



30 April 2020

Mr Tim Wilson MP
Chair of the Standing Committee on Economics
House of Representatives
Parliament House
Canberra ACT 2600

By email: economics.reps@aph.gov.au

Dear Mr Wilson

IMPLEMENTATION OF HAYNE RECOMMENDATIONS AND RESPONSE TO COVID-19 PANDEMIC

I refer to the Committee's letter of 2 April 2020 requesting written updates on the measures that ANZ has taken in response to the COVID-19 pandemic and ANZ's progress in implementing the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission).

ANZ has focused its resources and our organisation on supporting our customers and communities, our employees and the Australian economy during the COVID-19 pandemic. We believe it is strongly in the interests of both customers and the bank that we take a long term view, and work closely with customers in a flexible and responsive way.

- On 20 March 2020 we announced our principal consumer and small business response, based on up to six-month repayment deferrals for impacted customers. We have received assistance requests for around 105,000 home loan and 42,000 business loan repayment deferrals.¹
- We also announced on 20 March 2020 that we would increase overdraft limits for 12 months by up to 10% for small and medium (SME) business customers who needed temporary working capital, including to retain employees.
- We have offered under the SME Guarantee Scheme new three-year unsecured business loans of up to \$250,000, and six-month business overdrafts of up to \$250,000.
- We have commenced a public campaign to support the JobKeeper scheme and will provide a six-month overdraft to existing customers, sized to their requirements based on the JobKeeper calculation. This is supported by a dedicated 'JobKeeper Assistance Hotline'.
- We have continued to work closely with institutional customers that have been affected. We have provided additional loan limits to our large Australian corporate clients through our Institutional business to help them retain jobs, maintain operations and pay suppliers, including small businesses.
- We have instituted work from home arrangements for around 95 per cent of our non-branch employees. New measures have been introduced for employees who need to come to work, with protective equipment and social distancing introduced in bank

¹ Refer ANZ 2020 Half Year Results Presentation and Investor Discussion Pack at <https://www.anz.com/shareholder/centre/>. Home loans as at 24 April and business loans as at 20 April 2020.

Chief Executive Officer

Level 10, ANZ Centre Melbourne, 833 Collins Street, Docklands Vic 3008, Australia
Phone: +61 (0) 3 8654 4488 | Email: Shayne.Elliott@anz.com
[Australia and New Zealand Banking Group Limited](#) ABN 11 005 357 522

branches. We have introduced 10 days' paid coronavirus-related special leave, and have provided a one-off payment to junior and mid-level employees as a contribution towards working from home expenses.

- We have also donated \$1.5 million to three of our charity partners to provide additional support to some of the country's most disadvantaged who are affected by COVID-19. The Brotherhood of St Laurence, The Smith Family and the Financial Counselling Foundation will each receive \$500,000.

During March 2020, we also decreased variable interest lending rates for home loan customers by between 0.40% and 0.50%pa and for small business customers by 0.50%pa, and introduced low fixed-rate loans for home loan and business customers. These rate reductions support all of our customers at a time of economic difficulty.

In relation to the Royal Commission, ANZ has completed the implementation of the four recommendations able to be implemented directly by banks. Since our 1 November 2019 letter, we have completed the implementation of the 15 Sedgwick recommendations that can be given effect by individual banks at this time.

As noted in my 1 November 2019 letter, we have also changed how we pay ANZ staff to reduce the risk of outcomes that are not in our customers' best interests. Board and management oversight of accountability and governance has increased, and we have introduced new Accountability and Consequence Principles. We have also published principles about how we will treat family farmers in financial distress and implemented related Banking Code of Practice requirements.

Customer remediation continues to be a major focus for ANZ. As at the end of March 2020, our Retail and Commercial Responsible Banking team has remediated over 1.5 million customer accounts and issued refunds of \$134 million. Our Wealth Division has reviewed nearly 48,000 cases in total and made payments of \$109.4 million.

Finally, I would like to acknowledge the work of the Government, banking regulators and the Reserve Bank of Australia, state governments and many others, managing both the public health and economic dimensions of Australia's response to the pandemic. Outcomes in Australia have been remarkably successful and the Government now has the opportunity to consider options that are not available in other countries for a safe return to more normal conditions.

