

## **Transcript: Shayne Elliott with Neil Mitchell – 3AW – 04/03/21**

**Neil Mitchell:** On the line, one of the decision makers I speak to regularly on the program, Chief Executive of the ANZ Bank, Shayne Elliott, good morning.

**Shayne Elliott:** Good morning Neil.

**Neil Mitchell:** This housing market, how long can it go on?

**Shayne Elliott:** Well, it can go on for quite a while because you've got to go back to what's driving it, it's the good old supply and demand. Demand is high, right? Affordability of home loans, it's hard to get your first deposit, we all get that. But the actual amount of average income you need to service the loan, so to pay off the loan, is actually as percentage of your income, has never been lower. And so that suggests that people have a lot of bandwidth to keep the demand high for housing. And supply takes time to come on. So I think we've probably got a fair way to go.

**Neil Mitchell:** Is it healthy? Is it healthy to be booming along, they're extraordinary levels?

**Shayne Elliott:** I don't know. I mean, that's a really good question. It depends I guess it depends where you sit in the market. If you're an owner it probably feels pretty healthy. If you're trying to get in it probably doesn't. I think extreme moves either up or down are never probably very good if they're sustained for a period of time. So it's starting to get into that area where people are starting to raise a few eyebrows, wondering if it's a bit unhealthy at these levels. Neil, certainly it can't keep going at sort of double digit rates for very long because you start getting real social and political problems as a result. And nobody wants that.

**Neil Mitchell:** You would assume that if it continues like this, there'd be a fair old chance interest rates will go up wouldn't you?

**Shayne Elliott:** You'd have to assume at some point, right? I mean, why do we have this situation we're in? We have inflation in the economy, it's just asset price inflation. There's a lot of money sloshing around, which was partly to do with covid, partly to do with other things. All that money has to find a home and people are pouring it into assets. And they're pouring it into housing and also into equity. And it's hard to imagine that in that environment at some point that'll start leaking into real inflation in terms of consumer prices. And you pointed out a few in your preamble then. We're starting to see a little bit of that, construction prices and all that other stuff and at that point, yes, the Reserve Bank would, I imagine would be forced to act at some point. I mean, they've sort of said they're not intending to do that for a couple of years. But things change.

**Neil Mitchell:** So why are we seeing this, the building costs going up? Fruit and vegies, they told me today, going up. A shortage of tradies. I mean, all this in terrific economic times. Well, not terrific, but an improved economic performance.

**Shayne Elliott:** Well, it's terrific in the sense of where we thought we might be at this time, right? I mean, I don't think anybody predicted this. And you know what we got wrong I think were two things in particular, we all underestimated the sort of overwhelming amount of support the governments would throw at this both state and federal. And it's just literally hundreds of billions of dollars being thrown. It's just unprecedented, overused word, but it is unprecedented the amount of money. That was one and we sort of didn't realize how big that was going to be. The second one is just the power of low interest rates, the power of rates essentially being at zero. Again, I think underestimated. And that's really given a kick

start. That's why people are renovating their homes, buying bigger homes. That's why you can't get an architect in Melbourne today. You can't get tradies because, just plodding around the streets, there's a lot of construction going on.

**Neil Mitchell:** The mugs view, I would have thought as the government support stops, there's a lot of closed businesses around Melbourne. You're seeing closed shops, small businesses. And I think we'll see some of them will never reopen, they'll go to the wall. Some of these people, of course, have mortgaged their house to start the business. Doesn't that mean that they default on the mortgage? The house goes on the market and there's more product available?

**Shayne Elliott:** Potentially. I mean, let's not forget that half of all small businesses fail in the first three years anyway, right? So there's a lot of failure in the small business land. That's just part of the normal course. And let's also remember that actually, surprisingly, a lot of small businesses don't have huge amounts of debt. So at ANZ we've got about half a million odd small business customers. Only sort of a third of them actually borrow any money. So a lot of businesses don't borrow. And yes, you're right some of that borrowing is against their house. So I imagine that will be the case. But again, go back to the data, the data says, hey, about 20 per cent of small businesses who borrowed in the banking system had a deferral. They were the ones that thought they were going to do it tough. Of them the banks have reported call it sort of 90 per cent of them are back paying. So that's not those businesses that are closed. So there's a problem, but it's probably in the scheme of things, still relatively small. There's going to be a bounce in insolvencies, there will be some problems emerge after March. That will be inevitable. But we're not imagining that to be a tidal wave.

**Neil Mitchell:** Okay. We won't continue at three point one per cent. I take your point, it's terrific compared to what we thought, but we probably have to accept a dip from here on in don't we?

**Shayne Elliott:** Yes. I mean, it's like everything when your economy is weak, you do get that sort of bounce back. And we are experiencing a bit of a bounce. It's great. It's good. It's a really good thing. But, I don't think you can extrapolate and imagine that it'll be three per cent for the next few quarters.

**Neil Mitchell:** Now I'm sure you love this topic, online banking. Alright, I did it over covid because I couldn't get out. I finally convinced myself I'd get into online banking email and probably never do anything else because of that are more people using it?

**Shayne Elliott:** Massively. So transaction volumes on our app, so using our mobile app, they are 30 percent year on year. So FY20 was 30 per cent higher than the year before. More and more Australians actually logged on to an app for the first time. We had about 440,000 new registrations in the app so that's massive number of people who'd not used it before then. So the number of login numbers on our ANZ app FY20 is staggering - one billion times. So people logged on a billion times. That's three million every day, pretty much. So transaction volumes are up dramatically.

