

## **CEO ADDRESS**

2020 ANNUAL GENERAL MEETING  
16 December 2020  
Melbourne

Thank you Paul and good morning.

I'd also like to extend my welcome to you today and acknowledge the Wurundjeri and Boon Wurrung Peoples as the traditional owners of the land from which we are broadcasting this morning.

As Paul mentioned, the thoughts of all our people are with those who have suffered either from the bushfires that began the year or the pandemic that defined it.

I know at ANZ we have had many staff impacted by both events and the team here has rallied around colleagues and families impacted.

Tragically one of our international colleagues recently passed away after contracting COVID in their local community. We are doing everything we can to support their family and loved ones.

This only highlights the devastating impacts that will be with us for some time.

It's also why our purpose - to shape a world where people and communities thrive - has never been more important.

In fact, it was our purpose that guided the way we worked with customers in need.

When the bushfires struck, we provided much needed assistance to our customers as well as volunteer fire services and community organisations.

And as the effects of COVID restrictions became clear, we moved quickly to provide those impacted with loan repayment deferrals.

This was aided by the massive levels of financial support provided by governments as well as industry and regulators working closely together.

Some shareholders however have rightly questioned if this support was at the expense of our shareholders.

The answer is clear – this was completely aligned with shareholder interests.

Treating customers with respect and providing help in the tough times earns respect and loyalty in the good times.

In addition, in a time of ultra-low interest rates... giving customers a chance to work things out is cheaper than at any-time in our history and so providing time through deferrals can be a rational response for many customers, while delivering greater long term value for ANZ and the community.

We were also mindful of how we approached deferrals, particularly for those customers already finding it tough before COVID.

For these customers, we relied on 'tried-and-tested' assistance measures normally applied in those difficult circumstances.

And unlike some of our competitors, we didn't automatically opt our SME customers into a deferral. Instead, we had thoughtful conversations to ensure it was the right thing to do for them.

In such times, it is also natural for an organisation to be consumed by managing the immediate impacts, while missing longer term challenges. So, while protecting your business is of prime importance, it is not all we are doing.

We are getting on with the job of maintaining a well-managed business and preparing for future opportunities.

Our strategy hasn't changed.

We want to improve the financial wellbeing of our customers...we know when our customers do well, we do well.

To do this:

We will have the right people who listen, learn and adapt. Our ability to mobilise hundreds of people to help customers through the pandemic and the bushfires are worthy examples of this.

We will put the best tools and insights in the hands of our people and customers, such as our ability to open accounts for new-to-bank customers using only the ANZ app.

And to focus on a few things and do them really well.

This includes helping people buy and own a home, start, run and grow a business or conduct business around the region.

Our work to simplify and strengthen the bank has materially lowered our exposure to potential credit and operational risks.

It's worth remembering how we have de-risked your bank over the recent years, including actions like:

- Exiting Asia retail and commercial;
- Selling Esanda motor dealer finance business;
- Prioritising owner occupied home loans over investor;
- Not providing a retail home-loan offering to self-managed super funds;
- Maintaining the lowest exposure to commercial property of the major banks; and
- And of course...more recently...exiting life insurance, superannuation and financial planning.

Along with the progress we have made on remediating the failures of the past, these decisions have meant your bank faces far fewer operational risks during this crisis. It has also provided us with the capital to stand strong in tough times.

It was of course COVID that had the most material impact on our profitability.

With operating profit before these provisions broadly flat, the largest driver of the profit reduction was setting aside a further \$1.7bn for possible future losses.

To be clear, to date we have not lost a single dollar in terms of credit losses resulting directly from COVID...but we have built up a substantial rainy day fund if they do occur.

And looking through the immediate impact of the pandemic, our diversified business delivered a decent revenue performance.

In Australia, we achieved six-months of consecutive market share growth in our targeted owner-occupier market, while deposit growth remained very strong.

We also introduced new processes to help customers move to online banking.

The work we have spoken about for several years to simplify and refocus the Institutional business proved massively beneficial.

In fact, our institutional bank outperformed and I'm proud of its transformation.

It demonstrates the value of a well-balanced, diversified portfolio in a market defined by high levels of liquidity, low interest rates and geopolitical tensions.

In New Zealand, it was a tough revenue environment but we maintained leadership in key segments and we remain well positioned to benefit from the economic recovery that looks like it is well underway.

And right across the Group, an intense focus on costs allowed us to continue to invest at record levels.

