

## News Release

For Release: 19 August 2020

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

ANDREW CORNELL: Morning Shayne and thanks for joining us on bluenotes to discuss the trading update, remotely obviously because we're in Melbourne. ANZ doesn't normally do trading updates but these are far from normal times. So what are these numbers telling us about the underlying performance of the bank?

SHAYNE ELLIOTT: Thanks Andrew. First, you're right, we don't normally do a trading update, but we felt it was appropriate because there's so much changing in the environment that it's an ideal opportunity for us to update our shareholders and the market in general about what's going on in the business. And, of course, what is going on in the business is that there's a lot of volatility, as you can imagine there's a lot of change. I mean, my goodness, since this virus started, it's only five months ago and think about all of the volatility, the change, the change in government policy, the change in the health responses, the change in the banking industry's responses to this have been quite significant.

And what our result over this quarter shows is that ANZ has the capacity and the capability to really lean in and respond to this in real time. And I'm really pleased with the result. It shows that we continue to be profitable, we continue to make a fair return on our shareholders' capital, while doing the right thing by our customers and we've been able to offer deferrals to those who need it. We've been able to offer more working capital to those that need it either to get through this difficult time, and of course there are some people that are doing quite well in a period like this.

ANDREW CORNELL: Regulators globally have been talking about the importance of maintaining capital buffers and maintaining bank security during these times, you've elected to pay, or the Board has elected to pay, a dividend that was deferred from the first half, it's a lower dividend – but how are you making those decisions, those judgement calls and how are you balancing the management of capital in these times?

SHAYNE ELLIOTT: So it's always a very, very balanced decision that we have to make. We think the decision we made is right, obviously, and the reason we've done that is we think it's right that we do pay a dividend and the reason is because we have the capacity to do so. And that capacity not only takes into account today's position – we have the capital – we're generating profits every day, let's not forget that. They're less than they used to be, but we are still a profitable organisation, we are generating that. We've strengthened our balance sheet over many years and we've continued to do so this year. We have even higher levels of capital over this quarter, so we're generating more capital. And, we've been able to put some money aside for a rainy day in the terms of our credit provisions.

ANDREW CORNELL: One of the most significant interventions during this crisis, along with the measures that the government was taking, has been deferrals on loans. Can you talk us through, the numbers are in the trading update, but can you talk us through how you're thinking about those deferrals, what you think they're telling us and what's likely to play out with deferrals?

SHAYNE ELLIOTT: Just because – and there's no shame in having a deferral – just because you've got a deferral it does not mean that you are going to be in default. We think that the majority of our people on deferrals will probably get back on their feet in their own way,

they need a bit of time. And we can see it in the data actually. Many of the people who asked for a deferral did it as an insurance policy, they hadn't actually lost their job, they didn't have a fall in income, but they just thought it might be a safe thing to do while it was available. So not everybody's necessarily today in harm's way.

On the other hand, there are some people who sadly have lost their job or their businesses haven't been able to operate. Now we are all hopeful that they will get their jobs back, that their businesses will get back on their feet. But for now, the deferral is just that; it's a breathing space. I don't know that you can read too much into the data, it's too early to say. We're connecting to and contacting all of those customers to see how they're going and as I said there's a broad range in there. Some people are doing actually ok and they haven't seen income drop. There are some, it's a relatively small number, who actually don't think they're going to be able to get back on their feet. And for those people who identify as probably having some long term difficulty, we put them into our version of an intensive care program, a hardship program, where we can sit down and talk to them about what we might do in the long term.

So I don't think you can read too much into it and it's certainly not a mathematical formula to take deferrals and say they're necessarily going to end up in defaults. There's really literally too many moving parts.

ANDREW CORNELL: Following on from that and more broadly, you elected to raise provisions, obviously for potential bad debts going into the future but not at the same rate that you lifted them in the first half, so how are you seeing that default position play out?

