# News Release

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## Transcript of bluenotes video interview with ANZ Chief Financial Officer Farhan Faruqui

ANDREW CORNELL: Morning Farhan and thanks very much for joining us on bluenotes for the full year result. Unfortunately, you haven't been able to make it to Melbourne yet and you're still in Hong Kong for this, your first outing as Chief Financial Officer. But you come to the role from International so where do you see your focus now in this new role?

FARHAN FARUQUI: Thanks for that question Andrew. I did an interview with Shayne just a few days ago and we talked about the evolving role of the Chief Financial Officer. And I think for the CFO to be good at reporting and explaining the numbers, the evolving CFO has to be actually really good at driving the numbers. And that basically means partnering with our businesses and ensuring that we're focusing on the right priorities and we're constantly allocating resources – whether they be capital or cost or investment – in a fashion that aligns with our strategic priorities.

The second piece of focus is going to be around our simplification agenda and that's actually really, really important because we have to be able to fund the various growth initiatives, technology investments that we need to make. But we need to fund that by reducing constantly our run-the-bank costs by continuously improving our productivity and our efficiency.

The third thing which I think we've done really, really well historically and I think it is probably a hallmark of ANZ over the last five years, is the excellent manner in which we've managed our capital and we have managed our allocation of resources. And I think continuing that discipline is going to be important and we need to make sure that we are constantly challenging ourselves. That our investment spend is indeed producing the desired returns that we need it to produce, whether they come on a cost line as saves or whether they come on the revenue line as growth initiatives.

ANDREW CORNELL: And when we step back a bit and look at how that can be achieved, you've been – even though you weren't CFO – you've been deeply involved in presenting these numbers, so you have got that perspective on them. When you look at this result, where did you see the strengths and perhaps some of the weaknesses?

FARHAN FARUQUI: Actually, this year's results particularly underline the benefits of diversification of our businesses in our portfolio at ANZ. I think the fact that all of our businesses actually performed well and offset the areas of weaknesses that each of them had. So New Zealand had an excellent performance across revenue, expenses, margins, returns etc. And I think that's a function of both scale as well as some of the rebalancing that Antonia and the team have done in New Zealand.

On the Institutional side, the business performed exceptionally well given the external environment that they were facing into. Even though the revenue was down year-on-year, the Markets business, which was primarily the driver of that, actually performed really well in the absence of volatility and customer activity that we had to face into last year. Relative to 2020 which had, of course, a lot more volatility and interest rate and FX volatility that led customers to then hedge their positions. So, in the context of the much-subdued level of activity, Markets delivered a very strong outcome.

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In Australia Retail & Commercial, even though we had some challenges around our home loan momentum, we still delivered growth, we still delivered improved margins and we still delivered a very strong expense agenda. So, I think the diversification is probably a very big strength.

I think the second big strength, Andrew, which we can never say enough about is the strong foundations we have in terms of our capital, in terms of our funding and, most importantly, in terms of our credit quality. I think we probably have the best portfolio credit quality today than we've ever had in our history. And we have that together with having the ability to invest capital. We've ended the year at about 12.3 per cent CET1 ratio, which basically means we have about $A6 billion of capital buffers over and above the "unquestionably strong" APRA requirements. So, we have the capacity to invest in our business, we have the capacity to grow and we have the liquidity to support that. We've shown incredible expense discipline, Andrew. And this is important because we do have to invest for the future whether that's in our digital journey, whether that's in our technology journey - particularly as we transition to Cloud – or whether it's on meeting our regulatory and compliance requirements, which allow us to build a much more operationally resilient bank into the future. But we can only do that if we continue to manage productivity and I think this year that was one of the highlights of the result – where our saves on productivity almost effectively funded any growth and investment spend.

In terms of areas of improvement, the home loan momentum – we have to get it back. That's an important part of our agenda. It's probably the number one priority for the entire Executive Committee including Shayne.

ANDREW CORNELL: It sounds like you're comfortable with the execution capability of the bank, the discipline of the bank and obviously the balance sheet strength. How then would you describe your risk settings at the moment, the risk appetite as we go into the new year?

FARHAN FARUQUI: Obviously, we've ended the year with healthy levels of provisions, which will allow us to manage into the next phase of where COVID is going to take us. Obviously, when we ended the year, we had major cities in Australia in lockdown, we had parts of the region which were still suffering from COVID, and I don't think COVID is even near over as yet. But as we see that emergence from COVID, as vaccination rates go up etc, we will have the ability then to understand how we can release some of those provisions into our P&L. But from a risk setting point of view, we think we're actually at very strong risk settings. And I think the risk settings are a function to some extent Andrew – and particularly I would say this in the context of the Institutional business – are a function of the customer base you have. And I think we've done so much work over the last few years in reshaping that portfolio, in having what I would call an enviable portfolio of Institutional customers that we think we have the ability to take risks particularly as the environment continues to improve. So, I think we are coming out of this strong, Andrew, and I think we have more capacity to take risk. And our risk settings are constantly and dynamically adjusting as the environment continues to improve.

ANDREW CORNELL: Well thank you very much for your time this morning Farhan and good luck with the new role. We look forward to seeing you in Australia when you're able to come here.

FARHAN FARUQUI: I'm looking forward to it, Andrew. My biggest challenge right now is trying to pick a footy team before I land in Australia so work underway on that front!

ANDREW CORNELL: Well I can't recommend Carlton by any means. Thanks again Farhan.

FARHAN FARUQUI: Thank you very much Andrew.

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