

News Release

For release: 1 May 2018

Transcript: bluenotes interview with ANZ CEO Shayne Elliott on ANZ's 2018 Half Year Results.

The following is a transcript of a video interview with ANZ Chief Executive Officer Shayne Elliott discussing ANZ's 2018 half year results.

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

Andrew Cornell: Good morning Shayne, thank you for speaking with bluenotes on this morning of the ANZ interim result. The headline numbers look good, statutory and cash earnings, return on equity, capital generation, credit quality, they all look pretty good. But there are a lot of moving parts in this particular result. Can you talk us through what pleased you and areas where you want to focus a bit more.

Shayne Elliott: I think first of all moving parts are inevitable when you're reshaping a business and that's what we've been doing for the last couple of years. It's all about focus. We think that the only way for us to win in the eyes of our customers is to do a few things and do them really well and be operationally excellent. And in order to get there we need to sell some things, shrink some things, stop doing some things and that's where the moving parts come in. So you know it's an inevitable outcome of that. It's still a good thing and it's our job to be able to explain that to investors and to the market. So what are the highlights? The highlights are our core business continues to do really quite well. So more customers are choosing ANZ, we're continuing to pick up market share where we want to. So for example in Australia that's owner occupiers, people who want to buy and own their own home. We like that sector for lots of reasons and that's where we have been growing, so that's a good highlight. The other thing that I think is just the operational excellence that you saw through here. The way that we have been disposing of some of the businesses has shown that we've got a team who are really on top of their game and know how to get those things done. So a couple of really good highlights in there, and I think it's really about being well managed through difficult times.

Andrew Cornell: You speak about the re-shaping being ongoing, and simplification obviously is ongoing. A lot as you just mentioned is about execution, are there numbers that you can point to in aspects of the result today that shows that we are doing a good job?

Shayne Elliott: There is probably a couple of things. There is one way of looking at inputs and outputs, if you will. So the inputs are, if I look at the Asia retail business, which we announced quite a while ago that we were going to sell and it was six separate countries, which are essentially six different businesses. We've had to transition a couple of million customers, dozens of branches, thousands of people. We sent out five million letters to customers advising them of the changes and keeping them up to date. We were able to do that ahead of schedule and under budget and actually ended up with a better financial result than we had indicated at the time. So I think that is about operational excellence. That is very good. The other thing is really more of an outcome. Part of the reason that we are simplifying the bank to be more focused, was essentially to de-risk it. There are different ways of thinking about Risk – you certainly want to de-risk it from a reputational point of view and an operational point of view, but also from good old fashion credit risk point of view. You saw in this result our loss rate has really come down quite significantly. Undoubtedly some of that is because the environment we're operating in is pretty benign.

But over and above that what you've seen is really a re-structuring benefit. By not being in certain business (emerging cooperating in Asia, Asia retail, Esanda dealer finance business etcetera) that has de-risked our book and we got the results in this half really in quite a material way.

Andrew Cornell: You've noted headwinds. There is obviously a Royal Commission going on at the moment. There is a lot of cost pressure around and revenue growth is reasonably flat. How do you anticipate having to manage those operational headwinds as we move in to the current year?

Shayne Elliott: Actually for the last couple of years we've talked about headwinds. I think our sector has had a golden period for 20 plus years and we don't think that's going to continue, it is going to be harder. And so in a tough world with headwinds, all of those things that you mentioned, only the fit will really survive and prosper and that's what we have been about, getting fit for that. I hate to harp on about it, but it's just about doing a few things and doing them extremely well and being really tight in terms of what we can do. We think revenue is going to be harder to come by for our sector.

Andrew Cornell: Is there actually any tailwinds?

Shayne Elliott: Surprisingly there are. The economy is still doing pretty well. The tailwinds come that there is still strong business formation in Australia and New Zealand, so more and more Australians and New Zealanders are setting up small businesses. Small businesses need a bank and we are a great place to come to. The one that is most visible is probably trade. Despite a lot of the rhetoric around trade wars etcetera, trade volumes are actually on the rise particularly in our part of the world in our back yard here in the Asia area. ANZ is at its heart a really great trade bank, so we've seen a little bit of a tail wind from there. And of course perversely, because of global growth and a little bit of optimism interest rates are rising in other parts of the world. As a general rule that tends to be of a mild positive for somebody like ANZ. So there are a few tail winds, not too many. It's not going to be easy but it's not all doom and gloom.

Andrew Cornell: You've spoken about the Royal Commission and obviously it's ongoing, but a couple of points you've made is that you won't be trying to pre-empt the commission findings but you won't be waiting until they report before you start to do things. The second part is that the area that has had the most focus to date anyway is financial advice. Is that still something banks should do?

Shayne Elliott: I think so. So I'll answer the first part of your question first. Look, obviously we have to participate in the Royal Commission and we are doing so in an open and transparent way and there will be a report and recommendations. But that doesn't mean that we should just sit on our hands and wait. When we see things where there has been legitimate questions raised, either about us, about our actions or that we see in others, we sit down and say what shall we modify and what shall we change. We are doing that as we speak. I imagine there will be lots of changes that ourselves and other participants will make over the time. In terms of financial planning, absolutely there is a role to play for that. People need advice, I do. We live in a complex world – superannuation, taxes, investment alternatives, life insurance. There are lots of things out there for people to make choices on and you need a good guide to help you make some of those decisions. So there is absolutely a role for planners. Do we have to rethink about the educational standards, about their incentives, about transparency? Absolutely we do. And again, my guess is that there will be changes along some of those areas before the Royal Commission. Actually the industry has already been trying to make changes in those areas already, and some of those are announced, perhaps too slow and not sufficient, but we will get there.

Andrew Cornell: Thanks very much for speaking with us today.

Shayne Elliott: Thank you