News Release

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ANZ 2024 Half Year Results – ANZ Chief Executive Officer Shayne Elliott speaking notes

Thanks Jill. Good morning and welcome everyone.

There are 5 key messages from the half.

First, this is a result about consolidation and delivery. We delivered what we promised and coming off a record 2023, these are strong results.

Second, diversification served us well, with momentum across all divisions from targeted investment, efficient capital allocation and strong risk management. We have options others don't, and we used them well.

Third, we made progress where we said we would: preparing for Suncorp, growing ANZ Plus, leveraging Institutional processing platforms and delivering productivity.

Fourth, we used productivity benefits to fund investment in growth, including ANZ Plus, Institutional's digital backbone, upgrading New Zealand's core banking platform and growing our Commercial business. We are not milking the franchise but investing, intending to build and sustain the most contemporary digital capability in each business.

Finally, we continued supporting customers through challenging times, with a fortress balance sheet, a diversified portfolio of businesses and an experienced team.

And that support is needed, as while most remain resilient, higher interest rates, taxes, rent and household expenses are hurting many.

The number of customers in hardship rose this half and while still lower than it has been in the past, it's extremely distressing for each of them. We expect that number to rise further as cost-of-living bites harder and unemployment likely increases, but I do want to assure those customers: we are here to support you.

For example, we developed a world-first AI transaction scoring capability for retail and small business customers. We can identify customers at risk of distress ~40 days earlier than usual, so we get customers back on their feet more quickly.

We also support customers by keeping them safe. Providing a safe place for their money has been core to our business for 196 years and always will be. That's why investing in security is our #1 priority. Being a simpler, stronger bank helps, meaning we're ready and able to help those in need, with the right tools at the right time to keep them safe.

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Safe from criminals. Safe from hackers. Safe from scammers.

Sadly, people are more susceptible to scams in times of stress, so we will continue to invest here as well.

You may have seen our latest advertisements with the return of our hugely popular Falcon, but also an anti-fraud system flagging suspicious transactions.

The ads are fun but they carry a serious message about extra layers of security through ANZ Plus, and the protection Falcon technology provides.

In fact, we are adding more scam-safe controls to ANZ Plus, including disabling screen sharing, limiting transfers to crypto exchanges and better identifying unusual activity from unexpected locations.

These efforts are making an impact and while still too high, it's good to see the amount customers are losing to scams fall.

Turning to financials, this was a strong half.

Off the back of record results in 2023, cash profit was down just 1% on the previous half.

We strengthened our balance sheet increasing Common Equity Tier 1 ratio to 13.5% and we maintained our collective provision balance above $4b, still 20% higher than pre-Covid.

Return on Equity was 10.1% or 10.7%, excluding the capital held to purchase Suncorp Bank.

Revenue was flat half-on-half but with the mix shifting towards Institutional, offsetting a more subdued domestic retail market, showing the benefits of diversification.

Expenses were very well managed, growing only 1% despite absorbing annual wage uplifts and price increases from technology vendors in particular.

Credit costs remain remarkably low. While that's true across the industry, we are confident our transformed and de-risked customer base is delivering sustainably lower credit costs.

Institutional grew revenue again and posted record return on equity domestically and internationally. Customer revenues in markets performed particularly well, growing 30% half-on-half, with most of the growth coming from our international network, again demonstrating the benefit of diversification.

The Institutional pivot from a lending business to one built around digital payment and currency platforms has transformed underlying performance and positions us beautifully for better long-term growth with sustainably higher returns.

New Zealand delivered consistently yet again, Australia Retail produced strong growth in home loans, without leading on price, and Commercial continued to deliver our highest return on equity while growing loans 7% and deposits 3% versus the prior year.

And finally, we further simplified the group, selling 16.5% of AmBank. This added to our already strong capital base, providing the opportunity to return $2bn to shareholders via the buy-back announced today.

Reflecting the overall strength of our result and confidence in the future, the Board announced a higher dividend of 83 cents.

As mentioned, we executed key priorities well: Suncorp, Plus, Platforms and the Productivity required to fund it all.

So, let me talk to each in turn.

The Australian Competition Tribunal authorised our proposed acquisition of Suncorp and legislation has been introduced in Queensland to allow it to proceed.

These are important milestones, and we commend the Queensland government for recognising the significant benefits the transaction brings.

That said, we still have conditions to meet, including passing that legislation, and approval from the Federal Treasurer.

We're almost two years into this process and while taking longer than anticipated, we are using the time productively and are more confident of the substantial benefits that will flow.

It's a bit like training for a marathon. Race date got postponed but we kept training, and now we are fitter and faster.

For example, we are piloting a Generative AI tool to radically reduce the time to compare, contrast and harmonize, thousands of terms, conditions, procedures, policies and contracts of Suncorp Bank and ANZ, which will accelerate and de-risk integration.

Going well, we expect to finalise the acquisition in August and will then provide an update on the timing and scale of benefits.

The digital transformation of Australian Retail is gathering pace.

Two years ago, I shared our ambition for ANZ Plus to become more attractive, engaging and secure for customers, and more efficient and resilient for shareholders.

It's clear we've made good progress.

On average, we attract 35,000 customers every month, around half of which are new to ANZ. Despite rapid growth, average deposits have held consistently at about $20,000. As of yesterday, we had almost 700,000 customers on Plus, approaching $14 billion in deposits, which is 8% of our retail deposit base.

