

## Transcript: Shayne Elliott with Louise Saunders – ABC Radio Hobart – 15/04/20

**Louise Saunders:** Do you know what your bank or financial institution is doing to assist you, if you need it, during this economic downturn due to the COVID-19 pandemic? You may have lost your job, your hours may be restricted and you might be finding it hard to manage those commitments, either at a personal level or business. And of course, any information we talk with and provide you with is of a general nature. If you do require information specific to your circumstances, then you should consult your own financial professional. With me is Shayne Elliott, who is the CEO of ANZ Bank. Shayne Elliott, good morning to you.

**Shayne Elliott:** Good morning, Louise.

**Louise Saunders:** Are you able to assist and to deal with customers who have issues at an individual level rather than applying a broad solution across your customers?

**Shayne Elliott:** Yes, I mean, we can do both. What we're trying to do, and this is true for the entire industry because we know that this issue is affecting a lot of people all at the same time, we've tried to come up with sort of uniform packages, if you will. So this idea that you can get your bank to defer your loan payments for six months, that's a package deal. And the benefit of those is they're quick, they're easy to implement and we can do it en masse. But of course, lots of individuals and people will have very unique circumstances and in those [situations] that's why it's best just to speak to your bank, explain your circumstances, and the banks can continue to do sort of bespoke packages, figure out what's right for you.

**Louise Saunders:** Does the bank need to know that you need assistance? So I guess what I'm saying is you need to contact your bank, it's not going to contact you?

**Shayne Elliott:** Pretty much. And it's pretty easy, by the way Louise. I know at ANZ and I'm sure the other banks, you can literally go onto anz.com and you literally just apply there. If you've got a home loan and you want a deferral because you're struggling because of the virus or whatever, frankly, just because you're struggling, you can apply for that deferral by clicking a few buttons and we will get back to you. So it's a pretty easy thing to do. We can't really get to every single person and ask given we've all got millions and millions of customers. Now, that's true for homeowners. For small businesses, at ANZ anyway, we are making an attempt to speak to every single small business that is a borrowing customer of ours to make sure that they're okay and just checking in on them to see what help they need.

**Louise Saunders:** With me is Shayne Elliott from ANZ Bank, he is the CEO. If you have a question, please send a text 0438 922 936. What does deferral mean in terms of understanding what might be your obligations further down?

**Shayne Elliott:** Yeah, really good question. So I think there has been a bit of confusion. Deferral means that you are still going to have to pay your mortgage. You're going to have to pay obviously what you owe back and you are going to still have to pay interest for that period of time. So let's assume for six months for the sake of argument here, which is what most people are applying for, it's just that you don't have to pay for it now. So essentially you'll pay for it later. So we are deferring and pushing back your payments, we're not eliminating them, we're not waiving them. You might ask why are we doing that as opposed to just forgiving people? The reason we're doing that and it's an agreement we have with our regulators and essentially the government that says, well, if Louise asks for that deferral and she's still going to pay it, she's just going to be late paying for things. We can keep your credit rating pristine and your standing with the bank will be pristine. So when this all passes and we look back, you won't be impacted by us saying, hey, look, you know, you let

us down at that time. If we were to waive interest and say, oh, look, you don't have to pay interest over that period or anything that by regulation and sort of by common sense, would have an impact on your credit rating going forward. So we're trying to avoid that for people where we can.

But if you really can't pay and really deferral is not the right answer, like you're just, you're in really a bad shape. That's when you need to speak to the bank and the deferral isn't really the right solution for you. And there may be other things that banks can do for you, which may include, for example, waiving interest or writing off some of the debt.

**Louise Saunders:** With the deferral and the burden that can be on some of the larger mortgages of interest. Do you end up at the end of the deferral period paying a greater amount of interest because you haven't brought down the capital of your loan?

