

## News Release

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

ANDREW CORNELL: Good morning, Shayne, thanks very much for speaking with bluenotes. You've talked about this result; you've described this result as great. Why? What's great, how do you explain that?

SHAYNE ELLIOTT: It is a great result, it's great financially and strategically from our point of view. Now, I'm the first to agree that there has been a very supportive environment for the financial sector, so that's been a good thing. But over and above that, what's really great about it is, it's really the culmination of a strategy that we have been executing over seven years in my time as CEO, to simplify and strengthen the bank, and that's been a lot of hard work. So, while the environment's been good, we've really been able to outperform as a result of the repositioning of the bank. And so, essentially, our total revenue is the highest it's ever been, and what's important about that is, it's replaced and grown further a lot of the revenue that we sold. Let's not forget that over those seven years, we sold 30 businesses, some quite large like our wealth management businesses, and so we've been able to replace all of that, and that's come about by a focus – doing a few things and doing them really well. So that's really important. The other thing that I look at is the fact that all our businesses, the four core businesses we have; Institutional, New Zealand, Australia Retail and Australia Commercial, all contributed in a really positive way. We haven't been able to say that very often over the last number of years, normally one of them is struggling or has got some challenges, all four did really well, so that's the financials. And then strategically – and probably the most important thing to me – I think we achieved more in this half than in any prior half, certainly over the last ten years. When I think about getting the new Non-Operating Holding Company (NOHC) across the line, delivering the biggest regulatory program we've ever had to do, which is in New Zealand, something called BS11, we can go into the details, it's the largest project ANZ's ever had to do, it's taken many years and we've got that completed. And there's a whole bunch of other things that we've done strategically to really set us up for the future.

ANDREW CORNELL: When you talk about that simplification and the focus and the transformation, where are you in that transformation? Are we at a final state for the shape of the bank, or are you halfway down the track?

SHAYNE ELLIOTT: No, the reality is it will never stop, so we're about 185-190 years old and right through that period, we've continually been building a better bank. The pace of change will flex over periods of time, and we happen to be in a period of high change, but we have to continue. So, despite it being a really good result, a great result in many aspects, the reality is looking forward and there's a lot of challenges ahead. Customers want more, regulators want more, the community expects more. Competition is more intense, the transition of our customers to want more and more digital service is actually accelerating. So, the challenges are very real, the economic cycle is turning, there's going to be more stress in people's budgets, whether in households or in businesses. So, the outlook stuff - we have to continue to be able to change and to be able to do that at pace safely. The transformation will continue, I don't know what the future holds, what I do know is that successful banks are going to look really different in five and ten years than they do today, and those that are able to adapt and really invest in that change and do it well, like we have in the past, will continue to prosper.

ANDREW CORNELL: You touched on there, the credit cycle is turning, interest rates are higher, the economic environment is tougher, as far as those external elements go and what you can control, is this as good as it gets for this cycle for banks?

SHAYNE ELLIOTT: Well, there's a lot of moving parts in a bank, as we know. And particularly at ANZ, given we're so large and international operating in a whole bunch of different markets and each one of those is in a different period of the cycle. When you think about it, the revenue outlook for banks is going to be really difficult, competition is the most intense it's been. Whether that's competition as in home loans here in Australia and it's been well discussed, whether it's in deposits here in Australia or whether it's just more broadly right across our franchise. So, competition is more intense. And importantly there, not just from traditional players or the names we know, but a lot more new entrants coming into the industry, whether it's the big tech firms or whether it's fintech etc., those things will continue, so that's tough. And of course, the impact of higher interest rates, this is the first time in living memory for many people that rates are actually materially higher today than they were a year ago. That hasn't been the case for, 20 odd years. That puts all sorts of challenges to people, a lot of businesses were built over that 20-year period, and only had one experience with interest rates falling or inflation falling. Now we're in this new cycle where inflation is real, it's not a temporary blip, and the risk is that it's building out to be a sustained stress in the economy and the consequences of that will test certain businesses, business models and certain operators, and that's going to put stress into the system. Our role in that is to support customers through that, help them through managing that stress, but also remember what our primary role – we allocate capital around the economy to ensure that the community continues to thrive and prosper and that Australia and New Zealand, in particular – are better places to live, work and do business in the future than they are today.

ANDREW CORNELL: And are you starting to see those stresses with your own customers in the book?