Net promoter scores are consistently higher than peers and customers are highly engaged with 47% using at least one of our financial wellbeing features.

ANZ Plus Home Loans are in market, in limited release, and we recently completed final regulatory steps to allow us to increase volumes.

As we build scale more generally, our cost to acquire and cost to serve on Plus continue to fall and are now 45% and 30% below ANZ Classic, with the gap increasing.

The economics are compelling, but the strategic value of Plus is our ability to pivot and innovate at pace.

One of those pivots is preparing for Suncorp where we will build out propositions on Plus to match and exceed Suncorp services so we can safely move their customers to ANZ, leveraging scale and maximising synergies.

Looking ahead, we're already exploring and piloting Generative AI across ANZ Plus to provide better tools to manage money, resolve enquiries, provide property valuations and detect fraud.

Another key focus is leveraging our Institutional platforms.

As you know, ANZ operates one of the largest payment platforms in the region, processing around 60% of Australia and New Zealand correspondent clearing payments, providing services to 90% of the world's globally systemic banks. We process $164 trillion in payments in, out, and around the markets in which we operate every year, more than 60 times the GDP of Australia.

Built for Institutional, these platforms are now used by other divisions and customers to drive scale and grow revenue.

While Australia and New Zealand remain core, our international network is critical for growth and already 3 of our largest payments customers are Asia based, with international payments growing an impressive 8.5% over the year.

More broadly, we continued to grow payments market share with digital payments up 7% versus a year ago, and NPP agency payments up 20%.

Payment's innovation is essential to sustain success, and we recently extended leadership, becoming the first major bank to go live with a natively built, API-enabled, PayTo service for billers in Australia.

This allows businesses to send a payment request to their customers via secure digital platforms, which customers can then review and accept. It's safer, faster, and cheaper, but to be successful, requires the scale of a leading payments platform like ANZ.

The other driver of sustainable success is the volume of payments processed via customer systems directly integrated into ours. Once integrated, these channels are difficult to replicate, and these volumes grew strongly at 11% compared to a year ago and 39% over 2 years.

None of this investment and growth is possible without productivity.

For example, in Australian home loans, we've leveraged automation to reengineer processing, and in this half improving productivity by 13%, further improving turnaround times.

And partners and customers notice, with our broker NPS increasing to a record level, and market share rising.

Another good example are the 3,000 engineers using Generative AI co-pilot tools to rewrite bank software, delivering material gains in engineering productivity.

Finally, optimising our workforce across 29 markets is also key to efficiency.

We have the largest offshore operations and technology capability of any Australian company with 10,000 colleagues across Bengaluru and Manila who augment our skills in cyber security, transaction processing, sanctions checking, engineering, judgmental credit, generative AI and predictive analytics. They will have an increasingly important role to play as we grow.

Overall, ANZ has a good track record on productivity - it's a core capability as opposed to spotty interventions in response to a crisis. We are the only major Australian bank to have held reported costs at or below those of 2016.

Looking ahead, as a well-managed, de-risked and diversified group we are well positioned to manage through what remains a complicated environment.

The global economy has been resilient in the face of major shocks with wars in the Ukraine and Middle East.

This year, 40% of the world votes in elections across countries that generate around 50% of global GDP. Despite tension, surprises to date have been few, and credible transitions of power evident. But ongoing conflicts, geopolitical tension and more active industry and trade policy interventions continue to impact us all.

China's economy is adjusting to structurally lower growth, but the region is adapting as capital is redirected elsewhere and other Asian economies raise their presence in global supply chains. ANZ is a beneficiary of that shift.

Closer to home, the Australian economy is resilient. Consumption has slowed, but investment and government spending are robust, unemployment low and consumer confidence has improved.

While growth is unlikely to pick-up this year, strong household and corporate balance sheets suggest a hard landing is unlikely. In Australia, liquid household assets exceed total household liabilities by the largest amount in at least 25 years.

Clearly these are aggregate numbers, and the challenge for the community, is around the disbursement of wealth and debt. Our customer's, however, are generally better off than most and that's why we don't see the levels of stress one might expect given headline economic indicators.

Housing remains challenging and even with public support, it is the weakest stream of investment activity, reducing labour mobility and raising social pressures.

Competition for labour and materials in construction and infrastructure remains vigorous. We estimate the major project pipeline in Australia will exceed $100 billion by 2026, from around $40 billion pre-pandemic.

Around half of that growth is in electricity, highlighting the commercial opportunities presented by climate transition.

That's a huge opportunity for us as Australia's leading Institutional bank, with our strength intermediating regional capital flow and #1 market positions in project finance, trade, debt capital markets, corporate FX and sustainable finance.

Our diversified portfolio, unique global network, engaged work force and fortress balance sheet, combined with careful customer selection, means we are well positioned to deliver despite uncertain times.

Looking ahead, our priorities are clear.

We will continue to run the Group prudently, using our strength to support customers and leverage opportunities from our network.

Pending authorisation, we will acquire Suncorp Bank.

We will grow ANZ Plus, while deepening customer engagement.

We will grow our Commercial business, leveraging our points of difference, and extend our Institutional Banking lead in Sustainability, Currency, and Payments.

We will invest in productivity, building capacity for the future.

And finally, we will continue to foster a diverse and supportive culture focused on living our purpose, to shape a world where people and communities thrive.

I am confident we are in an excellent position to deliver value for shareholders, customers, and our people, whatever may come.

With that, I'll hand over to Farhan.

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