

CHAIRMAN'S ADDRESS

2020 ANNUAL GENERAL MEETING

16 December 2020

Melbourne

Good morning and welcome to the 2020 Annual General Meeting of ANZ shareholders which, as there is a quorum present, I declare open.

My name is Paul O'Sullivan and it's an honour to have been recently selected by the Board to serve as Chairman.

I am joined here at our Melbourne head office by our Chief Executive Officer Shayne Elliott as well as our Chief Financial Officer Michelle Jablko. All our other directors are participating in the meeting but are doing so remotely.

Before we begin, I'd like to start by having Amelia Caldwell, of Ngarigo-Wiradjuri country and a graduate in our institutional business, deliver an Acknowledgement of Country.

[Pre-record of Amelia Caldwell]

Thank you Amelia for a wonderful Acknowledgment of Country.

I would also like to personally acknowledge the Wurundjeri and Boon Wurrung Peoples as the Traditional Custodians of this land and pay my respects to their Elders, past, present and emerging.

This is clearly a very different Annual General Meeting in what's been a very unusual year.

Sure restrictions have eased somewhat, but we felt given the serious nature of the virus as well as Government and health advice, it was still appropriate to hold a virtual meeting.

While this new format allows shareholders from all around Australia to engage in the meeting, we do plan to be in Adelaide for next year's AGM 'in-person' ...which of course was the planned location for today's meeting.

So to help with the smooth running of this virtual format, our Deputy Chief Executive, Alexis George, will be assisting with the facilitation of the meeting, including shareholder questions.

Alexis will now take us through some detail on voting and on asking questions

[Alexis George to run through protocols]

Thank you Alexis.

I now declare the polls open on items 2 to 5, and I encourage shareholders to begin submitting questions ahead of the formal business of the meeting.

Now while it may seem a distant memory for those not directly impacted, 2020 began with the catastrophic Australian bushfires that dominated headlines around the world and devastated many regional communities.

As that crisis unfolded, I was very impressed by how our people supported customers even at a time when many of our staff had been personally impacted.

I was equally impressed by how our staff stepped forward to support customers through COVID-19.

So on behalf of the bank, I would like to extend my sincerest sympathies to those who have been adversely impacted by these tragedies.

As we come to the end of a year none of us could have imagined, I'd like to provide some insight into how the Board is evaluating the future as well as make some comments on my priorities as the new incoming Chairman.

Firstly, the economy appears to be ending the year in better shape than most of us had originally feared.

The coordination between Governments, industry and regulators has meant our customers are in a far better position today than they would have been without these measures.

I am, however, a realist.

While the signs are positive, we know many businesses are continuing to struggle and sadly some may never fully recover.

We know there are many individuals who have had an incredibly demanding year, despite the considerable support from the Governments in Australia and New Zealand.

We are also acutely aware that much of this assistance will need to unwind in the early part of next year - understandably. This may present further economic challenges that need to be very carefully navigated.

Fortunately, the hard work undertaken by management in recent years to simplify and strengthen ANZ meant we went into this crisis in a strong position.

It has also meant we have been able to support our customers through one of the most difficult periods in generations.

Performance & Dividend

Now let me talk briefly about our performance and the dividend.

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

We posted a statutory profit of \$3.58 billion. This was down 40% on last year.

To provide perspective on the business trends though, on an underlying basis profit before provisions was down 1% for the year, with both revenue and expenses broadly flat.

But quite correctly, international accounting standards now require all banks to set aside provisions for potential future losses.

And so this year, reflecting the possible economic impact of the pandemic, you saw each of the major banks setting aside substantial amounts.

At ANZ we set aside a further \$1.7 billion, taking our total reserves to more than \$5 billion.

It has also been a highly unusual year in that it was the first time in our history that we elected to defer a decision on the dividend at the conclusion of our first half.

While the regulator strongly encouraged all banks and insurers to defer dividend decisions until there was greater clarity, that advice actually reflected the Board's own thinking and our decision ultimately proved to be both appropriate and prudent.

Pleasingly, we were able to announce a 25 cents-per-share dividend which was paid on 30 September. This was followed by a 35-cents-per-share distribution which we've paid to shareholders this morning. Both of these were fully-franked.

We agreed with APRA a reduced dividend was prudent in 2020.

Moving forward, the Board will continue to review our approach in the New Year, particularly given an improving economic outlook and APRA's announcement yesterday that it will remove its cap on payout ratios.

Ultimately, our final decision as a Board will be influenced by how the remainder of the crisis evolves, particularly from a macro-economic perspective, and our views on the longer term sustainability of our dividend.

Let me assure you however, your Board is acutely aware of the reliance many shareholders place on their regular dividend, and on the value of franked dividends.

Focus

Before getting into the substance of the meeting, I thought as the new Chairman it would be helpful for shareholders to say a few things about where I will focus my attention.

Firstly, it's clear our bank is in a very good position.

The strategy that management and the Board have executed over the past five years has radically simplified the business, significantly improved its capital position and remediated many of the problems of the past.

This has allowed us to weather the storms of 2020 in good shape and means we are well placed to take advantage of the opportunities a post-pandemic world will offer.

One way of thinking about my focus areas is with four Cs: Customers, Costs, Capital and Culture.

Looking at the first of these. Around the world, technology is radically improving how companies understand and serve their customers.

And to grow your bank sustainably we must continue to focus on servicing the **customer** better.

We must continue leveraging technology to amplify the voice of the customer and reduce the friction involved when dealing with the bank. We want to better anticipate needs and ultimately make faster - and smarter - credit decisions.

