Media Information

For Release: 17 February 2016

Transcript of ANZ Chief Executive Officer Shayne Elliott commenting on Q1 Trading Update

The following is a transcript of a video interview with ANZ Chief Executive Officer Shayne Elliott discussing ANZ's first quarter 2016 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.

Andrew Cornell: Morning Shayne and welcome again to BlueNotes. Thanks very much for joining us.

You've just released the December quarter Trading Update. It was a solid result, there were some good performances from across the business but what struck you as some of the highlights?

Shayne Elliott: Well again what's really showing at our business is the strength of our retail franchise both here in Australia and in New Zealand, and also the small business franchise. Those are terrific businesses and they just continue to go from strength to strength, really pleased with that. The second thing that I was pleased with was the ongoing restructuring that we're seeing going on in our Institutional business, which is really about capital efficiency and making sure we're allocating our resources where we get the best returns both from a customer's perspective but also from a shareholder perspective.

Andrew Cornell: Because you have made the comments that it's not so much on geographies where you're looking to get an earnings proportion, what you're looking for is value creation. So you're starting to see some results from that work now?

Shayne Elliott: Absolutely and we talked about that at the end of the last financial year when we started to see some of our trade assets coming off, and again that was really about disciplined allocation of our capital and that is absolutely starting to have an impact. In fact, we talked about in our release that our margins and that interest margin in our Institutional business actually rose. That's the first time that we've seen that in a number of years and that's really as a result of the actions we're taking.

Andrew Cornell: So that underlying driver, and it's a better result compared with the previous corresponding period and the average of the previous two quarters, is that something that you're confident can keep on going?

Shayne Elliott: I think so. I think the underlying businesses that we have as I said will continue to do well – retail and commercial here, our trade and capital flow intermediation businesses. There's undoubtedly going to be some challenges as a result of the slowing global economy and in particular the slowing Asian economy.

Andrew Cornell: And presumably, given that climate is one where revenue growth is very hard to come by, there's a focus on costs. Are you happy with how costs are being managed?

Shayne Elliott: Yeah, we're taking a view that the environment that we're working in continues to be volatile and a little uncertain and the best thing that we can do to be prepared for that and to mitigate some of that is be really, really tightly managed in terms of our resourcing and so there's a big item here in terms of cost management and we saw first quarter absolutely some great outcomes in terms of that and that will continue to be a focus but equally it's also about capital efficiency and making sure that every dollar of our capital is wisely allocated.

Andrew Cornell: To an extent, that's the December quarter. And if you look at global markets, not just in Australia, the anxiety has been since the start of the New Year and indeed in this update you flag some credit quality issues, particularly in South-East Asia. Has the world changed enormously then since the start of the year?

Shayne Elliott: Look, I don't think it's any surprise that the Asian region in particular has been slowing for a period. We've been talking about, as have others. I think what we saw though, at the beginning of this calendar year is that it's been a little bit more volatile than we were certainly expecting and some of those conditions have been a little bit more difficult. And so where does that hit? It tends to hit in the manufacturing base across Asia-Pacific which today is in South-East Asia, most predominantly Indonesia. And that absolutely is having an impact in terms of our credit books. And we've started to see that in the recent weeks and we've flagged that in our result update.

Andrew Cornell: So when you look across those credit quality issues are you seeing any particular themes, trends? Or is it across the book?

Shayne Elliott: At the present, as I said, it's around South-East Asia, it's broadly based; it's not one customer group in particular or anything like that. But it does tend to be concentrated around manufacturing, kind of industrial companies and those exposed to trade.

Andrew Cornell: Leaving the idea of asset quality, the other thing that investors obviously have a strong interest in are your funding costs and the outlook for dividends. Can you expand on that at all?

Shayne Elliott: Well we have certainly seen, and as I said, it's been pretty widely reported that funding costs for banks and corporates that borrow in the capital markets have risen, and risen in a fairly material way. And you've seen that some of that has meant that there has been a re-pricing in certain parts of the economy. So that's absolutely real and we'll see where that plays out. In terms of dividend, banks have a number of levers that they're controlling and obviously we need to maintain our revenue momentum and that really generates lots of organic capital, we have the ability to manage our costs really tightly and of course be really efficient with the allocation of our capital. So in an environment which is a little bit slower, in an environment where we start to see that credit cycle turn, we have to be really vigilant around that capital and around our credit management but also be really tightly managed on costs and that's exactly what we're doing.

Andrew Cornell: You've also flagged a couple of key appointments to look forward to – the Chief Financial Officer, your old role, and a Head of Digital which people are particularly interested in. How far away are those?

Shayne Elliott: Well we're really excited to be able to have this new role of a new Digital Banking Head, I believe we'll be able to announce that in the coming weeks. And obviously the search for a CFO continues and we've got some terrific internal candidates which is great to see, but obviously we're also benchmarking that externally. That's also likely to be announced in the coming weeks. So I'm really excited about both appointments, they're really important to the team. But the team that's already here is totally focussed on execution and that's what we're going to be continuing to do for the balance of this year.

Andrew Cornell: Well thanks very much again Shayne for talking with BlueNotes.

Shayne Elliott: Thank you.