News Release

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Transcript of bluenotes interview with ANZ CEO Shayne Elliott and Andrew Cornell

The following is a transcript of a video interview with ANZ Chief Executive Officer Shayne Elliott discussing the COVID-19 pandemic.

The interview was conducted by Andrew Cornell, Managing Editor of bluenotes, ANZ's digital publication for news, opinion and insights. You can read more at www.bluenotes.anz.com

Andrew Cornell Morning, Shayne thanks very much for speaking with us today. We're filming this on Tuesday the 17th. And obviously this is still an incredibly rapidly evolving situation with COVID-19. And as we said, things can change very quickly day by day, overnight.

So what I was interested in is what's the overriding framework from which ANZ is trying to manage this crisis?

Shayne Elliott Thanks Andrew, yes well we do have a framework it's got four critical parts to it.

The first is about protect. We need to make sure we're protecting our people, our customers and, of course, protecting the bank and making sure that the bank can continue to operate and provide the very essential services that it does for the community. So that's our first priority.

Secondly, we need to adapt. We need to adapt for the new world. And what do we mean by that? Well there is an enormous amount of change happening in terms of behaviour - the need to work at home, et cetera. Our customers are behaving differently with us. So we need to adapt into that new world. And we know that that's likely to... that new world will be with us for some period of time, not just a matter of weeks.

Third is about engagement. We need to engage with all of our stakeholders, whether they're regulators, our customers, our people, the government and the broader community, keeping them informed about what we are doing. And one of the difficulties here, that you referred to is, of course, that it is rapidly changing. Literally every day, every hour, we are seeing new policies and things that we need to keep our customers up-to-date with. So that's very important.

And then finally, actually, one that is possibly not front of mind for many people but is really preparing for the future. The reality is that we will come through this and we've seen around the world that once governments get their public health policies into place, once consumer behaviour changes, there is a rebound. You can get back to work. And so we need to prepare for that and make sure we're there to support those customers that have good businesses and those mums and dads who get them back on their feet and ready to contribute to the

community.

Andrew Cornell So when we look at that serious shock, even though we will eventually come through it, how do you manage the bank for shareholders and then how do you manage for customers in that situation?

Shayne Elliott As we know, we've gone through lots of crises over the last few decades, whether the Asian financial crisis, global financial crisis and others. When you go into a normal financial crisis actually, it's really hard to see the end, the light at the end of the tunnel because you just don't know how long that recession or that downturn is going to last. And the GFC is a great example.

But actually in this case you sort of have a reasonably good idea. As we mentioned before, you can see that with effective policy and swift action, this can be a three, four, five-month impact. The good news from that is, as a bank, if that's the case, we're much better equipped to help customers see through a 3-6-month period of difficulty than an unknown period of difficulty. So that's why I'm reasonably confident that the banks are able and willing to help.

The other side of it, of course, is that we're in a great position in terms of strength. And what I mean by that is that ANZ - and the banks in Australia as an industry - have never had more capital. Never in our history have we had more capital, we've never had more liquidity. So assets that we can liquefy and turn into cash and get into customers' hands, never had more liquidity before and we've never had lower credit losses. What that means is that not only are we willing to assist, we are able to assist and we have the resources. And so that's why I think you take some, some indications of the time periods required, and the financial strength we have. This is, we're in a great position to do the right thing and see our customers through this difficult period.

Andrew Cornell And when we think about it from the perspective of a shareholder, then obviously it's in shareholders' interest that long term economies are robust. You know, companies survive. Banks stay strong, But there is going to be quite a bit of shock here.

So if you're facing even lower interest rates, perhaps quantitative easing, you know, that benign credit cycle is going to tick up. Now, how do you keep shareholders in mind at the same time that you are supporting customers and providing essential services in the economy?

Shayne Elliott Right. Well, that's a good question. And obviously, it's our shareholders' money which enables us to operate the organisation and so we need their support.

I would say that most shareholders are here for the very long term and they understand the nature of our business is cyclical. We go through good periods and down periods. What we've got to do to protect long term value for our shareholders is actually build a franchise, a sustainable franchise, that has customers.

It's an interesting period of time. It is actually the banks that step forward and support those good customers today, that is the sort of action that will never be forgotten. And that creates an enormous amount of loyalty. It creates an enormous amount of economic activity. And so I think shareholders' interests are absolutely aligned with us doing the right thing for the nation and the right thing for our customers.

Andrew Cornell And you touch upon, sadly, banks are quite used to dealing with crises. If we look back to '92 with the last Australian recession or the Asian financial crisis or SARS - banks are sort of used to this in a way and indeed part of this is a risk management job for banks.

And ANZ has operations in 33 markets now so right through Asia, there's a lot of experience here in the bank, but you've even been drawing more deeply on that. So how does that broader experience of crises inform how you're thinking about things?

Shayne Elliott It's a really good point. I mean, it's very easy to focus on, I guess, the financial metrics, you know, how much capital we have and the size of our balance sheet and all those other things which are really, really important. But actually of equal importance, if not more, frankly, is just management experience or operational experience. You know, do we have people who've been through these things before and sort of have insight and learnings to draw on?

And the good news at ANZ is, yes, we do. We've been in business for a long period of time. And to your point, unfortunately, we - along with our peer banks - have had to deal with bushfires, droughts, floods, earthquakes. We've had all sorts of activity, not just here in Australia, but right across our network. At ANZ, we have, because of our global footprint, we probably have a little bit more exposure to that because we have businesses and all of those countries around Asia that, you know, on any given day are suffering from their own smaller crises. So we've become pretty adept at managing through those things and shown an ability to get stuff done. And that's really about how do we move operations from one country to another? How do we back up each other? How do we implement new technology or move liquidity around to make sure that we can function? So I think we're in pretty good shape on that.

One of the things we did yesterday, actually, we had a call, we took some time out and gathered together some people from all over the bank who've been in all sorts of roles, even including some retired officers, so people who are no longer working full time and just draw on their experience. I mean, we just literally had a conversation: "hey, in your experience going into these crises, whatever may have driven it, what are some of the things that we shouldn't forget? Let's just talk through what do we know about customer behaviour? What do we know about technology? What do we know about consumers? What do we know about technology etc etc".

And it was a really terrific thing to do because we actually got a whole list of actions frankly of things we hadn't probably thought about. And so I think the ability to draw on that experience is incredibly valuable.

Andrew Cornell With customers though, what... because we know that it is going to be a severe shock and in some industries, you know, a very severe shock. So what would you say to customers to manage their way through the crisis with the bank?

Shayne Elliott Yes so look, sadly, this is going to have quite a devastating impact on certain members of the community.

What we need to do is work as diligently as we can to support, as I said, customers through the difficult period so that they've got every chance to survive and actually come out of this in a stronger position.

And so I would ask our customers: if you have issues, if you're worried, if you've lost your job, if your business is suffering, the best thing you can do is talk to your banker. Don't wait, don't be shy, don't be fearful. We are here to help and we have the ability and willingness to do so. But we can only help if we know about the trouble you're in and the earlier we act together, the better will be for everybody.

Andrew Cornell Well, thanks very much for your time Shayne.

Shayne Elliott Thank you.

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