

News Release

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Transcript: bluenotes interview with ANZ Chief Executive Shayne Elliott and Andrew Cornell

The following is a transcript of a video interview with ANZ Chief Executive Officer Shayne Elliott following the sale of ANZ's life insurance business to Zurich Financial Services Australia.

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, thanks very much for speaking with bluenotes again. You've now completed the life transaction with the sale to Zurich. Can you give us a sense now of what the business looks like? Previously you sold the pension and investments business to IOOF now this tranche. What is the shape of the ANZ Wealth business?

Shayne Elliott Well first we should just step back a little bit and understand why we're doing this. It's all about being the best bank we can be for our customers. And in a fast changing world, particularly with new technology and new disruptive competitors, we want to win by doing the very, very best thing for our customers and being totally focused on them.

So we said we should do a few things and do them really well. The best way to do that is partnering with the world's best. And so we said hey, we've got a great banking business, in terms of being the best bank for homeowners and people running a small business but in terms of some of the periphery businesses, like Wealth, we didn't really have a winning proposition there and we were there, we were good. So we had a different way forward and that's about partnering. And so we said we want to be talking to customers but we don't want to be manufacturing product.

So we've partnered with two great companies. IOOF in terms of our pensions and investments product and today announcing a partnership with Zurich, one of the world's best insurance companies. And so it's really about partnering and doing the best thing for customers.

Andrew Cornell So when you look at the shape of the business what it was and what stays with ANZ today what's with Zurich and what's with IOOF, then the sort of customer face is still with ANZ, manufacturing on one side with Zurich and the other side with IOOF. What else does ANZ still have, how do the parts work together?

Shayne Elliott Well essentially what you just said. So people will still be able to come to ANZ, whether that's in a branch; whether that's online; whether that's through a call centre; and still be able to get access to those great products so, you know, nothing has changed from our customers' perspective except we're going to now be partnering in terms of the manufacturing and management of those products with some of the world's best companies and so we keep the customer front end, and an important part that people might see and know is the financial planner.

So the ANZ financial planners, which is about 300 of them across the country, they're going to stay. They're still going to be working in our branches and talking to our customers about their financial prospects.

Andrew Cornell You mention Zurich, obviously one of the most well-known brand names in the business with a global scale. Originally the transaction was going to be the whole business of Wealth and its gone part to IOOF and part to Zurich. What was behind that and how did you choose Zurich for this latest part?

Shayne Elliott So we've always run the business together for many, many years. So in an ideal world it was simpler for us potentially to be able to just sell it together. But through the process we were really focused on doing the right thing for our customers, which is how to get the best product to our customers. And so what we found, in dealing with the number of parties that were interested, is actually we found that the best way was to split it up and do the best we can with IOOF on pensions and investments because they're really strong in that. And do the best that we can on life insurance with Zurich. Here's a world leader who's really, really the leader and now going to be the number one retail life provider in Australia. So it was just better for our customers to do that. A little bit more complexity for us; a little bit more cost associated with the separation; but absolutely in the interest of our customers.

Andrew Cornell But you're happy with the overall pricing as well then?

Shayne Elliott Absolutely. When you add it all up it's a very fair price for the assets that we had. And more importantly, this is less about the price that we get. This is about entering into a 20 year relationship with two great companies to make sure that we're always going to have great, attractive, simple, easy-to-understand product out there for the benefit of our customers.

Andrew Cornell You mention 20 years - can you talk us through a couple of the key elements of that? Is it structured around targets, for example, or other hurdles? What are the key points of how it will work?

Shayne Elliott No, it's not structured around targets. And that's really important because what we know, and we've seen this over time in our industry and others, is when you have sales targets as part of these agreements; it can potentially lead you to poor outcomes because you're too focused on achieving the targets rather than doing the right thing by customers. So no, it's a real partnership. We're both in this together. We both want to invest in terms of better product, better distribution, and more digital, all of those things.

But it's really just; it's a marriage of two great companies - three in fact, in this particular case - with IOOF, Zurich and ANZ, to do the right thing by customers. Yes, we had some agreements about how we will resolve problems if and when they come, but it's really about focus and a commitment to each other to do the best.

Andrew Cornell When we look back to the last full year result a couple of months back it's fair to say the market was pleased with this sort of simplification process but then immediately questions were raised about earnings, how do you fill the earnings hole? Was there an earnings implication here with the Wealth transaction?

Shayne Elliott Well as we sold these assets, these assets go to these new partners. So the earnings go with it. But net-net, so we'll be a slightly smaller company as a result, so we'll have less capital out there and we'll have slightly less earnings. But in terms of returns, the returns on that capital really don't change the whole lot.

So it's a kind of net-square from that perspective. But we believe that being slightly smaller but more focused ultimately is in the interests of our shareholders and our customers.

Andrew Cornell Indeed, you touch on capital - capital will be freed up by this transaction and the ASX announcement mentions that there's an opportunity there for capital management. What are the options for capital management?

Shayne Elliott Well we don't have the money yet. So on both transactions; they're going to happen over the next 12 months. So let's say in about a years' time we'll be the recipient of most of that money and depending on where we are, you know things change, if there's anything I've learnt in the last few years - things change.

Depending on where we are at the time, we'll have to have a look at how much capital we need to run the bank; how much capital we need to satisfy our regulatory responsibilities. And if we have excess then there are options to return it. Generally those things would be through either dividends, although our ability there would be constrained by franking or potentially through buybacks of some description.

Andrew Cornell Finally, the broader simplification process that has underpinned your time as CEO. Across the whole bank how far through that simplification are we?

Shayne Elliott Well I feel like we've sort of broken the back of that if you were. We're more than halfway through, we have simplified by selling some partnership stakes in Asia. We've sold quite a number of businesses in fact I think at last count up to about 17 disposals some big and obviously a lot quite small. So I think we've really got momentum on that. We've reduced the number of products that are available in our branches which is again another important part of simplification.

It all goes back to this really simple philosophy that in a complex world, we know that our customers are busy and just want us to help them out. The way to win for our customers and our shareholders is to do a few things and do them incredibly well. We're really clear on what those few things are and essentially we are just exiting, shrinking or partnering on everything else. We're more than halfway through. But we still have a long way to go.

Andrew Cornell Thanks very much for speaking again with bluenotes.

Shayne Elliott Thank you.

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