

## 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 on the morning of the half-year result. We're obviously entering a more uncertain environment, again. COVID is still entrenched but we've got geopolitical tensions, we've got a rising inflation environment around the world. And a rising interest rate environment around the world. There's a prospect of rate rises down the track. In that context, when you look at this particular result, is there more of a focus on stability and flexibility here or is it a growth story?

SHAYNE ELLIOTT: So first of all, I think there's no question we are entering into a very, very different operating environment. In fact, perhaps the most different we've seen in almost 30 years. We've had a 30-year operating environment which has seen interest rates fall over that period of time, so just keeping it simple. And now we're looking at a period that it seems likely, globally, interest rates will be on the rise for a period. That's quite new for a lot of our customers. Many of our customers have never lived through any of that, whether they're a small business or they're a homeowner. So, things are going to be different, right? Now people are wise and what they've done through this period, they've noted that there's more uncertainty, so they've done what they should do. They've shored up their own balance sheets. So, they've saved more. In fact, savings - household savings and small business savings - are at record levels. People have put money aside for a rainy day because of that uncertainty. They've paid down their most expensive debt. Credit card balances are way down. That's a good thing in terms of people's financial security. And so, they're getting prepared for that future, whatever it may look like. And of course, rising rates - that's going to hurt some people, that's going to take money out of people's pockets. But at this point, people are well prepared for it. And it is uncertain, but I think the bank's balance sheet in particular is in really good shape to be able to deal with it and to help people through this next phase of transition.

ANDREW CORNELL: And when you look at the result that's reported today, what are you seeing in that that feeds into this story? Where were the strengths and weaknesses?

SHAYNE ELLIOTT: Like everything there's sort of two stories in here. There's the strategic story and then the more financial short term one. Strategically, we're really pleased with the progress we made in the half. This is about a long-term transformation of ANZ as we know it. Around these four really critical businesses that we have. We've got this great Institutional bank, which is really well known for connecting Australia and New Zealand to the rest of the world. And they had a really strong result. Customer revenues up quite strongly, balance sheet growth, lending to people we know and like who are really funding investment around the region. So, really good business, well disciplined, well-run business, generating positive returns for shareholders. That's great. New Zealand - terrific business. We're the largest bank in New Zealand, we've got a great franchise, number one in almost everything we do and that position strengthened over the period. And so again - good growth, good lending growth, good financial performance, well disciplined, risk disciplined. So Insto and New Zealand are in really good shape. And together, they're well over half of our capital as a bank. Australia a little bit tougher, a tougher environment for us at ANZ and for the industry. Very, very competitive period of time. But nonetheless we strengthened

our strategic position. We launched ANZ Plus our new platform for long-term growth into our retail strategy. And we announced the separation of our Commercial bank into a new division to unlock its own growth potential in the future. On the headwinds side, however, we didn't have a brilliant time in trading, in our Markets business. But that business comes and goes and there are times when it's good and times when it isn't. And our experience wasn't the greatest over the half, but we're confident about it returning to more normal in the future. And, of course, there was some bits and pieces we announced, Andrew. We had a few headwinds and some products that we've taken off the shelf that had some financial impact. So, pretty good strategically, some financial headwinds. And then of course, let's talk about cost. Whatever the environment is, businesses like ours need to be really, really mindful of their operating cost and productivity. And ANZ has done a really good job on that over the five or six years. And this was another half where we came in flat in terms of our day-to-day running costs. That's pretty extraordinary in a time of inflation and that allowed us to put even more money to work investing for growth in the future.

ANDREW CORNELL: And we'll talk to Farhan Faruqi, the CFO, about how he's balancing that investment spend. But there's a sense that there's a bit of momentum here in the business and you refer to ANZ Plus the new platform. It's only just been launched, there's a couple of propositions on it with more to come, but how significant is that in the future of the Retail bank?

