

## **Transcript: Shayne Elliott with Elysse Morgan – ABC The Business – 31/03/20**

**ELY SSE MORGAN:** The boss of Australia's third-largest bank says he's moved from lending to life support and admits some won't make it. Struggling households, small businesses and now big businesses have all been offered loan-repayment holidays for six months by the major banks. It comes at a cost, though. Don't expect another bumper dividend if you're a shareholder. ANZ CEO Shayne Elliott warns in the months to come, banks will have to make hard decisions about who survives.

**ELY SSE MORGAN:** Shayne Elliott, thank you for your time. You've said this week that you will have this unfortunate role at some point of having to decide which businesses and households come out of this and which presumably don't. How far away is that point that you have to start making those decisions?

**SHAYNE ELLIOTT:** Well, I don't know is the honest answer to that. And it really depends on how this virus continues to evolve in terms of a health crisis and how quickly that turns into the economic situation that we have. Now, obviously, it's happening very fast, but equally fast, of course, is the government reaction, which has been to date, incredibly positive. And if you will, I've used the analogy, it's a bit of a vaccine for some of this economic damage. So we've kind of got to roll with it. So I don't know exactly when, but we do know it will happen. Customers are today coming knocking on our door, needing help, and we're able to provide that help. But at some point, some of them we're going to have to say, look, we don't think the right thing to do is to continue your business operating. And the best thing to do is call it a day.

**ELY SSE MORGAN:** Do you foresee that happening within the next six months? Because the banks have been very generous in saying that you have these repayment holidays or repayment deferrals for at least six months. So is that the buffer? Do people have that window?

**SHAYNE ELLIOTT:** Probably. It's probably a six month one that we don't have to make some of those terrible decisions. But you can't rule it out. As I said, it really depends on how does this crisis evolve and the speed at which it sort of infects the economies.

**ELY SSE MORGAN:** What sectors, looking at business specifically, are you most worried about not making it through this? Because it's based, you've said specifically, on those businesses that weren't particularly strong going into this. And there's a lot of businesses that are not very strong going into this because of the bushfires. Will they be given extra leniency?

**SHAYNE ELLIOTT:** Oh, that's a really good question. I think in terms of the bushfires, you're right. I mean, I think we're already doing everything we can in terms of helping those in bushfire-affected regions. And the last thing we need to do is make it, somehow sort of forget them and they become forgotten. And that's a bigger picture problem. So, look the good news is that the banks actually have a very small inventory of businesses who are in really bad shape, what we would call our workout team. So we're at record-low credit losses, record lows in 30 years, we've never seen losses this low in coming into this. So we don't have a book of bad businesses as a general rule. But we do know that there was a lot of disruption already happening in the economy about digitisation, new business models that were threatening some businesses.

**ELY SSE MORGAN:** Households will also be under strain. But to pick out a particular group that would be worried at the moment, many leveraged up and took out investment loans in order to buy investment properties, some of them multiples, some of which will not be affordable now, given what we're seeing with rents. How will the bank view people with

multiple properties given you do have this leniency available, but is it going to be available for those that took on lots of risk?

**SHAYNE ELLIOTT:** What we do know, as a general rule, investors who have been able to afford investment property generally are in reasonably good financial shape. They've got a job and they've had income from the property. Now that all gets turned upside down very quickly in a crisis like this. But I know that at ANZ, that's not a massive issue for us, but we will treat all customers with empathy. Now, there has been some confusion out there in the marketplace in terms of whether the holiday, the payment holidays we've granted to customers, whether that applies just for owner occupiers or also investors, for ANZ, it applies to both.

**ELYSSE MORGAN:** There's also a bit of confusion out there in the marketplace of what's going on with residential rentals. The government and the banks have been very clear about businesses not being able to be evicted and having a lot of leniency afforded to them. However, residential rentals haven't quite got the same clarity around that, except that there won't be evictions for six months. Do you think that there needs to be more clarity about how landlords should be treating their tenants, how rental agreements should be managed throughout this?

**SHAYNE ELLIOTT:** I think landlords are sensible. They know that the best person to pay rent in their property is the current tenant and that evicting a tenant today, who exactly are they going to replace them with? I mean, I think the chances of that being a sensible decision by a landlord, somehow evicting current tenants and finding somebody else. I think that doesn't sound terribly sensible to me. So I think most landlords will vote for common sense. And again, most people are decent people who will understand that the tenants are doing it tough and cut them some slack.

**ELYSSE MORGAN:** Do you expect that the banks will be actively trying to avoid forced sales of properties in order to keep the housing market up, in order to keep values up?

**SHAYNE ELLIOTT:** I think that banks are going to act rationally. There's a lot of self-interest here and there's a lot of alignment of interest. It is in nobody's interest, today as a bank I can tell you, for us to put houses on the market, the market just from a physical point of view, people can't go to open homes it's much harder to buy and sell properties. So, look, I think that banks will be incredibly sensitive and very sensible. Having said that, let's not forget that the banks are actually open for business here. And so while they may not be houses selling at quite the same degree as in the past, there's a very, very active refinancing market out there. We just had one of our best weeks ever in terms of applications for credit. I mentioned that a lot of people are worried about their future and incomes etc. and will be thinking about maybe it's time to refinance and get a better deal out there. So there's still activity happening, it's just changing. Like everybody in the economy today, the nature of what we're doing is changing really, really fast.

**ELYSSE MORGAN:** Shayne Elliott, thank you very much for your time today.

**SHAYNE ELLIOTT:** Thank you.