**Bluenotes video interview with ANZ Chief Financial Officer Michelle Jablko and Andrew Cornell**

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ANDREW CORNELL: Morning Michelle. Thanks very much for joining bluenotes on the morning of the annual result. There's some notable items, some large items, in this result; remediation costs, different changes for how you amortise technology. But if we look beyond those items, how would you describe the sort of major moving parts in this annual result.

MICHELLE JABLKO: Yes, sure. And so first off, I'd say those items are all in our cash profit. They're all above the line, we know we are accountable for them. But it is useful to look through them, just to understand some of the trends in the business. If I do that, cash profit would be up three per cent. We've continued to have really strong capital flexibility, actually 11.8 per cent pro forma. So well and truly ahead of where we need to be. We've continued to show discipline on costs. So our costs are down one and-a-half per cent. And we've had five halves in a row, I think it is, of absolute cost reduction. So we know that our strategy of trying to be simpler is really paying off there.

From a revenue perspective we did a really good job in New Zealand and institutional. The Australian business, you know things have been difficult. It's been a difficult environment, particularly in the second part of the year. But in that, we've been really focused on where we want to grow. And so while it has the short-term revenue impact, we think that focus is the right thing to do.

ANDREW CORNELL: One of the main drivers of this result in the cash earnings side is the credit quality again is perhaps surprisingly good and this has been said now for three or four years running that it's better and better. How sustainable is that credit quality story?

MICHELLE JABLKO: When I started, I remember my first results and the first discussion I had with you Andrew, and at that point credit provisions were a real drag on the result actually. We had almost $2 billion of credit provisions, about three times this year's number. We had about $160 million of losses for Asia retail – we don't own that anymore – and we also had a mid-market corporate business in Asia which we've run down and that was about $80 million. So some quite big structural difference from there. Clearly the environment has helped us and we know that won't go on indefinitely, but we think we're making some good strategic choices in our business that do make us less risky in to the future.

ANDREW CORNELL: Part of that, underlying that is the sort of focus on the risk-adjusted returns of the business, which has been a clear focus. And also, it plays into the return on equity which has come down in this one. Can you talk us through that sort of return on the assets for investors?

MICHELLE JABLKO: I'll take both of those. If I think about risk-adjusted returns and the work we've done in transforming the institutional business over the last two-to-three years that's been a real central part to how we've thought about it. And risk-adjusted returns is really about making sure that for the capital we put to work we're being paid properly. And what that's done in institutional is by keeping capital scarce for the team they've had to really, really focus on where they can create value for customers and therefore customers reward us for that. And we've seen risk-adjusted returns in institutional go up about 20 per cent in that time and we continue to see the ability to do that in that business. Our overall ROE, if I then sort of move to

ROE, has also been impacted by the fact that we're holding a lot more capital. So when I compare ANZ to the market more generally, we are holding a lot more capital and that needs to be taken in to account.

ANDREW CORNELL: If we look at capital. Capital flexibility is something that you've called out in the result as quite a strength. Can you … investors buy companies for a future income stream so can you talk us through how you're thinking about that capital flexibility? Is it dividends or something else?

MICHELLE JABLKO: The way we think about capital management more broadly, and we've had this approach now for a couple of halves or for a couple of years, is that firstly we don't spend the money before we have it. Secondly, we look at what capital we think we need both from a regulatory perspective and also our assessment of risk. And then finally we look at is there a better use in the business. If not, then we look at returning excess capital to shareholders. Our dividend strategy or dividend policy is really part of that overall capital management strategy. While we've got surplus capital it's less about payout ratios and that sort of thing and more about what's the most efficient mechanism to return capital to shareholders. This year it was a $1.60 dividend and an on-market buy back and we announced I think $3 billion worth of on-market buy backs during the year.

ANDREW CORNELL: Thanks very much for speaking with us. Good luck with the presentation of the result today.

MICHELLE JABLKO: Thanks Andrew.

ANDREW CORNELL: Thanks Michelle.