

## News Release

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### **Transcript of bluenotes video interview with ANZ Chief Executive Officer Shayne Elliott**

ANDREW CORNELL: Morning Shayne, thanks very much for joining us on bluenotes for the morning of the half year result. On the surface this looks a very strong, perhaps surprisingly strong set of numbers, but how much of that is due to the economic fallout from the pandemic not being as bad as feared? And how much is operational things that ANZ has done?

SHAYNE ELLIOTT: Well, inevitably Andrew it is a little bit of both. But talking about the strong result, I think it's important to put it into perspective. What we're seeing here is really a rebound, like the economy that we've seen rebound, so too has the bank's result rebounded. And a lot of that is absolutely linked to the much better outlook we've seen and the much better performance we've seen in the economy. So that's true. If I think about the overall result though to put it in perspective, it's still lower than it had been some years ago so we shouldn't forget that. But, of course, in order to take advantage of those opportunities in order to participate in that rebound it's really down to the operational performance of the bank. Did we get the right settings in terms of capital? Did we have the right responses to customers? Were we able to operate successfully through a very, very difficult period of time? At ANZ we're very proud of the fact that we've been able to do that – stand by customers, get things done for them in a really unusual set of circumstances. So it's a really good result for the time, but we think we can do better and that's what we're really focussed on, better for our customers and actually better for our shareholders.

I might, if you will, just walk through a little bit. If I think about revenue, revenue was down a little bit. So what does that tell you? It says that we had more customers we were able to serve, doing more things for them, processing more transactions, but actually overall customers paid us less for that. That's a good thing for customers. That's a good thing for the economy. And in response to that – which wasn't news to us, we've been preparing for this for a period of time knowing that banking was always going to get harder, not necessarily ... we didn't foresee a pandemic, but we knew it was always going to be harder – so that's why we've been really trimming our sails, if you will, and getting our costs appropriately set. And we had a very good result on costs again where we got the cost of running the bank down in absolute terms. And of course, the real boost to the result and the reason the headline looks good is, of course, releasing those credit provisions. Last year we were worried, quite rightly, and put aside a lot of money for a rainy day. As it turned out, the economy performed better, we didn't need all of those reserves so we released a little bit of it and that's what's really given a bit of a boost to the result this half.

ANDREW CORNELL: And if we dig down a bit into those results, and setting aside the terrible and ongoing consequences of the pandemic, we've seen as in many things, a sort of acceleration in what's happened in the last 12 months. There's been multiple business cycles almost. Corporates were gearing up then there was deferrals by retail customers on home loans, then there was that rapid take up of digital banking – so much was happening. So how did this play out in the individual business in the bank? Was it different across the bank?

SHAYNE ELLIOTT: Absolutely it was different across the bank. Let's not forget we operate in 32 markets around the world, mostly in Asia-Pacific and of course at a first instance all of

those countries have been going through different levels of managing through COVID, the actual health consequences. What I'm really pleased about though is that at ANZ, operationally we really didn't miss a beat. We were able to respond really quickly to what was going on, almost in real time. Getting people out of the office, back at home. Getting them back into the office. Giving customers access to liquidity when they needed it and actually getting it back and taking on liquidity when they didn't. Getting customers to move to those digital channels, we had to literally write code and get new apps out so that people could operate digitally in a matter of weeks. So that inherent agility that we've been working on at ANZ, while not perfect, really came through in this year and that's really what you want to have. You want to have a business that can respond at pace, continue to operate, do the right thing for customers and quickly adapt to the times.

ANDREW CORNELL: And yet, you've referenced several times ongoing caution – I mean really, when we see what's happening in India for example, we can see why there's ongoing caution – but when you look at that mix of businesses again, are there some where you're more cautious and some where you're more optimistic than others?

SHAYNE ELLIOTT: Yes. So first of all, we're a bank, let's not forget that we are highly leveraged as an organisation and so we have to be extremely prudent and thoughtful when we run the bank in terms of our risk appetite – whether that's from a balance sheet perspective or whether it's operationally. Remember this result Andrew, is really talking about the bank as at the 31st of March. Well that was literally the day or the day after things like JobKeeper finished. So it's a bit early to tell what the consequences of that are. We're very optimistic. There are lots of reasons to be positive about the outlook, particularly in Australia and New Zealand. But there are also things to be cautious about – we don't know how the vaccine rollout's going to go globally, there are some geopolitical tensions that are still making waves in terms of trade and capital flow and those sorts of things. So right now, we're cautiously optimistic. We're feeling like we've got our settings in a really good position, lots of capital – in fact record levels of capital – lots of liquidity, so that means we've got the ability to support customers who need it. And, operationally, a really resilient team of people who have got the right technology and tools to be able to do the right thing and pivot where that help is needed.