ANZ will continue to work cooperatively and flexibly to support our customers and the next phases of the Government's COVID-19 response, and the completion of the implementation of the recommendations of the Royal Commission.

Further detail on the measures we have taken to support our customers, employees and the wider community, and a status report are contained in the Annexures to this letter.

Yours sincerely,

Shayne Elliott

CHIEF EXECUTIVE OFFICER

Annexure: ANZ Royal Commission Implementation
ANZ COVID-19 Response

30 APRIL 2020

**RESPONSE TO
COVID-19 PANDEMIC**

ANZ RESPONSE TO THE COVID-19 PANDEMIC

ANZ has taken a range of measures in response to the COVID-19 pandemic to support our customers, employees, the community and the economy. These are summarised below, with greater detail provided in the attached table.

CUSTOMER MEASURES

During March 2020, we decreased variable interest lending rates for home loan customers by between 0.40% and 0.50%pa and for small business customers by 0.50%pa, and introduced low fixed-rate loans for home owners and business customers.

We announced our main COVID-19 support for personal home loan and small business loan customers on 20 March 2020, including up to six month deferrals of home loan and small business loan repayments.

Additional assistance available to customers includes support for personal loan and credit card customers; overdraft limit increases for small business customers; a dedicated hotline to support customers who need temporary financial assistance prior to the start of the JobKeeper payments; loans under the Coronavirus SME Guarantee Scheme; and support for corporate and large businesses to maintain operations where cash flow is restricted.

As at 24 April 2020, we had received assistance requests for around 105,000 home loan and 42,000 business loan repayment deferrals.¹ To meet high levels of demand, we are redeploying staff and taking steps to process applications more quickly, such as introducing processes to allow home loan customers to accept assistance offers online. We have emailed and sent text messages to customers to tell them that their application has been received.

INDUSTRY

ANZ has worked closely with the Australian Banking Association (ABA) and its members to support banking customers. Work included an industry approach to the ABA small business relief package; ensuring a deferral on mortgage or other credit products will not affect credit ratings (provided a customer was up to date with repayments prior to COVID-19); and support for the new Commercial Property Code of Conduct.

EMPLOYEES

We have moved employees to work-at-home arrangements, split teams and introduced greater distance between those employees performing essential functions in the office. Approximately 95% of our non-branch employees are working from home. Measures have been introduced for employees who need to come to work, with protective equipment and social distancing in bank branches, and thermal scanning in major buildings. We have provided tools to support our people such as a wellbeing app, introduced 10 days' paid coronavirus-related special leave, and provided a one-off payment to junior and mid-level employees to help with working from home expenses.

REGULATION AND EXTERNAL DISPUTE RESOLUTION

Our ability to support our customers has benefited from steps taken by regulators and the Australian Financial Complaints Authority (AFCA) to manage the effects of the COVID-19 pandemic and strengthen an already strong financial system. For example, ANZ funding has benefited from Reserve Bank of Australia support for the repurchase operations market and changes to Exchange Settlement Accounts. Changes by the Australian Securities and

¹ Refer ANZ 2020 Half Year Results Presentation and Investor Discussion Pack at <https://www.anz.com/shareholder/centre/>. Home loans as at 24 April and business loans as at 20 April 2020.

Investments Commission and Australian Prudential Regulation Authority to their regulatory work programs have allowed resources to be refocused on customer assistance. The additional time AFCA has granted to provide responses to them about complaints gives banks a further opportunity to resolve complaints directly with customers. Authorisation by the Australian Competition and Consumer Commission has allowed the banks to work together through the ABA to implement support measures such as the small business relief package.

COMMUNITY SECTOR

ANZ is regularly meeting key banking non-government organisations to ensure that we are aware of and are responding to issues identified by clients of those organisations, and to provide them with information about our response. ANZ has donated \$1.5 million to three of our charity partners to provide additional support to some of the country's most disadvantaged who are affected by COVID-19.