SHAYNE ELLIOTT: This is a really interesting area. So, yes, and no, and I hate giving that answer, but clearly there is signs of emerging stress. But to be perfectly honest, you have to squint to see them, they're not terribly apparent, and what we're not seeing is a dramatic, or material rise in the sort of risk metrics that banks would look at. So, if we look at the number of people who have a home loan who are struggling to keep up, those numbers are still extraordinarily low. They're deteriorating a little bit, but not a lot. If I look at businesses, small businesses that are struggling in this environment, actually there are no more small businesses in our portfolio today that are struggling than there were in September and there's less today than there were prior to COVID. So, again, a lot of it's got to do with the context of where you're starting. So, things are deteriorating at a very small pace at this point. I think most people would expect things to get a little bit tougher, that's the outcome of when you do have higher interest rates. That is the outcome when you have issues like labour shortages and other challenges in the economy. So, we'd expect things to get worse, we don't expect things to get materially worse any time soon.

ANDREW CORNELL: And if we just grab one particular sector, that's driven Australian bank earnings for probably a decade, nearly two decades, the housing sector. How do you see that sector? There's a lot of discussion now that it's not the great attractive sector that it was in the past, but there's still a great need for housing.

SHAYNE ELLIOTT: Sure, so we have a very real - like all of the banks - a role to play here. We provide people with the financing to get into their first and other homes over their lifetime and that's a really important role we play. For ANZ, it's a relatively smaller part of our business than it is for some of our peer group, we tend to be bigger in other areas, but it's still pretty important. We've got a home loan book of almost \$300 billion. So, it's an important business for us and it's an important role we play in the community. But the reality is, the simple financial terms of that business and the structure of that industry has changed dramatically in ten years. It's completely night and day. Ten years ago, those home loans that people were booking were profitable, decent returns for shareholders etc.

Today, because of competition and because of regulatory change, it's really changed the financial outcomes of those. Whereas today, they're nowhere near as profitable as they used to be. In fact, they probably in many cases are not producing sufficient returns for shareholders. So, what you're seeing in the marketplace, despite lots and lots of competition, better outcomes for customers in terms of price, some of the players, not us today, but some of the players are questioning their commitment to that market and sort of stepping back a little bit and saying, 'maybe we don't want to put so much capital into it.' So, we're going through an interesting transition period. That's just housing in absolute terms. But remember, as a bank – somebody like ANZ – we've got a lot of capital and we are a big organisation, and we have choices. We are essentially an allocator of capital across the economy and in our case globally as well. So, we look at relative returns as well. We have to do the right thing, we'll always be in housing, it will always be core to us, but at the margin, we have to think, is the marginal next best thing for us to do is to double down on housing or small businesses or in Institutional, is it here, is it somewhere else etc.? Those decisions are becoming a lot more complex than they were ten years ago when housing in Australia would have been clearly at the top of the list of most attractive things to do. So, it's really transformed the industry, I can tell you, I imagine, I don't know, but certainly at our board and our management team, we're giving a lot of thought about how we want to be in this business because it's so important to our customers, but we also need to balance returns for our shareholders and how do we play a bigger role there. That's why we've invested heavily in a whole new platform called ANZ Plus, which we're really excited about in terms of rolling that out. It will be more engaging, and deliver better outcomes for customers, but do it at a cost point for us that enables us to stay in the game, build decent share and still generate a fair return for shareholders.

ANDREW CORNELL: Finally, the Suncorp transaction which is awaiting regulatory approval. Can you just give us a quick update on where that is at the moment?

SHAYNE ELLIOTT: So, we remain really excited about this opportunity. We've got to get through a process that's fair, it's open to public scrutiny. Where we are at the moment, we've made our submissions to the ACCC (Australian Competition and Consumer Commission), and that's going through, we would expect them to come back sometime in a few months with the decision, and then we need to go through also and get approvals from the Queensland Government and the Federal Treasurer. All those things, you can imagine there's lots of work in the background. All going as you would expect, but I think the most important thing here is we remain really excited because we think if we're successful, we will be a more effective competitor in the market, particularly in Queensland, but not just. And we'll be able to bring more benefit to not just the Suncorp customers but right across the ANZ family.

ANDREW CORNELL: Well, thanks very much for your time today, Shayne.

SHAYNE ELLIOTT: Thank you.

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