ANDREW CORNELL: You mentioned lots of capital, very strong capital generation. For investors, last year was obviously a year when they suffered the pain of having dividends cut, I'm sure they're welcoming dividends coming back up again. What sort of flexibility then do you have around that capital maybe in terms of more returns to shareholders?

SHAYNE ELLIOTT: One of the hallmarks, I think, of the way we've managed ANZ over the last few years is really that focus on shareholder value and making sure we're really looking after them for the long term. So we've been taking a very prudent approach to managing our shareholders' capital. We haven't put our hands into their pocket and asked for more. Yes, last year we didn't distribute capital through the normal ways in terms of dividends to the extent we've done in the past because the prudent thing to do was to be a little bit cautious and I think that has worked, really, extraordinarily well and in the interests of those shareholders. So we're conscious of it and it's great that we're able to return to a more normal dividend policy for now. As you quite rightly point out, we're sitting on a record level of capital. In the "techy terms" we're sitting on a CET1 ratio of 12.5% on a proforma basis. That's about \$7 billion more than we would normally require to be unquestionably strong. We're very mindful of that. That money serves us no purpose other than it is a sense of safety and prudence in a time of uncertainty. And at the time when we've got more confidence about the future, of course we're very mindful that that money belongs to our shareholders and we would explore options to return it – either to invest in the business for growth, or to return it into the pockets of our shareholders.

ANDREW CORNELL: Another comment you made just before is about, even with the rebound that we hope continues after COVID, this is a mature market. Revenue opportunities are hard to come by, there's the focus on absolute costs, so where is the growth opportunity – if we can set aside the uncertainty?

SHAYNE ELLIOTT: What you really saw over the last five years was a strategy designed to simplify what we do, get better and better at it, and we think that will result in a lower cost base and actually give us that platform for growth. Because when you get into that positive cycle, doing great things for customers at a lower cost, the rest is sort of easy. And that's where we're starting to see that coming through in our numbers in terms of the kinds of customers that are choosing ANZ and the amount of business that they're giving us. ANZ's one of the largest providers, if not the largest provider of banking services, financial services, to other parts of the financial sector. For example, things like the New Payments Platform, which enables real time payments in this country. Huge investment. Major banks invested along with the RBA to create the ability for me to send you money literally in real time. We built that and then what we've done is we've said 'well, we've got this great capability we can provide that to a whole bunch of other financial institutions who didn't have that capability'. We are by far the market leader in that, in fact we dominate that quite significantly. Guess what? Volumes through that machine are skyrocketing, they're up hugely year-on-year-on-year and that's going to be a massive growth engine for us. Clearing, bit of a "techy" area of banking, but when other banks and other people send money into Australia or New Zealand that goes through what we call a clearing payments network. We have, again, more than 50 per cent market share in those things. That's a processing business, we're really good at it, we've been growing our share and guess what? That's a very, very fast growing business. So there's a lot of growth in areas like that, which are probably not the first thing people think about when they think about banking.

ANDREW CORNELL: Well thanks very much for your time. I was just thinking it's actually the first time for about 18 months that we've been able to shoot this video sitting opposite one another. What's it like being back in the office? How do you see the return to office playing out?

SHAYNE ELLIOTT: Well it's great. We're moving back to a hybrid model, I guess like a lot of companies, where people are working in the office most of the week, but at home when they need to. We went through an amazing change I think at ANZ ... in terms of getting people out of the office at home and now we're seeing this move back. And I look at the data every day and what our people are telling us is that they want to be in the office, they like to collaborate – it's really important for us to be able to do that to deliver great customer outcomes, but it doesn't have to be every day. So, coming back into the office has been great for me. What I've really enjoyed about it personally has just been that informal ability to connect with other people, to be able to solve problems quickly by going to see somebody. Or, actually it's the informal running into people in the corridor and saying 'hey, I've got something on my mind we need to solve it'. A lot of us have got together and said the speed at which we're able to solve problems and do things is really enhanced when you're with other people and frankly, so is the creativity. So I think this blend is great. It's great for ANZ, it suits our culture as an organisation and actually we think it's going to make us a stronger company for the years ahead. It was an interesting experiment having to work from home five days a week, but I'm glad to be back.

ANDREW CORNELL: I'm with you. It's good to meet other people again and catch up informally, but thanks very much for your time this morning.

SHAYNE ELLIOTT: Thank you.

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