rewards? And number one question on top of the metrics or measurements, the next question is, is this in his contract of employment? Or is this part of the super, super culture by this Board of Directors, 7 nonexecutive directors are punching this out? I don't agree with it. And I certainly won't be giving a yes vote for it. Thank you, Mr. Gonski, to answer some of these problems.

David Michael Gonski
Chairman of the Board
Thank you, Mr. Tilburn. And I understand your point of view. The one thing, though, I want to make very clear. Firstly, on the question that, is he going to get a big sum of money when shareholders are not getting awards. The whole essence of what we're voting on today is total shareholder return. And if he doesn't produce the requisite, either relevant, relative shareholder return or indeed in the absolute shareholder return that's required, he doesn't get anything. And basically, I think that we, as a board, think that this is a very good metrics because he does well, if our shareholders do well. On a question of whether it's in his contract, we're here to get approval from the shareholders. It doesn't matter whether it's in his contract or not. If you, the shareholders, are against it, that's up to you. We, as a board, feel it's perfectly appropriate. We're very much motivated, as I answered the question earlier, in terms of comparative pay to make sure he is properly rewarded for what he does. He is our CEO. CEOs do make an enormous difference, as we know, for those of us that have been in the business a long time. And I think it's very appropriate that he should be paid these monies. And what I love about this is he receives a good whack, as you call it, of monies but only if the shareholders do well. So thank you for your comment. I should also just add, the TSR return for the last year, which knowing you, Mr. Tilburn, you know already was 13%. So it can't be said that he hasn't produced some results already. And the terms of what we're offering here is for 3 years, so he's got to keep it going.

Question and Answer

Paula Jane Dwyer
Independent Non Executive Director

Microphone #2?

Unknown Attendee

Chairman, I have Jack Tilburn.

Paula Jane Dwyer
Independent Non Executive Director

Mr. Tilburn.

Jack Tilburn

My fellow shareholders of ANZ, allow me and permit me to give my utmost commendation and/or recommendation for the extra 3 years tenure that Mr. Gonski can gain here today because there will be an overwhelming number of votes for him, including my #1 vote. We have in Mr. Gonski, ladies and gentlemen, remarkably, and I repeat, remarkably intelligent man and we, 422,000 ANZ shareholders, are very fortunate to gain this man for our Chairman. Don't forget, ladies and gentlemen, he was chosen to prepare a joint report on funding of monies for all skills in Australia. And he did a remarkably wonderful job for that with his brain power. So I have, to settle this resolution in my favor and I hope in your favor, I have much pleasure in voting yes for this resolution for Mr. Gonski's reelection and his tenure of another 3 years. Thank you.

Paula Jane Dwyer
Independent Non Executive Director

Thank you for your comments, Mr. Tilburn. And I assure you the ANZ team's completely in agreement. So thank you. Are there any further questions?

Unknown Attendee

Thank you, Chairman, I have [Dr. Hutchison].

Unknown Attendee

David, what I've heard today in terms of the plan of this company is today's plan. I haven't heard about the future. And with a military background, we plan well into the future. Therefore, my question background is there could be no progress without change. How do you, as an individual on the board, pay or pay in at least, to seek agreement of other directors to combat the coming global financial crisis, which hasn't been mentioned today, and the probability of war or nuclear conflict in the near future forecast by the ex-Chief of Defense? Thank you.

Paula Jane Dwyer
Independent Non Executive Director

Well, I'll defer to you, Mr. Gonski.

David Michael Gonski
Chairman of the Board

Doctor, you always pose easy questions. It's a very difficult question you raised. Can I say that one of the great things about a bank, a bank that's 184 years old, is that they have lived through many good and bad times. That's what we practice. That's what we -- risk management does for us, et cetera. In terms of me as a person, I'm very aware of some of the things you've mentioned. I'm not endorsing that we're going to have a financial calamity. That was news to me. But obviously, one day in thousands of years, there might be, let's hope it's as far away as possible. And as to the war, I did notice the comment that you have commented on the newspaper the other day, but all I can say is the job of being Chairman is to bring together very wise people. And we have a very good board, a very active board, a very intelligent board and a very diverse board. Will we be able to see the future perfectly? No. Will we be able to ask questions to see that we are as best we can prepared for the future? Absolutely. And it won't take great cajoling from me because that's the way this board is.

Paula Jane Dwyer
Independent Non Executive Director
Thank you, David.

Question and Answer

David Michael Gonski
Chairman of the Board

There being no questions -- oh, there's one. Sorry, [Paul].

Unknown Attendee

Mr. Chairman, I have [Mr. Fanning].

Unknown Attendee

David, just a sec. You might like to give a little bit more color, a bit more detail on what surrounds the nature of this item? I assume the CPS3s are hybrid securities. And I assume at that time when the prospectus was issued that the goals or indicators from APRA have changed, so therefore, you've been called upon to go back to shareholders to get a reaffirmation of the -- how these CPS3s will convert in a given date or will be ordained for cash. Now I also noticed that half way down in Page 11 that part of the issue of capital had already been redeemed for other -- another hybrid instrument. Now do I assume there that without gaining approval today on item 5, which I will support anyway, that the shares would have to convert into fully paid shares rather than being repaid as cash?

David Michael Gonski
Chairman of the Board

Firstly, yes, thank you, [Paul], and thank you for asking for that extra detail. First, I should just say, it's not APRA that's required us to do this. This is our decision in terms of our capital. And we make decisions all the time, as we discussed through this meeting, in terms of the capital, how it's done and so on. You are right, these are preferred shares, so they stay there as this reduction is happening. It is our view, based upon the experts that work for us and, indeed, I suspect have got advice from others outside, that the best thing for the company is to -- have the ability to redeem these in the next few months, and therefore, clear the way that they've gone and, of course, as you know, we've got lots of other securities out there. But it's -- we're not being forced to do this. This is a decision that just improves the way our shareholding is issued, and indeed, the preference nature of them. And you know because I know you've been around a long time. These are not normally seen by investors, it's very long-term situations. So this would give the opportunity to the investor to get out of the 7-and-a-bit years.

Unknown Attendee

And just a supplementary question on that. The -- If they were to convert to -- on the deemed date to ordinary shares, then that would affect the capital base, too? So if you are able to call them up for cash in advance, that would be advantageous?

David Michael Gonski
Chairman of the Board

I think that's a smart way of looking at it, [Paul]. Quite correct. But I mean this is -- Yes...

Unknown Attendee

[indiscernible] or something like that...

David Michael Gonski
Chairman of the Board

But this is not -- I mean, it's a large sum of money, but it's not when you look at our capital, and I'm talking about our listed capital of about $85 billion, I mean you can see the percentage that it would affect. But we are doing this because we are ever vigilant on how are our capital is and how we manage it.

If there are no other questions, I now will show the details of the proxies which were received before this meeting.

Ladies and gentlemen, that now completes the formal business of today's meeting. Has everybody managed to use the electronic handset, which I hope I explained correctly previously? Everybody's had a go? On that basis, I now close the electronic voting on the business of the meeting. The provisional results will now appear on the screen, and show each resolution having being passed, I hope. There it is.

For those using paper voting cards, please ensure you place your completed card in a ballot box and handed to a Computershare representative as you leave the room. Please also return your handsets to the registry staff as you leave the room.
Ladies and gentlemen, in closing, let me thank you for your comments, your ideas and your visions. We will continue to work to continually improve what we do. And we really appreciate you coming along today, and we would love to meet you and join with you for refreshments outside. Ladies and gentlemen, I now declare the meeting closed and wish you all the very best for the Christmas, New Year period.