

For Release: 19 August 2020

2020 Q3 Trading Update – Chief Executive Officer Shayne Elliott speaking notes

Thanks Jill and thank you all for joining us this morning.

This will mainly be an opportunity for you to ask questions, however I wanted to make few initial comments and I will then ask our CFO Michelle Jablko to also provide a couple of observations.

First. These are clearly difficult and very unusual times.

Our thoughts are with those that have been impacted – either from a health or financial perspective – and I want our customers to know we will continue do all we can to support them through to the other side of the pandemic.

You only need to look around the streets of Melbourne to understand the impact of COVID - not only on the way we go about our daily lives but also on the economy more broadly.

Even in New Zealand, a country that on every measure had this virus beat, recent days demonstrates this virus is going to be with us for some time to come.

So as a community, as an industry, and as a bank we need to adapt to a COVID way of life.

Governments will continue to manage the health and macro-economic response and it will be up to banks like ANZ to support customers while balancing the interests of our shareholders as well as the safety and wellbeing of our employees.

I don't want to sound overly pessimistic or unrealistic.

Sure Victoria is doing it tougher than other states at the moment but WA is ticking along with iron ore prices holding up.

Parts of Queensland not exposed to tourism are showing signs of recovery, particularly in the agriculture sector. Even in Victoria there are businesses and sectors of the economy that have adapted and are doing okay.

This is going to be a very difficult environment to navigate. It's fast changing and the impacts are varied state to state, industry to industry and customer to customer.

It requires us to have the capacity, flexibility and experience to make decisions and manage that change in real time. I am pleased to say that to date we have navigated this difficult environment effectively.

As a bank, we entered the crisis in great shape. We have an incredibly strong balance sheet with record levels of capital and liquidity.

The work done over several years to simplify the bank means we are now only focussed on the things that matter, our people are more engaged than ever, and we are able to quickly adapt to the challenges the future holds.

Put simply, we have never been in better shape to support all our stakeholders through what will be one of history's great challenges.

This is not just luck.

It's a combination of decisions we have made over many years to focus on the things we are good at, strengthen our foundations and invest for the long term. There is no doubt we are also benefiting from a strong regulatory regime and swift and decisive Government intervention.

Financials

You will see from our media release and the chart pack we posted an unaudited Statutory Profit for the quarter of \$1.3 billion and a cash profit of \$1.5 billion.

Common Equity Tier 1 Capital is strong 11.3% on a proforma basis without having to raise additional capital from shareholders.

This is a good result in difficult circumstances.

Our operational and balance sheet strength allowed us to provide significant support to customers and our people, while also providing a fair return to shareholders.

Not all banks have the same exposures.

Sadly, the small business and commercial property segments are where much of the economic pain is currently being felt.

Relative to others, our loans to these segments are much smaller. Despite that, we took the prudent step of adding to our credit reserves.

Our performance and strong balance sheet position gives us confidence in our ability to navigate this crisis and has meant we have been able to announce an Interim Dividend of 25 cents per share fully franked.

We obviously delayed this decision from April, however we believe it was in the long term interests of the bank and its owners that we waited until we had more information. Given all that has happened in the last month, this has proven to be prudent.

Business performance

Turning to our underlying business performance.

During the quarter we outperformed in Australian home loans, growing well above system. Customers acted very prudently by strongly increasing their savings and paying down credit card debt.

Institutional customers also acted prudently and repaid loans in the quarter, particularly in our international franchise, which delivered a capital benefit to the Group.

Risk management activity was also higher as customers sought to increase currency and rate hedges. As a result of strong customer flows and underlying volatility, our markets business was up 60% on the first half quarterly average.

In fact, as the severity of the health crisis became better understood, the performance of our Institutional and International business highlighted the benefit of maintaining a diverse and well-managed portfolio of businesses.

And we haven't taken the foot off the accelerator when it comes to simplifying our business with the sale of UDC in New Zealand to Shinsei Bank and our off-site ATM fleet in Australia to Armaguard.

Costs were down 1% for the quarter. This was a very pleasing outcome which was the result of thoughtful and disciplined cost management for the environment.

It wasn't simply a knee jerk response to COVID or from underinvestment. In fact we invested record levels this quarter to build a better bank for a customers and staff, and despite this we expect annual costs to remain broadly flat on an FX adjusted basis for the year.

Supporting customers

The biggest feature of the quarter however has been the work we have done to support customers through the pandemic.

In many respects you have to remember this crisis is only five months old. It seems an eternity ago we were all free to go about our business or here in Melbourne, even venture out of our suburb.

I don't know what the future holds. Nobody does. What I do know is we are better placed than when we went into the GFC to identify changes and quickly adapt.

We are better placed than when we went into the GFC with investments in data analytics and real-time monitoring systems allowing us to spot trends quickly and respond to our customers' needs promptly

What I also know is that our people have stepped up. And it's been our company's purpose of shaping a world where people and communities thrive that has guided this response.

Great companies step up when it really counts. And while challenges clearly still remain, we've already supported around 200,000 customers in Australia and New Zealand with their loans that will go a long way to carrying people to the other side of this crisis.

Finally, and while this is an investor briefing, I would like to acknowledge the terrific work of our 40,000 people across the world.

From our hubs in Bangalore and Manila through to our contact centres in Australia and branches in New Zealand, they have all done a great job for customers in very difficult circumstances, with people productively working from home despite competing priorities for a long period.

They have also done their bit in keeping costs under control with everybody playing their part in managing our annual leave balance. This has been a meaningful contribution to our cost work and I thank them for their efforts.

I'd also like to acknowledge the passing of our former CEO Will Bailey last week. Will was CEO between 1984 and 1992, having started as a teller in the Oakleigh branch of the old ES&A bank in 1950.

While I had met I did not work with him. I do know he was a mentor to many future ANZ leaders and made a significant contribution in building the ANZ we all know today over many years, particularly in his efforts to modernise the bank through the use of technology.

On behalf of everyone at ANZ, I'd like to pass on our condolences to his wife Dorothy and his daughters Alison, Robyn and Merryn as well as his extended family and friends.

So with that, I will now pass to Michelle to make a few comments before opening up for questions.