

## News Release

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### **Transcript: Trading Update – BlueNotes interview with ANZ CEO Shayne Elliott**

The following is a transcript of a video interview with ANZ Chief Executive Officer Shayne Elliott discussing ANZ's first quarter 2017 trading update which was released today.

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** Good morning Shayne. Thanks very much for joining us again on BlueNotes on the morning of the trading update. It looks a very solid result - particularly strong growth in retail and commercial in Australia; good deposits growth; good markets performance. Were you happy with the composition and is it sustainable?

**Shayne Elliott** Yes, we're pretty pleased with the result. I mean it's early days, it's the first quarter of the year and we're going through quite a transformation at ANZ but yes, we're really pleased with how the year has started. We're getting growth in right areas - the areas that we committed to, the areas where we want to grow and we're seeing the performance, even in global markets, are coming through exactly where you would expect them to be. There's been a little bit more volatility, a little bit more customer activity, and so that is I think a really pleasing way to start the year.

**Andrew Cornell** When we look at revenue and growth in particular - for a long time we've warned about a low-growth environment, to expect a low-growth environment. Given the background of what you've said in the past, is it that we're growing too fast even?

**Shayne Elliott** I don't know that we're growing too fast. I think that the reality is that the economy has slowed down a little bit and Australia's still a great place to be; New Zealand's a great place to be; Asia's a great place to be. But the growth rates have just tempered down a little bit and we've seen that. And that affects our business - we reflect the state of the economy by-in-large and you see across the banking sector revenue growth, asset growth, lending growth - it's all just been a little bit more subdued than we've been used to. And that puts the onus on us to be just even more focused on productivity and efficiency to ensure that we can continue to deliver great things for customers but also deliver a decent result for shareholders.

**Andrew Cornell** And indeed one of the real strengths here looking at the numbers is that cost performance. You've made significant change in the 14 months or so that you've been here now. Can you talk us through those cost reductions and should we expect more? You mention that the point of this is to pass on the cost reductions.

**Shayne Elliott** We've had a view that the world that we live in is just slowing a little bit and therefore, as I said, in that view we've got to be even more efficient if we want to win and be winning with our customers.

So we started early I think, and we delivered a great cost outcome last year where we kept costs pretty flat and this year, well in this quarter anyway, we actually got costs down and that's a pretty big step for large organisations like this and there clearly has to be more to come. Why? Because that's the only way we're going to have the resources to deliver really competitive products for our customers and be able to invest in new things, new technology, the whole kind of digital platform that we want to build to service our customers better.

**Andrew Cornell** And that's the tension isn't it? You want to take costs out of the ongoing business but remain the best in digital. Have you got the kind of capacity to invest in that full slate of digital technology that you want to?

**Shayne Elliott** I think we've got enough, and that's something that we can never have enough money to invest in digital. The reality is that it's about getting the right cost mix. So we've really focused in terms of where the cost out has been, we've really focused around the non-customer-facing costs. Just the bureaucracy, how we run things at the bank, to simplify the place, to be doing less things in less places and do those things really really well. We actually have a cost benefit out of that and that allows us to reinvest some of that into more customer-focused costs. That's things like Apple Pay, things like the whole digital experience that we want to continue to improve.

**Andrew Cornell** The other area of concern coming into this reporting season, I know not so much for ANZ but for the environment in general, was that credit quality story – again a good result here but is that something that we should expect over the 12 months ahead?

**Shayne Elliott** So we've always got to be cautious when we look at credit quality because, you know, one quarter doesn't make a year and we know that historically, well for our business away, the first quarter is usually a low-point of credit costs. It's usually the most benign for all sorts of seasonal reasons. Having said that, a year ago when we had a full year result we said when looking forward we would expect 2017 to be more or less the same as 2016 in terms of credit costs. Sitting where we are today, with that proviso our first quarter isn't always the best indicator, you'd have to say it's looking a little more optimistic today. So we expect them to be marginally better than that but as I said it's early days.

**Andrew Cornell** Another one that's perennial in recent years for banks is the capital position, the regulatory environment is still not certain, we're getting a bit more certainty but good capital generation here and some asset sales still projected for the year ahead. Can you talk us through how you're looking on capital?

**Shayne Elliott** So our number one priority is to have really strong organic capital generation i.e. that we just run this business really well, servicing customers that will naturally generate cash that will boost our capital position and that was really a standout, I believe, in the quarter. And what we're seeing here is almost a doubling of that capital generation in this quarter compared to what it has been over the last number of years. So that alone has put us in a great position. And then on top of that we've been disposing of non-core assets – businesses and assets that we don't believe are important for our future customer franchise and they even add more into that capital position – not in this quarter but they certainly will come in the future.

So we've really transformed ANZ from a capital position pretty early on I think and there's more to come on that and that says we're in a very, very strong capital position. In fact, it's the strongest we've been in for a long time and I think relative to our peers we're in an incredibly strong position.

**Andrew Cornell** Much of that reshaping that you talk about has been in the institutional bank, how does that play out in terms of customer satisfaction and the performance of the institution?

**Shayne Elliott** We made it clear that the right thing to do for institutional was to be a more focused bank. To be focused on those customers that are really on-strategy for us. And that's essentially customers who are in the business of moving goods and money around the region, and that's what we do really, really well. So yes we've been shrinking our balance sheet, we've been shrinking our number of customers. There's always a risk in that - are you shrinking the right customers and assets? And I think the team here have done a really fantastic job. Again, it's early days, but again the right assets are going to the right customers. What we're seeing is margin improvement and actually we'll be releasing some data soon that will show that the customer satisfaction, particularly in our Asian franchise, is actually holding up and improving as a result. And that may seem counter-intuitive but it's not - it's because we're able to focus our smaller resources against those customers that we really care about, that we know we can do a great job for and that's I think really commendable for the institutional team.

**Andrew Cornell** Well thanks very much for speaking with BlueNotes again, good luck for the year ahead.

**Shayne Elliott** Thank you.

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