SHAYNE ELLIOTT: Well, it is the future of the retail bank so it's extremely important. And part of our job is to really communicate that more broadly to our customers and stakeholders. It's easy to look at ANZ Plus as a new shiny app. Well, it is that and that's nice but it's much more than that. It's a completely new bank, essentially built on entirely new infrastructure. A more contemporary service model that allows us to deploy features and functions at pace, at low cost, really, really safely. And so that really positions us for the future, all built around this idea of financial wellbeing. Now, it's really early days. We've taken a leaf out of the playbook of tech firms, right? We've started simple – minimum viable product, they call it. You just get something to market that works, that's really basic and then you iterate and build from there based on customer feedback. So, we've got a really basic product out in market now. It's in soft launch, we haven't even advertised it. It's doing well, testing, learning, hearing from our customers and we're rapidly deploying the things that they want, like PayID and bits and pieces like that, which are literally coming in the coming weeks.

ANDREW CORNELL: And you touched on capital. Again, the capital generation story was a solid story, but not a lot of things, well you haven't said anything greatly about what you're going to do with the capital. How are you thinking about the capital at the moment?

SHAYNE ELLIOTT: Capital management, I think, has been really part of the DNA of ANZ over the last five or six years. We've been really mindful that we are the custodian of our shareholders' capital and I think we've been extraordinarily prudent with that. We just completed our most recent – we led the market actually in capital management as a theme – and just completed our \$A1.5 billion buyback. That brings the total buyback to \$A5.5 billion over the last five years. We've bought back 200 million shares of ANZ because that was the right thing to do for then. As we sit today, just where we started the conversation – the whole world is changing, everything is flipping around, it's really uncertain. And we sort of sat back and said, 'we've got capital, we've got a lot, we could continue on the buyback, but let's just take time out here and just think about the future, think about what's going on and not be bound by the tyranny of an announcement day – we just happened to have our financial results today – let's be thoughtful like we have been over the last five or six years and consider what the opportunities are going to be'. Because in that new world is also going to be a whole bunch of new opportunities. So, we are just taking a bit of a pause and

that doesn't mean we can't change our mind tomorrow or next week or in three months or six months. But it's just not something we are going to talk about today.

ANDREW CORNELL: And one other thing that's been announced today is a new legal structure for the bank, a proposition for that. Essentially separating the bank into traditional banking businesses that get regulated by APRA in Australia, for example. And then non-banking businesses that perhaps don't need that same degree of regulation from a banking supervisor. So why are we doing that?

SHAYNE ELLIOTT: Yes. So, colloquially known as a NOHC structure – a non-operating holding company. What's interesting about this is that it's very normal actually in global banking. Australia is a bit of an outlier in that this is not the typical structure, so it's not something entirely revolutionary. What does it allow? Well, essentially, banking services – taking deposits and lending money – should be extremely well regulated. That's good for us, it's good for the community, it's good for the taxpayer and that's entirely appropriate. But as we think about the future and the services that we provide to customers to help them own their home faster or run their businesses better. Increasingly, the way we do that is providing non-banking services around the edges. Ancillary, related, but not really banking. A good example is the business we bought recently called Cashrewards. Cashrewards actually just helps people save money when they're going about their daily purchases. It's a great thing for customers, improves their financial wellbeing but it's not banking. And so having a business like that sit within a banking group and subject to the same regulation as, say for example, our home loan business doesn't really make a lot of sense. And what it does is it slows you down. And it imposes a level of structure and infrastructure and compliance on a business that really isn't helpful. And so basically what we're going to do is, if we're approved, we'll have a holding company – ANZ Group – and it'll have a couple of subsidiaries under it; it will have a banking group that looks like ANZ today and will go about doing what it is and it will continue to be regulated just the same way it is today. And there'll be this non-banking group and that's really in a vehicle that – certainly in the early days – will be relatively small and modest. But allows us things like Cashrewards, it will give them an appropriate home and a way to run those. It's also worth noting that it's not entirely new here in Australia. Macquarie actually operate a very, very similar structure. So, it's exciting for us and it's actually the next step in the evolution of building an agile, contemporary organisation that's better able to serve its customers.

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

SHAYNE ELLIOTT: Thank you.

For media enquiries contact:

Stephen Ries  
Head of Corporate Communications  
Tel: +61 409 655 551

Nick Higginbottom,  
Senior Manager Media Relations  
Tel: +61 403 936 262

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