## **Customers**

There is obviously a lot of interest from shareholders about how our customers are faring in these difficult times.

Now the customers we approved for deferrals were good customers who, up until the pandemic hit, were making their payments on-time and in many cases were ahead of schedule.

Through no fault of their own, they were stood down from their job or their business was forced to close.

Fortunately for many of our small business customers, the worst of the health crisis appears to be under control as we entered into the most important month of the year.

Our card data for the first week of December in Australia is up 14% year-on-year. Spending is also up in New Zealand.

These positive trends are also flowing through to our deferral numbers.

In our Australian business, 92% of home loan customers that were granted an initial deferral have already rolled off, or have advised us of their intentions to do so.

And while our exposure to the SME market is much smaller, the data here is also looking positive with only 3,000 business loans still on repayment deferrals.

## **The future**

There has been much talk this year about managing through a crisis.

Overnight, organisations have had to adapt to new business models or completely rethink their distribution.

At ANZ, we moved from 11 large buildings globally, each housing over 1,000 colleagues, to a network of 40,000 home offices.

We became a distributed network overnight and as a result we are more responsive and flexible than ever before.

There is another way of thinking about a crisis – it is of course just a period of rapid change.

In fact, many of the great companies we think of today, companies like Microsoft, Apple, and Amazon forged their success in periods of great dislocation.

This is because people in a time of crisis have new needs and good companies figure out how to provide for them.

And this is where my focus and the focus of my team is. We stand ready to take advantage of the opportunities that will arise.

We are supporting our best customers and will emerge with stronger relationships than we started.

We will continue to reshape our portfolio to produce a more balanced, lower risk business that generates decent, more predictable returns.

We are going to continue to make the bank simpler and easier to manage.

Our recent decision to partner with global payments leader Worldline is a great example.

This is a partnership that will provide our small business customers with access to the world's best technology, allow them to get paid, quickly, safely and at low cost.

It also releases investment dollars to deliver new capabilities that will strengthen our customer proposition.

In particular, we are really excited about the opportunities in sustainable finance, open banking, better utilisation of data and expanding our banking-as-a-service offerings.

In fact, ANZ is already the largest provider of banking services to other financial institutions in Australia and New Zealand. This includes our leading market share positions in clearing as well as providing new-payments platform infrastructure to other banks.

### **Concluding remarks**

No doubt this has been a tough year and shareholders have unfortunately also been impacted.

We take our role in protecting and enhancing your wealth seriously.

Through our actions over the last few years, we have freed up \$12.5 billion of your capital, which has enabled us to invest in the business while buying back more than 100 million shares.

As a result, we are the only major bank in Australia that hasn't diluted shareholders in recent years.

And this puts us in a very strong position to support customers while still providing you with a decent return.

It also means we can play a leading role in financing the recovery in Australia and New Zealand.

Perhaps one of the most pleasing aspects of 2020 has been how our people have responded to the challenge.

We have achieved a great deal this year and none of this would have been possible without a passionate and engaged team.

It hasn't been easy for our people. Most have been forced to work from home, with many having to juggle multiple commitments including remote learning for young children.

Despite this they haven't missed a beat, possibly best evidenced by the record volumes of home loans processed through this period. I'm really proud of what they have achieved and I'm proud to call them my colleagues.

Now I've been before you at these meetings as Chief Executive for five years.

In that time we have seen incredible change in the environment in which your bank operates...whether it be the global compression of interest rates and margins, the wave of regulatory intervention or the challenges of a global pandemic.

During these challenges, I believe your bank has changed even more significantly.

We have a substantially simpler business that is less focused on dealing with problems and more focused on winning and keeping customers.

We have a work force with record engagement focused on our customers.

We have a management team that is diverse, talented and stable with a proven track record of delivery.

I believe this sets us up to win in the coming years as we help shape a world where the people and communities we serve once again thrive.

Finally, I'd also like to acknowledge the passing of our former Chief Executive Will Bailey in August.

Many of you will remember that Will was Chief Executive between 1984 and 1992, having started as a teller in the Oakleigh branch of the old ES&A bank in 1950.

While I did not work with Will, I did meet him at several Retired Officer functions. He was a mentor to many future ANZ leaders and made a significant

contribution in building the ANZ we all know today, particularly in his efforts to modernise the bank through the use of technology.

We pass on our condolences to his wife Dorothy, as well as his family and friends.

With that, I will hand you back to Paul.

Thank you.