**Shayne Elliott:** Yes.

**Louise Saunders:** So you do?

**Shayne Elliott:** A little bit, a little bit. And again, that's not necessarily ideal for many people. And I get a lot of questions from that. So just give you it in perspective, for the average mortgage in Australia, which is about \$350,000, given interest rates are so low. I mean, most people are paying on their mortgage today somewhere between, if you're very recent, might be in the low 2 per cent, might be three or four per cent. That interest on the interest for that six months is only literally 50 bucks. Now that's still \$50 and I don't mean to diminish that, but it's not thousands and thousands of dollars. So it can have an impact and it will. But in the scheme of things we think it's a reasonable package for people in probably 95 percent of circumstances, it's a sensible approach.

**Louise Saunders:** If you say your mortgage repayment is somewhere around \$1000, but you have got about \$200 or so that you can put into that, can you accept less than the minimum repayment as some way of continuing the payments?

**Shayne Elliott:** Good question. And that's one that I've mentioned better I do get that quite a bit. So yes and no. So look, the way the package works today, just to make it simple and easy for us to offer to literally thousands of people really quickly. It's just a deferral. You can't pick and choose and say, I wanted to defer half or a quarter or whatever. So it's just you defer it or you don't. Having said that, if people do have the capacity to pay something, what we would suggest, if you've got an offset account and many, many Australians do, you can still put money into your offset account. So you could still do that. Whatever you can afford. Or frankly, you can just stick it on deposit. Now, somebody will quite rightly say, well, if I open up a savings account to put money in the interest rate on that is much lower than it is on my mortgage. That's true. So it's not a perfect solution. But as I said, for people with offset accounts, which I know very, very many, many people do. I think a sensible thing to do would be to get your deferral and pay what you can, what you feel comfortable into your offset account.

**Louise Saunders:** Terence asks whether banks have considered cancelling ATM withdrawal fees?

**Shayne Elliott:** So we have already done that for ATM withdrawal fees. If you are using an ATM that's not attached to a bank branch. So if you go to the local shopping centre and there's just an ATM sitting there, irrespective of whose bank it is, it's not part of a bank branch, those transactions are already free. So if you've got an ANZ card and you go to use a CBA ATM down at the local shopping centre, that is free. And obviously if you're an ANZ customer and you use an ANZ ATM that's always free. I think by and large they are free today. What you can't do, is if you've got an ANZ ATM card, you go into a Westpac branch or a CBA branch and use their ATM, Westpac and CBA, in those instances, quite rightly I think, charge us a couple of dollars and we pass that on to our customers. But I think there's lots of options for free ATMs today.

**Louise Saunders:** Shayne Elliott's with me, he is the CEO of ANZ. If you have a question of a general nature, you can send me a text, the text number 0438 922 936. You mentioned that if people do have some money, they could put it in or open up a savings account. Banks have had in the past and the ability and they've done it to take money from savings accounts or other accounts to service debt. Are there any changes to that during this pandemic?

**Shayne Elliott:** Well, people say that, but that's a very rare circumstance. So that is essentially when somebody who has made an agreement with the bank that I owe you money and I'm going to make a payment, doesn't make those payments, but has money sitting in other accounts. So i.e. they have the ability to make payments and they've chosen not to. In rare circumstances as part of a way to sort of negotiate their way out of that, there are limited ways that banks can utilise that. It's not general practice. That's not something that happens every day or happens en masse.

**Louise Saunders:** So people don't need to fear that that will happen to their savings account?

**Shayne Elliott:** No, no, they do not.

**Louise Saunders:** Let's talk about business. Talking with Shayne Elliott he's the CEO of ANZ Bank. You mentioned you're going to try and contact most small businesses. I guess what's the overall picture for assisting small business, particularly those who are forced to close their doors?

**Louise Saunders:** A really good question too. So generally the same thing, so for small businesses, whether you're a sole trader or whether you employ people, again as a general rule, if you're borrowing less than call it \$10 million. So that's a lot, obviously, so that's quite big businesses. Your bank will allow you to also seek a deferral of your payment. So whatever you are, if you're a gymnasium or you're a baker or you're a plumber or whatever you do, florists and you say, hey, look, my business is struggling, I've had to close the doors or it's just my volumes are down. You can go to the bank and say, look, I'd also like to defer my payments on my loan and the banks will agree to do that for six months. And so, again, same package. And then if you've got really particular needs and that's not the right solution. Banks, again, are happy to work with you and sort out something that makes sense for everybody.