**Neil Mitchell:** Sorry, that's a billion over how long?

**Shayne Elliott:** Over the year.

**Neil Mitchell:** Geez. Yeah, okay.

**Shayne Elliott:** Every day, people log in three million times onto the ANZ app. Now, what's interesting, cash withdrawals fell 22 per cent over the year. And so ATM withdrawals and cash. But then contactless so using your pay and tap cards, they are up 25 percent. And digital wallets so using Apple Pay or whatever, they are up 92 per cent. So basically, there's just being a big behavioral change. And a lot of people like you Neil doing this for the first time and realized actually this is pretty convenient and this will be something I'll keep doing.

**Neil Mitchell:** Ninety-two per cent increase in digital wallets from a low base, I assume was it?

**Shayne Elliott:** No, no, no, no, no not from a low base actually. Yeah it is, it's staggering. Now that's the transaction amount, yeah it's huge. No, no it's not off a small amount at all. You know why? More and more people, again it's that cash replacement is people buying groceries and all those sorts of things, not wanting to use cash and that sort of left over they don't even use a credit card. They just go straight to their Apple Pay or whatever.

**Neil Mitchell:** Is this why you're closing branches? I noticed the Victorian branches Torquay, Reservoir, Collingwood, Hampton, Port Melbourne - is this why?

**Shayne Elliott:** Partly. I mean, what's happening in there is, people just don't come into the branches anymore. And I'm not talking about covid. I mean, covid exacerbated a trend. I mean, branch traffic was falling 10, 15 per cent every single year, so there's less and less people in the shop, yeah? Now it exacerbated last year. And so at some point, you just can't support a network of shops like that when there's nobody really in them. The other point, of course is what people are doing in them has changed, right? And so yeah, we've closed a few we've got a few more to go.

**Neil Mitchell:** I noticed, the Australian of the Year Grace Tame, yesterday speaking to the Press Club. Talked about, and it was a very powerful speech, she talked about a culture in Australia where we sort of accept or turn a blind eye towards sexual assault. What's the policy in your office if there is an allegation of sexual assault? Is the person stood down or how do you handle it?

**Shayne Elliott:** It's a really good question. If it's an active employee, and it does happen. Just as an aside on that, what's interesting of course, much less of those sorts of things happening, or bad behavior in general last year because people at home. And the sorts of events which lead to that social events, drinking, that sort of stuff wasn't happening. So we had far fewer. Now we don't get a lot, but it was certainly way down. So what do we do? Depending on the nature of the allegation. We potentially would stand somebody down pending an investigation. And we have our own internal investigation team. It's mostly ex-policemen, that sort of thing. People know how to do all of that. If it's of a serious nature, we would inform and work with the authorities etc. So there's a whole range of things we do. But yes, it can mean a stand down. It's not necessarily we would stand you down. It would depend on the nature of the allegation.

**Neil Mitchell:** And what if it was historic. What if it was going back twenty years or so?

**Shayne Elliott:** Well, we've had cases. I have had a case in my time here where somebody did make an allegation of an event that happened within the bank. So I'm talking about as an employee, ten years ago. We investigate that like anything else. And we have a code of conduct, right. And banks are slightly different. And I know you're talking about sexual harassment cases, but we have a slightly different policy because we're handling money. And because we have an integrity need. And for senior executives, in fact, we need to get what they call a fit and proper test, which is the regulatory requirement. So, if I appoint a CFO or somebody running IT or whatever, a senior person may have to go and get a, and that's goes through a, we go and do a criminal check on people etc.

**Neil Mitchell:** A couple of quick things. I know the, you mentioned fewer people in the office. You now allowed 75 per cent back. Premier keeps saying there is going to be a permanent change and workers staying out of the CBD. What do you prefer? Do you want them in the office or out?

**Shayne Elliott:** We want them in the office. But there is going to be a change. And so we've spoken a lot to our people. We already had flexible work. So we already about seven or eight percent of our people who were working at home at some point during the week, right? Now, we just think that number's going to be higher. And if we go and ask our people today, sort of 20-25 per cent of our people say, yes, I would like to work at home one day a

week, maybe two or whatever. So our preference is we want you back in the office. We think the office is the right place to be. We are going to encourage you to do that. But we understand, depending on your role, that it might be okay to be at home a day, two days a week.

**Neil Mitchell:** Chief Executive of the ANZ Bank, Shayne Elliott. A couple of weeks ago it was reported your bank had pulled out funding in the Port of Newcastle and the coal. I did talk to one of your opponents about on the day, as it turned out. Are you able to confirm that you've pulled out?

**Shayne Elliott:** Well, I think it's on the public record that we won't be continuing with financing. And that's right, yes.

**Neil Mitchell:** And why?

**Shayne Elliott:** Because, banking 101 for us is every customer we look at, we look at the risk profile of that customer. Remember when we're lending money, we're generally lending it for long periods of time. Actually under the Corporations Act, I have a fiduciary responsibility to our depositors and shareholders, to have a duty of care about. It's their money, not mine. And so we have to do a risk assessment. And remember, we can't bank everything. We can't bank everybody. So we make a choice, we make a choice about where's the best place to lend, to get a decent return for the kinds of risks that we get. And without going through the details, we just do normal assessments. We take extra care when it's areas in our climate change policy, around certain commodities where we have a raised sensitivity about the future viability of some businesses.

**Neil Mitchell:** Finally, I know you supporting a wheel next Friday, it's for the Royal Children's. If we can raise next Friday, \$182,695 we pass the million mark in four years. People are pretty generous.

**Shayne Elliott:** They are. Yes. I'm looking forward to it. It's in the diary. I'm already getting the Rolodex together. So yeah, we're doing our best.

**Neil Mitchell:** Well, you did very well last year. I appreciate your support. Thank you very much.

**Shayne Elliott:** Yeah I look forward to it and we'll be on the wheel next week. Thank you.

**Neil Mitchell:** Thank you. Shayne Elliott, Chief Executive of the ANZ.