News Release

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ANZ 2023 Full Year Results – Chief Executive Officer Shayne Elliott Speaking Notes

Thanks Jill.

Today our focus is on financial results, we'll be discussing assets, liabilities, and economic data, but behind those are people, families, and businesses and I want to acknowledge those in the community struggling with inflation and higher interest rates, particularly those with less secure employment, lower incomes, and renters, many of whom are disproportionately younger.

Our savings tools in ANZPlus and our SaverPlus program, plus our support for build-to-rent and other entry level housing programs are helping; but more needs to be done.

Thankfully, for those with existing loans, even first-home buyers, the number of customers experiencing financial stress remains modest by historic standards, but for each one, this will be highly distressing.

It is highly likely we will be called on to provide more support in the coming year and we are ready and able to do so.

On the global stage, we remain deeply troubled by the ongoing conflict in Ukraine and now the tragedy unfolding in the Middle East. These events are profoundly distressing for many in our community, including our own people, and we are doing what we can to support them.

Financials

Last year we described our 2022 result as "<u>one of</u> the best" and 2023 is undoubtedly our best ever.

On a Cash basis, revenue increased 13% and profit 14% versus last year, both to all-time highs.

Given the seasonality in our business mix, and the impact of rate rises, the first half was stronger, however, on its own the second half was an outstanding result, demonstrating the underlying strength of our franchise.

Importantly, we continued to invest, building a better bank to deliver long term growth with sustainable returns. 83% of that investment was expensed during the year, exhibiting discipline and accountability.

Our balance sheet is strong, provisions for potential credit losses remain high, and common equity tier-one sits at 13.3%.

Net tangible assets per share is the highest on record at $21.78 and return-on-equity increased 54 basis points to 10.9% for the year.

Setting aside the capital retained to purchase Suncorp Bank, underlying return-on-equity was 11.7%.

Each division contributed, with good quality volume growth, managing both risk-adjusted margins and expenses well, demonstrating the benefits of a simpler, better-balanced portfolio and an experienced team.

It's pleasing to see all divisions delivering a return on equity sustainably above cost of capital.

Reflecting that strength, the Board announced a dividend of 81 cents and an additional one-off dividend of 13 cents per share.

The proposed total final dividend is therefore 94 cents and will be partially franked at 56%. And Farhan will walk through the details.

We entered the new financial year well positioned for the environment - a strong balance sheet, targeted momentum, diversified growth options, benefiting from consistent and deliberate investment.

In our home markets, customers are finding conditions more difficult and last week's rate hike by the RBA will be difficult for many.

Customers are being forced to make tough choices, but overwhelmingly they remain financially robust.

As of today, hardship levels remain low but that is not to diminish the stress felt by those increasingly on the edge. As I said, it is likely that more will need our help, and we have the capacity to assist those in need, without impacting our ability to support growth, business investment and job creation, through prudent lending.

That is the benefit of a stronger and simpler bank.

Priorities

A year ago I shared priorities for 2023, and we did what we said we would do:

- We grew Commercial, New Zealand and Institutional, particularly around sustainability and payments, underpinning long term competitive advantage for ANZ.
- We delivered on productivity, despite higher inflation.
- At the same time, we continued to invest in our ANZ Plus business which delivered above expectations.
- Shareholder's overwhelmingly supported our Non-Operating Holding Company structure, which will provide greater flexibility to better service customers, and finally,
- We remain confident we will receive approval for the acquisition of Suncorp Bank and are well prepared for integration, to deliver benefits to customers and shareholders.

Australia Retail

In Australian Retail, we increased Home Loans processing capacity, which enabled consistent turnaround times, despite higher volumes. Coupled with ongoing digitization for deposit account opening, we generated high-quality retail balance sheet growth.

The build of ANZ Plus continues apace, now a fully-fledged business line within Australia Retail.

Since launching a little over 18 months ago, Plus has welcomed over 500k customers and $10bn in deposits, more than we had targeted.

A little less than half of those currently joining are new to ANZ, higher than last year, with average balances increasing.

Importantly, Plus operates at a marginal acquisition cost 40% lower than our classic business, with variable servicing costs 20% lower and falling further as we grow.

Plus is the fastest growing, most contemporary major bank offering for retail savers, and last week we quietly launched the Plus home loan, dramatically reducing the time and cost of assessment, approval, and settlement.

Commercial

Last year we created a stand-alone Commercial business, and it has solidified its position as our highest returning Division.

