

## News Release

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

The following is a transcript of a video interview with ANZ Chief Executive Officer Shayne Elliott discussing ANZ's response to the recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the recent APS330 Report.

The interview was conducted by Andrew Cornell, Managing Editor of bluenotes, ANZ's digital publication for news, opinion and insight and can be viewed at [www.bluenotes.anz.com](http://www.bluenotes.anz.com)

**Andrew Cornell:** Hello Shayne, thanks very much for joining us. You've just released some customer commitments - a range of matters that are related to the Royal Commission but actually a lot of the work you're talking about here predates the Royal Commission. Can you just explain how it all fits together, what you've committed to do with customers?

**Shayne Elliott:** Sure. So we've just received the final report of the Royal Commission and it came out with 76 recommendations. Of those, not all of them relate to banks, in the sense of ANZ, but about 50 of them do. Some of them require legislative change and the law needs to change and some of them we just sat down and said you know what, some of these we've either already done and we should just commit to and tell people we've done them and we're going to kind of enshrine in our own policies - and some of them we're going to do. So we said we're not going to wait, so we sat down and we decided we would make those commitments. And you know there's a range of things there - some of them are around how we treat customers, some of them around product suitability, some of them around executive accountability. But they're an important thing to say hey at ANZ, we're not waiting on this. We hear the need for change from the community in the Royal Commission, we going to get on with what we can. Now I think it's important to say this is not the end - this is just a very early step. To your point, some of them really build on things we'd already done in the past but we thought was important to kind of commit to the next stage of development.

**Andrew Cornell:** Also a document released this week with the glorious title the APS330 and what it is, it's a sort of risk update - a technical document - but in that document you repeated some comments which you made back at the full year result around investor lending on residential property. In essence, the bank had perhaps tightened things too hard, being too conservative I think was the wording and you're looking back at that. Can you explain what that means? Does that mean more aggressive lending?

**Shayne Elliott:** So it's called a Pillar III, this APS330. It's a document that all the banks are required to publish. It's about transparency around our risk data if you will. The quality of our balance sheet and our losses, what's happening, delinquencies, loan growth - those sorts of things. So it's not about a profit and loss statement like a trading update but we took the opportunity. Because if you look into the data there's clearly been quite a significant change and that's right across the industry. There's been a slowdown in home lending - we can see that, we read about it in the newspapers. It's different state by state. It's certainly different between people who are buying to own and occupy a home vs invest in a property. And so we wanted to give some flavour to that. So in addition to just the data we're required to give, we gave some commentary. And basically what we said - which was, to your point - was a repeat of what we said at our full year result. What we've seen is a

quite a big shift in the marketplace. As a strategic choice, ANZ - we've decided for some time now that we prefer - not exclusively - but we prefer to be in the owner-occupier space. We think it's an area where we can add value to customers, we think it's lower risk and we think it's something we can do really, really well. We still want to be in investor but it's not our primary aim. What we did in implementing that and we've also seen a shift in just what consumers and customers want to do. We probably were too conservative and what happened is we really saw a lot of investors get rejected by ANZ that probably shouldn't have - and that's what we're were saying. It's not a case of us saying we're suddenly changing strategy. We still prefer owner-occupiers; we think it's the right place to be. But we accept that we went too hard on and became too conservative in assessing investors.

**Andrew Cornell:** And how would you expect to see that play out? Would you expect a sort of gradual uptick or would you expect something dramatic in approvals?

**Shayne Elliott:** Well that's a really good question. So these are supertanker businesses, you know, and thankfully we don't want to see sharp changes day-to-day. And the way that we make these shifts is by changing our policy and processes. So we've gone back and looked at policies and said you know, we're probably a little bit tough on this or we weren't really tolerant of exceptional cases over here or we made this process just too difficult for some of our customers. So we've made those policy changes already. There'll still be some more but those things will see a gradual increase in our share, if you will, of the market. What I can't tell you is what the market's going to do. I don't know where demand is going to be. So I would imagine that over the balance of the year you'll see a gradual rise in our share of that business - whatever that volume might be.

**Andrew Cornell:** And just finally on that document there was also some broader thoughts on how the market is travelling in terms of credit quality out there and also our, the bank's, capital position. Can you give us a little bit more on that?

**Shayne Elliott:** Yeah, so our strategy at ANZ and around simplification - doing a few things, doing them well - is working. We've got a really strong capital position, in fact the strongest about peer group, and we've still got some more capital that's owed to us from some asset sales that will be completed in the coming months. So that's really good. But what we really were talking about was business conditions because there's a lot of interest in that, you know. People are worried about house prices and what's happening there. There's some concern in the business community. If I was to just you know read the newspaper look at the recent earnings announcements, there's been a lot more negative surprises from all sorts of industries than we've been used to. So we just wanted to put a tone of caution out there. It's not a red flag; we're not saying anything terrible is going to happen, we're just saying it's a time to be a little bit cautious. We've got an election coming. So there's a lot going on and we really wanted to alert our investors to say this is a time of little bit of uncertainty. We think volumes and growth is going to be a little bit low so it's time to be prudent, it's time to be cautious and careful and just kind of see what's happening in the coming months.

**Andrew Cornell:** Well thanks very much for your time again today Shayne.

**Shayne Elliott:** Thank you.

For media enquiries contact:

Stephen Ries +61-409-655-551  
Nick Higginbottom +61-403-936-262

For investor relations enquiries contact:

Jill Campbell +61-412-047-448  
Cameron Davis +61-421-613-819