**Louise Saunders:** Is the bank going to have to inevitably close down some businesses for good during this crisis?

**Shayne Elliott:** You mean some of our customers?

**Louise Saunders:** Yeah.

**Shayne Elliott:** Look, it's not something we want to do. I think in reality, what we're going to see Louise, and we've seen this over many years and I know people talk about this crisis in relation to the Great Depression, but let's not forget that since then we've had crises in one shape, form or another every 7, 8, 10 years. It was the Asian financial crisis, we had the global financial crisis, we had Y2K, we've had SARS, we've had also the internet crash, we've had all sorts of things that come and go. What's part of that economic cycle is that through a crisis, some businesses fail and do fold and have to close up and others emerge. And that is it's sort of a sad reality of the system that we have, the sort of creative destruction. There'll be some that won't survive through, but there'll be others that comes through. And I think we're seeing that today already. You just think about the change in consumer behaviour. We're seeing a boom in delivery services. So there'll be all sorts of businesses, including restaurants and other things that are setting up to service this new need, that are doing very, very well. Sadly, there'll be a bunch of others that are doing poorly and may decide either they can't or frankly don't want to reopen when this comes through. So yes there will be businesses that fail, that is a sad reality of the system.

**Louise Saunders:** Most businesses now moving to contactless payment, they're not handling cash. There are costs associated with that for businesses based on their own sort of assessment of what they might use. Are you able to free that up to perhaps alleviate some of the costs that are imposed on business who use that? And used more transactions than they might have thought they would?

**Shayne Elliott:** Yeah, it's a good questions as well. So we are seeing a massive, it's really quite significant shift away from cash. So we know that people actually, one of your questions before was about ATMs, so actually ATM usage has collapsed. People are not using ATMs because they don't need the cash. And there's also I think, there's been some fear of obviously touching surfaces and things. So people are using cards more and more. And a lot of shops aren't accepting, I don't know what it's like in Hobart, but I can tell you where I live, a lot of the local shops don't accept cash anymore. So we do have solutions, so the good news is you can pay with your phone, you can pay with plastic.

Yes, some of those have costs, in particular credit cards. Actually using a debit card, so using your own money and your own debit card at a shop, is pretty low cost. Now we are obviously having to talk to some of those shops and see whether we can do better for them as this is becoming probably the way of paying. So we haven't announced anything yet, but we are working with the merchants. We're very conscious of that as a cost line for them and we know we are going to have to sharpen our pencil on that.

**Louise Saunders:** So that's the merchant fees, you may look at that?

**Shayne Elliott:** Yeah, yeah, yeah. I think we have to.

**Louise Saunders:** Phillip in Howrah says he's in a good financial position or if he's in a good financial position with an investment loan, but he wants to help his tenants, can he reduce their rent? And will the bank assist then him with his loan if he makes that decision?

**Shayne Elliott:** So again, in that particular case, he can seek a deferral on his mortgage. So whether you're an owner or an investor, if you want to defer payments. Phillip, if that's what he wanted to do, yes, your bank will do that. Whatever he does with his tenants, it's up to him. I mean, obviously, I would hope he would do the right thing and assist the tenants, but the banks are there to defer in that case, yes. If we were to reduce his payments though, again, I think he might be asking, are we prepared to reduce his mortgage? The problem then is yes, possibly, but that will affect his credit score, because he entered into an agreement to make set payments, which he's now going to default on, by regulation and kind of, again, common sense, we would say, well, his credit rating will be worth less if that was the outcome.

**Louise Saunders:** A listener says that it is very easy to apply for an ANZ loan deferral online. But the problem is nobody really replies to your request. Have you got boosted numbers dealing with online and telephone inquiries?