We focused on the basics, exiting non-core, high-risk propositions, like Margin lending and broker originated asset finance. The reduction in revenue was more than offset by growing our core business, which improved risk-adjusted margins and returns.

Commercial lending grew strongly and deposits, which are nearly twice as large also grew, showing the underlying resilience of our SME customer base.

It was pleasing to see strong momentum in our digital platform, GoBiz where drawn lending consistently grew 10 to 20% month-on-month. Like Plus, GoBiz operates at a much lower cost while delivering greater responsiveness and speed to decision for customers.

New Zealand

New Zealand is a story of quality and resilience after years of consistent investment, starting with the merger of our brands and systems in 2012 which is still delivering benefits, through to the completion of the BS11 regulatory program further increasing resilience.

ANZ New Zealand is well diversified and well managed, and despite the tougher economic and regulatory environment, continues to deliver better outcomes for customers while generating decent, consistent returns to shareholders.

Economically, many consider New Zealand to be a leading indicator for Australia, given it is further ahead in the tightening cycle. We agree.

As the largest bank in New Zealand and with the most balanced portfolio of businesses we get better data and insight than most. I get to interrogate that as a member of the NZ Board, and we agree that while delinquencies have slowly risen overall, customers continue to manage the cost of living and challenges of higher rates well.

This reinforces the benefits of strong employment conditions, high savings buffers built during COVID and prudent bank lending in recent years.

We are optimistic that the new government will focus on much needed reform and help rebuild consumer and business confidence.

Institutional

Institutional had an outstanding year.

After years of disciplined execution strengthening the balance sheet, improving productivity, and rebalancing the business, Institutional generated the highest ever returns for shareholders while supporting customers through the cycle.

Revenue grew 26% year-on-year, profit before provisions 45% and cash profit 53%.

These are impressive results.

For the first time, each of its business lines - Transaction Banking, Markets and Corporate Finance - generated revenues above $2bn, with Transaction Banking growing 47% to an all-time high of $2.3bn.

Institutional is a diverse, well-balanced business delivering decent, consistent returns.

That transformation has largely been driven by our payments and currency processing businesses which are low capital, high return, with high barriers to entry.

While built for Institutional, these platforms are increasingly servicing other ANZ customers, leveraging scale, and bringing top-end capability to a broader audience.

For example, Transactive Global - which is used by the world's leading multi-nationals and financial institutions and rated #1 by users, is now available to our medium sized businesses within the Commercial Bank.

Over 60% of Transactive Global's users are Commercial Bank customers.

The scale of these platforms is impressive, processing 13billion datapoints a day.

We process around 60% of Australia and New Zealand correspondent clearing payments and provide services to more than 90% of the world's globally systemic banks, facilitating $164 trillion in payments in, out, and around the markets in which we operate.

Over the long run, underlying transactional growth should outpace nominal GDP.

On a PCP basis, payments initiated in customers systems were up 16%, real-time payments 31% and third-party deposit accounts opened by our customers for their customers - grew 25%.

Collectively these services drive revenue and positive deposit beta, helping Institutional deliver an ROE of 13%, double that reported in 2016.

Even more pleasing is the transformation of International, which in 7 years has come from a drag on the Group with low single-digit ROE to an accretive 15% return.

I have spoken today about the benefits of diversification, but hopefully you notice consistent themes across our businesses; focusing on products and customers where we can add value, and a skew towards processing related revenues, because they are low capital with high operating leverage, and they reward sector leading investment in technology and security.

With regards to security, we continue to invest, keeping customers safer from criminals.

Each month we block up to 3 million malicious emails and 12 million attacks against our public facing web services.

Recently we ran a pilot, using AI to identify and close suspected mule accounts linked to fraud, scams, money laundering and other financial crimes.

We introduced biometrics to identify payment anomalies and removed about 1600 phishing or fraudulent websites impersonating ANZ and put in place measures to stop scammers impersonating 'ANZ' in text messages.

We regularly deliver education campaigns through our bank channels and I recently wrote to all customers in Australia to warn them of the dangers of scams and how to avoid them but we recognise there is always more to do.

ANZ Plus will soon roll out cutting-edge features branded "Scam Safe" to provide even greater security for customers.

Economic outlook

Looking ahead, our job is to ensure we have the strength and agility to manage any environment.

The outlook is certainly tougher, geopolitical risks are rising with trade and capital flows changing faster than we have seen in some time.

We are well positioned for these changes.