During the next 12 months you will hear more from the team about our digital banking offerings, which have been a big focus of our investments.

The second C is **Costs**. Banking, like so many industries, will continue to face downward pressure on margins. While we were early to this, and indeed we lead the Australian banks in that respect, we must keep relentless pressure on our cost base.

Capital, and I'm going to spend a little more time talking about this. Efficient capital allocation is the key to sustainably growing shareholder value over time. Over the last five years your bank has been a leader in the management of capital.

We have not needed to raise capital by diluting existing shareholders through the recent crisis.

In contrast to our three major Australian bank competitors, we have actually reduced the number of shares on issue over the last few years, increasing the earnings per share for you, our owners.

Currently, we remain one of the strongest capitalised large banks in the world, with a Common Equity Tier One capital ratio of 11.3%.

To put this into better perspective, this is \$34 billion more than what we had the last time we went into a major global crisis, the GFC.

However, the response of Governments and central banks has been to expand money supply with an associated reduction in interest rates.

As a result, we believe we will be in an environment of significant liquidity, low interest rates and intense competition for some time to come.

While this will help our customers, it will require intense focus from the Board and Management on not only how we manage our capital, but also how we deploy our shareholders' funds.

The final C is **Culture**. Your Board understands its role in ensuring we have the right culture within the bank.

We have made good progress here. We have a diverse and experienced management team leading from the front on values. Employee engagement scores are sector leading with our people feeling empowered to 'speak-up' when something isn't right.

An ethical decision-making framework is also now being used by leaders across the bank, as well as guiding decisions at our Ethics & Responsible Business Committee.

Wrapping the four C's up, I can assure you my focus will be on improving shareholder returns through a focus on good customer outcomes, cost discipline and the efficient use of capital while continuing to build a strong culture.

Resolutions

Before finishing I also want to give you the Board's perspective on some of the resolutions being put to the meeting today.

First, the adoption of the remuneration report.

While Ilana Atlas, the Chair of the Human Resources Committee, will talk specifically to our approach...I think it is appropriate I think I make some initial comments given the impact COVID has had on our business this year.

The Board was pleased with the way the bank responded to this global pandemic.

From an operational perspective, we took immediate steps to ensure that our people could safely and productively work at home while still supporting customers during a very difficult time.

However, as I've said, provisions and impairments related to the pandemic reduced profits and impacted the amount we were able to return to you our shareholders through dividends.

So while management did an excellent job...it is important the impact on shareholders be reflected in the remuneration of our executives.

Therefore, the Board applied a 50% reduction to the Variable Remuneration outcomes for our disclosed executives. This reduced the total remuneration by an average of 15% for those that were in those same roles last year.

I should also point out however our frontline staff on award contracts received a 2% pay rise this year and we think that is totally deserved and appropriate.

The other resolutions I want to specifically address relate to climate change and our lending to the natural resources sector.

The global economy is clearly making a major transition to a lower-carbon future and our key markets of Australia and New Zealand will be at the forefront of new investment and opportunity.

We believe we have a role to play as an enabler of a net-zero future and we are already embracing that role.

This transition will take time however and we appreciate some shareholders listening today may want us to get there sooner rather than later. Paradoxically, some feel we may be moving too quickly.

As such, we recently released an updated Climate Change Statement which focuses on:

One. We will encourage and support our top-100 emitting large corporate customers, to identify climate risks and opportunities, create transition plans and report publicly on their progress.

Secondly. We will support the transition of our economy to a low-carbon future. We have set aside \$50 billion to help fund this and I expect that number will likely grow over the next few years.

And thirdly. We will reduce our own impact by managing and reducing emissions from our operations. This will include sourcing 100 per cent of the electricity needed for our business operations from renewables by 2025.

At the heart of our climate strategy however is a dialogue with our customers.

We want to better understand how they are thinking about these issues and how can we assist them to act on these challenges.

What has been encouraging so far is that the vast bulk of our customers have welcomed the engagement and are taking these issues seriously.

Concluding remarks

So in conclusion, this has been a difficult year for many of our customers and the nation.

If 2020 has taught us anything...it is things can change very fast. The lesson for companies like ANZ is that it's important to be both flexible in planning and agile in response.

There will still be challenges ahead, but we have the balance sheet strength, along with record levels of provisions, to ensure we are able to support customers through the remainder of the crisis while still providing a decent return for you our shareholders.

Before I hand over to Shayne, it would be remiss of me not to make a few comments about my predecessor David Gonski.

David retired from the ANZ Board at the end of October having made an enormous contribution to our bank, particularly over the last seven years as Chair.

He steered the Board through some testing times for the industry and helped build an organisation with a strong focus on governance, accountability, improved culture and enhanced customer outcomes.

There is no doubt ANZ is in much better shape as a result of his leadership:

- We are a much simpler and more focussed with a strong, diverse and stable management team.
- We are one of the best capitalised banks in the world without having to dilute existing shareholders through the recent crisis
- And we have remediated many of the issues of the past, while still investing in our future.

Perhaps most importantly, his efforts to strengthen and champion the bank's work in the area of Environment, Social and Governance has given us the foundation to be a leader on sustainability issues.

On behalf of all shareholders, I thank David for his efforts.

Finally, given the events of 2020, it's reassuring to know we have a workforce of more than 38,000 people so dedicated to their customers and their community.

I'd also like to acknowledge our customers for again trusting us with their banking, as well as you our shareholders for supporting us through the year.

Your support is much appreciated by the Board.

Whatever 2021 brings, ANZ enters it with strength, confidence and optimism.

And with that, I will now ask our Chief Executive Officer Shayne Elliott to address the meeting, Shayne.