**Shayne Elliott:** Yes, we do, we've hired hundreds of people. So first of all we've had an uptick in people calling as you can imagine, for all sorts of reasons. And we are open for business. And actually we're having some amazing volume weeks in terms of people getting new loans. But you can imagine and in an environment where we've got people working from home, social distancing. It's also difficult for us to hire people quickly and train them effectively. So, try as we might, we have hired literally hundreds. It's never going to be as quick as we would normally be able to do in normal circumstances where we can have people trained in training rooms onsite, etc. So we've got our own struggles there, but we are absolutely beefing up to do that. Because I think the point of that question is this is a devastating issue for so many people and we can't forget that. But on the other hand, there is, 80, 90 percent of Australians still do have a job and have to go about their life and are still looking to get loans, change their bank, seek a better deal on a home loan.

**Louise Saunders:** Speaking of better deals, credit card interest rates could probably be providing a better deal for customers, couldn't they? Could you cut those?

**Shayne Elliott:** Well, we have cut those. In fact, ANZ was the only bank a couple years ago to cut our mid-rate card. Some of the others have caught up more recently because of the virus. So let's remember, there are essentially three types of cards available for people. There's the all singing, all dancing, bells and whistles card that gets referred to a lot, which is your sort of platinum cards. And they're the other ones with the 20 percent interest rates, which is high. But remember, those come with insurance and they come with frequent flyer points and all sorts of other things that people like. And generally, the people who use those cards don't run big balances. So they're not generally paying the 20 percent. They are low-rate cards...

**Louise Saunders:** They're still around 12, 13 per cent, the low-rate ones.

**Shayne Elliott:** Well, we also have cards that go down as low as 7 per cent, for people in certain circumstances. And then we have low-fee cards. So we do have different cards. The average rate of interest paid on a credit card at ANZ is more like that 11 or 12 per cent. So look, I know it's high. It's much higher obviously than mortgages and that. But credit cards are a much riskier business. Credit losses are much higher in credit cards, a lot of people don't pay their bills. Fraud is much higher and we have to pay for that. And obviously, there are all those things that people like, like frequent flyer points and other things that we have to pay for. So the cost of running cards is also much, much higher than anything else.

**Louise Saunders:** Rob wants to know, is ANZ providing the same relief to landlords of commercial properties as it is to businesses with loan deferrals?

**Shayne Elliott:** Yes, we are, depending on the scale of your business. So if you are a small commercial property owner, i.e., it's a family business and as mentioned, your borrowing many millions of dollars, but not tens and tens of millions of dollars, yes, you are able. So again, if you speak to your bank and at ANZ in particular, we absolutely see those commercial property owners, just like any small business.

**Louise Saunders:** Talking to Shayne Elliott, the CEO of ANZ Bank. My text number if you have a question 0438 922 936. A listener says why am I paying 3.75 per cent on my ANZ mortgage? I don't know any further about the circumstances of that, but is now a time to ring your bank and is it possible to renegotiate mortgage rates?

**Shayne Elliott:** Yes, it is. The only issue there is if you're paying 3.75, it sounds like you have paid a fixed rate, so I don't know. So there's two types of loans. If you've already agreed to fix your loan, you sort of stuck in that until the maturity of that loan because you decided. Because remember when people made a decision to pay fixed, they were getting a better rate than floating and they wanted the low rate. But in return for that, they gave up flexibility. But if you've got a floating rate or if your fixed rate is about to mature, yes, you should speak to your bank. I mean, I would encourage people always to be in contact with their bank and make sure they're getting the best deal that they that they can.

**Louise Saunders:** Shayne Elliott, people are taking a personal hit they're losing money, they've lost hours, they've cut back. They won't come out of this perhaps as financially positive or secure as they were. Is the bank able to, in anyway take any kind of a financial hit in the interests of helping the people?