Australians came into this cycle with virtually every mortgage having been assessed with a 300bp interest rate buffer. New Zealand was similar. Most of that has been absorbed, but coupled with strong savings levels, which at ANZ are still rising, higher income growth, particularly for those with home loans who are generally better off than average, and house prices stabilising, household balance sheets remain in good shape.

The same can be said for most of our small business customers.

However, housing affordability has increased as a policy focus with most Australian states announcing housing targets. New housing requires significant material and labour, which are in short supply and competing with climate transition. So, the cost of construction will likely rise as these targets, and higher immigration force more demand into the sector.

This should underpin house prices, which coupled with strong employment conditions, mean we are confident we can cautiously grow home lending in a low-risk way while maintaining decent returns.

Globally, office property remains a sector at risk, challenged by higher interest rates, working from home, and a preference for greener buildings.

At ANZ, we have the smallest commercial property exposure of our peers and have focused on highly rated, diversified portfolios, managed by people we know well, with proven track records and financial flexibility.

It remains a watch point for the sector, but we are alert and well positioned.

More broadly, the demand for resources globally is substantial across defence, infrastructure, housing, and climate. In addition, there are shifts in global flows which are likely to have some permanence.

The US economy has become an importer of Foreign Direct Investment, possibly due to the Inflation Reduction Act and efforts at re-shoring.

China has seen a slowdown in FDI. Debt and demographics are changing China's growth dynamics. It is still an US$18trn giant but growing more slowly and absorbing different resources.

These changes plus global instabilities have forced a search for alternative manufacturing bases and areas to invest. India dominates, given its enviable geopolitical position and economic reforms but others are also benefiting, such as Singapore and Vietnam.

Given these trends, our leading institutional franchise built on long-term relationships, specialist skills and a unique regional network, means we are at the heart of the resulting shift in trade and capital flows and are well placed to assist global customers who are leading transformation and grow with them.

In more challenging times, delivery excellence, strategic consistency, and the ability to flex resources is critical.

Today's results are evidence of that - be it strategy, capital, risk, productivity, or our experienced team.

We have held a steady hand over seven years and structurally we find ourselves in the right place, at the right time, off the back of years of investment and diligent execution.

Our priorities for the coming year build on that:

We will,

- Continue to run the Group prudently, using our strength to support customers through challenging times and seek opportunity from our regional network.
- Further improve productivity, using tools like Generative AI and process simplification to build further capacity for investment.
- Grow the number of customers using ANZ Plus, particularly those new to ANZ, and deepen their engagement, while starting to migrate existing customers from ANZ Classic.
- Invest more in our Commercial division, driving growth in chosen segments.
- Further enhance our Sustainability, Currency, and Payment's platforms, and finally
- Complete the acquisition of Suncorp Bank delivering the benefits of superior technology and customer propositions to their 1.2million customers.

People & Culture

None of this is possible without the right people and culture.

We've worked hard to develop teams with the right behaviours and skills needed to continue our transformation.

We actively invest in employee engagement, and with our most recent score of 87%, we are best-in-class, for any industry, anywhere in the world.

This may not sit on our balance sheet, but it is a real asset and part of the reason we secured over 90% support for our recent enterprise bargaining agreement and won the award as best Finance graduate program in Australia two years running.

Standing back, the difference between Australian Banks has never been more pronounced.

ANZ led the way on simplification but has retained the most diversified and balanced set of divisions. Each of them has a strong sense of purpose, a clear strategy built on unique strengths, and generates returns sustainably above cost of capital.

Our Commercial bank is deposit-rich with significant growth opportunities, while Institutional is more international and increasingly driven by payments and currency processing.

Australian Retail is the smallest of our peers but rapidly transforming to a digital first, financial-wellbeing proposition by growing our newest business, ANZ Plus.

New Zealand led our simplification allowing us to invest in better outcomes for the almost one-in-two Kiwis we serve, while generating reliable returns to shareholders.

On its own New Zealand is arguably the most valuable banking franchise in Australasia.

Today, I am confident our diversity is a strength.

We are more fleet of foot and are putting that flexibility and diversification to good use.

Revenue growth will be harder to come by, so while investing to deliver better customer outcomes, we will increase focus on capital efficiency, risk management and productivity.

I am confident we have a fortress balance sheet, the right portfolio, and a proven team, capable of managing through challenging times and making the tough calls.

With that I will hand over to Farhan to talk through the result in more detail.

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