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Market Announcements Office
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Chairman's Report 1H20

Attached is the Chairman's Report 1H20 which has been approved for distribution by ANZ's Continuous Disclosure Committee.

Yours faithfully

Simon Pordage
Company Secretary
Australia and New Zealand Banking Group Limited

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CHAIRMAN'S REPORT

1H20

COVID-19 has changed all our lives in ways we would have never imagined just a few short months ago and has already had a significant impact on company profits. ANZ was no exception with Statutory Profit after tax for the Half Year ended 31 March 2020 of \$1.55 billion, down 51% on the prior comparable period. Cash profit from continuing operations was down 60% to \$1.41 billion.



DAVID GONSKI, AC

This financial performance was primarily driven by credit impairment charges of \$1.674 billion. This included credit reserves of \$1.031 billion being set aside to help manage the impacts of COVID-19, taking our total collective provision to \$4.5 billion. While not impacting our overall capital position, there was also an \$815 million impairment of our investments in two Asian associate banks related to COVID-19 impacts in those markets.

Cash Earnings per Share decreased 60% to 50 cents with Return on Equity also decreasing to 4.7% on a cash continuing basis.

While the pandemic is impacting the entire economy, the work we have done over recent years under the leadership of our Chief Executive Shayne Elliott to simplify and strengthen our business has us well placed to support all our stakeholders during this health crisis.

Our core businesses continued to perform well with targeted balance sheet growth in our preferred segments. We maintained a strong capital position with a Common Equity Tier 1 Capital Ratio of 10.8% at 31 March 2020, even after bolstering credit reserves to record levels. Liquidity also remained strong.

We continued our focus on running the business as efficiently as possible with business as usual costs falling again.

Critically, we took decisive action in response to COVID-19 with the implementation of a four-pronged plan focused on protecting the essential fabric of our bank, including keeping our staff and customers safe; adapting in a new world; engaging with key stakeholders; and preparing for the future.

DIVIDEND

The Board announced last month that we will wait until there is greater certainty around the economic impacts of COVID-19 before determining a final position on an interim dividend for 2020.

While this may be disappointing given the importance many of our shareholders place on a regular franked distribution, it prudently balanced our primary responsibility to shareholders to ensure our balance sheet is sufficiently robust for the long term.

This decision was not about our current financial position and I can also confirm we have not received any concerns from the Australian Prudential Regulation Authority (APRA) regarding our level of capital.

Given we are in the eye of a global pandemic not seen for a hundred years, the Board believed it was prudent to wait until we had more information about the full impact of COVID-19.

This decision was also in-line with APRA guidance that all authorised deposit taking institutions and insurers should seriously consider deferring decisions on dividends until the outlook is clearer.

Directors will continue to carefully consider all factors over the coming months, including the severity and duration of community lock-downs, before determining a final position on the interim dividend. Shareholders will receive more information as part of a trading update in August.

SUPPORTING CUSTOMERS

COVID-19 has caused significant financial difficulty for many and I'm proud of the way our team has stepped forward to support more than 180,000 customers across Australia and New Zealand with various financial support measures.

This support includes the six-month deferral of interest and principal repayments on home and business loans.

In Australia, we had around 105,000 requests for assistance on \$36 billion worth of home loans, representing 14% of ANZ's home loan portfolio. In New Zealand, we have provided financial support to more than 30,000 personal, home and business loan customers through loan deferrals or adjustments with lending of around NZ\$12 billion.

We provided financial assistance to around 15% of our commercial and small business lending customers in Australia, as well as providing temporary overdraft increases for ~5,500 business customers. More than \$4 billion in lending was pre-approved to 35,000 small business customers with existing transactional accounts.

To support those companies which employ a large number of people through COVID-19, we also provided \$16 billion in additional lending mainly to our long-term investment-grade institutional customers.

While we recognise this support comes at a cost to shareholders, it is ultimately in everybody's interest we support as many home owners and businesses as we responsibly can to the other side of this crisis. This is what we are here for and your bank has demonstrated its commitment in this time of need for our customers.

PRODUCTIVITY

Given the impact COVID-19 is having on the broader economy, our business and, of course, our shareholders, we are taking the necessary steps to ensure our business is run as efficiently as possible. I particularly note 95% of our staff have been working productively from home. This is a credit to them and the work of our technology teams.

There will also rightly be an expectation that the variable remuneration of our staff, particularly senior executives, will be materially reduced given the impact COVID-19 has had on shareholders.

While the Board will make its final assessments as part of the Full Year results, budgets for variable remuneration and salary increases have already been significantly reduced and will be focused primarily on rewarding those who have been working extremely hard to provide essential services to our customers.

PREPARING FOR THE FUTURE

The coming months will be difficult. The speed at which COVID-19 has already evolved makes it difficult to predict how deep the economic crisis will be or how long the recovery will take.

What I do know however is that we have the team, the financial strength and the strategy to help cushion our customers and the broader community through these terrible times as well as to position us for the benefit of shareholders.

We are preparing ANZ for 'COVID-normal' with urgency so we can continue to deliver long term benefits to our shareholders.

We know the time will come when the crisis will pass. ANZ will be there to help customers build and invest for future growth and opportunities, as well as providing returns to our shareholders.

Finally, as mentioned earlier, I'm proud of how ANZ has stepped forward and would like to acknowledge the work of the ANZ team who have worked so hard in very difficult circumstances to support our customers through these most challenging of times.



David Gonski, AC CHAIRMAN