**Shayne Elliott:** Well, I think we are. So first of all, if you're a shareholder in a bank, you've seen the value of your shares halve. And remember that's a lot of our superannuation and a lot of people who are saving for their retirement have already seen the value of their bank shares half, so they've taken a hit. The reality is, we're about to announce in two weeks' time the banks, three of the four major banks will be announcing their results and we'll see there. But I think it's obvious that the bank profitability will be impacted for a couple of reasons. One is just business volume, margins are going to be lower, so revenue will be tough to come by. And in times like this, what we do know is that banks end up taking credit losses. To your point, companies, sadly, will fail, as will some people, and be unable to make their debts. And in that situation, the banks are forced to take those losses. And

that means that the banks will be taking pain and in quite a significant way. Now, we also have a business to run. At the moment we're doing our best to keep as many ANZ people employed as possible, just like many companies in Australia. We don't get the benefit of things like the JobKeeper subsidies and that from the government. We have to dig into our own resources to do that. That comes at a cost to us. We think it's the right thing to do, but we're asking our own people to cut back, we're looking at reduced hours, making sure people take holidays, all of those sorts of things as well to try and contribute.

**Louise Saunders:** Are you keeping branches open? Is that an aim?

**Shayne Elliott:** Yes, it is. So we've got about 550 branches across the country. It's not our intention to close any of those during this period of time. The reality is, though, that many of those branches are in suburbs or small towns where we only have three, four, five people working in the branch. If two of those people feel unwell or unsafe coming to work, we don't have a lot of options. Just general occupational health issues, but also under the law we can't operate the branch if we don't have a sufficient number of people in it. On any given day, today there'll be anywhere between 50 and 80 of our branches will be closed because staff haven't turned up. So that's temporary.

**Louise Saunders:** And how many roughly would you have of the non-contact, non-personal-contact staff now able to work from home Shayne?

**Shayne Elliott:** So if you take out our branches, exclude our branches, in Australia, we've got 92 per cent of our people working from home. So in the building I'm in at the moment here in Melbourne, our head office, normally has about 7,500 people in it. Today it's got about 500. And the rest are all working at home. Globally, we've got 40,000 full time equivalent people, about half of those live in Australia and half somewhere else. Of those, again, 90 per cent are working from home. So we've been actually able to move to working from home really quickly, really efficiently without really any hiccups. So that's been pretty efficient, actually.

**Louise Saunders:** And just a final question, because I know that many of my listeners don't have access to reliable internet, they don't have access to internet, they don't use it, they may be older. A lot of contact is online, are people able to ring the bank and talk to someone about their problems?

**Shayne Elliott:** Absolutely. So of all the people who've spoken to us requesting at a deferral of a home loan, about 90 per cent go online and do it, but about 10 per call, we've had thousands of people call us. Absolutely, you can call. I will ask for people's tolerance. The reality is that these are extraordinary times, we've had an extraordinary number of people call us, way beyond what we normally expect. And despite the fact we've hired hundreds of people, our wait times have, at times, gone up a little bit. So I just ask that people be tolerant. But yes, absolutely, you can speak to your bank. And that's not just true of ANZ, that's true of all the banks. We're still here, we're still open for business. We want to hear from our customers. If they've got difficulty, we want to help. And if they don't have difficulty and they've got business and they want to look at new opportunities or getting better rates or moving their bank. We are here and open for business.

**Louise Saunders:** Have you taken a pay cut?

**Shayne Elliott:** No, I haven't yet. That's not my decision. That'll come up at the end of the year when the Board decides.

**Louise Saunders:** You could volunteer, though, couldn't you?

**Shayne Elliott:** I could volunteer, I guess. That's an interesting question. The companies which have generally announced pay cuts are those that have had significant deterioration in their business and has largely been shut down. We're not in that position today. But as I said, that'll be a matter for the Board and something we'll discuss over the coming months.

**Louise Saunders:** Good to talk to you. Thanks for your time and for taking our questions.

**Shayne Elliott:** Thank you.

**Louise Saunders:** Thank you. Shayne Elliott is the CEO of ANZ.