SHAYNE ELLIOTT: At a time like this, when there's lots of uncertainty and nobody really knows what the future holds, it's pretty prudent that we should put a lot of money into the rainy day fund. And that's what we did at the half, we put a lot, we put a lot of money into there, in fact we've got record amounts. We've never had so much money sitting in those funds. And in this quarter, we topped it up a little bit, around \$250 million. Why? Because on one hand you'd say, actually since the half at March, if anything the economic predictions have got a little bit better. I just want to cast your mind back, we were in the eye of the storm 31st March, we thought unemployment might hit 13 per cent. Now most people are saying maybe it's nine or 10, so it's a little bit better. And similarly for some of the other indicators. So even though things may not look quite as bad as they may otherwise have been, we still think it's more ... Oh and the other point of course was, at that time we didn't really understand the full level of the government support that was going to be on offer, which has had a massively positive impact on the economy. So while there are some positives, it's not as bad as it may otherwise have been, our Board took the prudent response. You know what? There are still high degrees of uncertainty, we've seen that in Auckland, we've seen that in Victoria, sadly, and we don't know where this is going to go. So look it's just prudent, let's just keep putting some money aside and as I said before, I think we got the balance right. There's some money aside for a rainy day, strengthen our capital base for the long term and a small amount being paid to shareholders.

ANDREW CORNELL: Given the rapidly changing environment, changing all the time and obviously with the difference between Victoria and the rest of Australia and New Zealand at the moment, there's particular interest in the current state of trading and perhaps the upcoming quarters. Are you able to give us some insight into how you're seeing the future play out?

SHAYNE ELLIOTT: Well what you do is you be prepared and being prepared means you strengthen your foundations. You strengthen your balance sheet, you sure up your balance sheet, you get more capital. Sure up your deposits. You strengthen your customer relationships. We know our customers today better than we've ever known them, we're spending more time with them, we're really understanding their character as much as their balance sheets. How are they behaving? Are these people who understand and embrace change who can roll with the times, try new things? So we're really doing that, getting that foundation right.

Really investing heavily in our people. Our people are what our customers are buying at the end of the day. These are the people out in the frontline, the 40,000 ANZ people who come to work every day.

We're prepared. We're in reasonably good shape. That does not mean it will be easy, but I'm feeling really confident about our ability to flex and change and roll with the times. But the trading environment's clearly going to be difficult. That's ok, that's what banks are for, to see customers through difficult times. In many ways this is our moment. This is our moment to actually show our true worth to the broader community, to the economy, to our customers in particular. And our people are relishing that opportunity and are really, really engaged in the work that needs to be done.

ANDREW CORNELL: And just stepping back now from those trading update numbers, how are you seeing the economy more broadly and the banks, the banking system's position in that economy?

SHAYNE ELLIOTT: Well as I mentioned, the change is pretty significant in our industry. But it's true right across the economy. And while it's obvious, it's easy to get very focused on the negatives, and the negatives are devastating for so many people. But the reality is that this is the history of change and particularly in the financial sector. We go through these periods, sadly we go through them quite often, every seven to 10 years. We don't always recognise it at the time and the last one of course was the GFC. But what we know is that while there's some devastating impacts on so many, and our job is to make sure we protect as many people from that change. There's also opportunity. Some of the world's greatest companies were founded, or really grew a lot, in times of stress. Microsoft, Apple, Uber. All of these companies, GE, some of the older ones, came out of times of war, of recession, depression. Why? Because in times like this when there's a lot of change happening customers suddenly have new needs that are unmet.

So I think there is, and I don't want to sound dismissive of the challenge and the devastation that this is having on so many in the community, because it really is. But there is going to be opportunity. What I'm proud of at ANZ is that we have, as I've mentioned this word a number of times in this interview, the capacity to do that. We have the capacity to do it because we're a simpler, better bank. We've got stronger foundations, whether it's financial or managerial. And we have the ability to participate in shaping a world where people and communities thrive, which is our purpose. And this will be a testing time for us in many, many ways. But to date the people at ANZ have really stood up and I'm really proud of the work that they do every day to support their customers.

ANDREW CORNELL: Well thanks very much for speaking with us on bluenotes Shayne.

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