ANZ COVID-19 MEASURES

1. Customer Measures

During March 2020 ANZ announced reductions in variable interest home loan and business loan rates and introduced low fixed-rate rate home and business loans. We also announced a number of support measures for personal and small business customers to help them through the current COVID-19 pandemic.

Measure	Details
Home loan and small business interest rates	
Decrease in variable interest home loan rates in Australia by between 0.40%pa and 0.50%pa across all variable rate indices	<p>We announced on 20 March 2020 a decrease in variable interest home loan rates in Australia by 0.15%pa across all variable rate indices, effective from 27 March 2020.</p> <ul style="list-style-type: none"> • For Standard Variable Rate owner occupiers paying principal & interest, the Index Rate was decreased by 0.15% to 4.39%pa. • For Standard Variable Rate investors paying principal & interest the Index Rate was decreased by 0.15%pa to 4.99%pa. • For Standard Variable Rate owner occupiers paying interest only the Index Rate was decreased by 0.15%pa to 4.94%pa. • For Standard Variable Rate investors paying interest only the Index Rate was decreased by 0.15%pa to 5.24%pa. <p>These decreases in variable interest home loan rates followed our earlier decreases between 0.25%pa and 0.35%pa announced on 3 March 2020, effective from 13 March 2020.</p>
Introduction of a two-year fixed rate of 2.19% for owner occupiers	<p>We introduced a two-year fixed rate of 2.19%pa for owner occupiers paying principal and interest – ANZ's lowest fixed-rate home loan on record.</p> <p>This measure was announced on 20 March 2020.</p>
Decrease in variable interest small business loan rates in Australia by 0.50%pa	<p>We announced on 20 March 2020 a decrease in variable interest small business loan rates in Australia by 0.25%pa, effective from 27 March 2020.</p> <p>This decrease in variable interest small business loan rates followed an earlier decrease of 0.25%pa announced and effective on 13 March 2020, resulting in a 0.50%pa reduction for variable interest small business loan customers during March 2020.</p>

Measure	Details
Introduction of lower rate fixed-rate business loans	<p>We announced on 20 March 2020 a decrease by 0.80%pa to a new two and three-year fixed rate of 2.59%pa for secured small business loans up to \$1 million, effective 3 April 2020.</p> <p>Applicants must have less than \$1 million total business lending with ANZ and must meet ANZ's security requirements.</p>
Personal customer support	
Six-month deferral on home loan repayments	<p>Customers can request a deferral of home loan repayments for up to six-months, with a review at three-months. Under a home loan repayment deferral, customers do not need to make repayments to their home loan for a period of time. Unpaid interest during this period is capitalised, meaning it is added to the customer's outstanding loan balance to be paid over the remaining loan term. This measure was announced as part of ANZ's COVID-19 support on 20 March 2020.</p> <p>We are capitalising interest, rather than not charging interest, in order to maintain our capacity to lend and in the overall interests of customers. Interest is the 'cost' of a loan. The cost includes the interest or returns required by people who provide the money that banks then lend out (wholesale lenders to banks, depositors and shareholders), the expected losses on loans and the cost of running the bank. Banks have been able to 'defer' receiving interest from borrowers and add it to the principal of the loan (that is, 'capitalise' it). Deferring or capitalising interest means the bank can continue to lend since we expect the interest will be paid when the economy recovers and customers are returned to a better financial position. It also means customers' payment history is not being affected. If interest were not charged, even for a defined period, the bank would have to report a loss. This would make it more difficult to lend to others.</p>
Support for personal loan customers	<p>Personal loan customers can request support including payment deferral (with interest capitalised) and waiving of the loan administration charge for up to six-months, with a review at three-months.</p> <p>ANZ has options available to customers to help with managing their personal loans, including reducing their repayments to the minimum (if they are making higher repayments) and access to funds in a redraw facility based on the extra repayments a customer may have paid in the past.</p>
Support for personal credit card customers	<p>Personal credit card customers can request support including payment deferral of minimum monthly payments (with interest capitalised), waiving of fees and other measures for up to six-months, with a review at three-months.</p> <p>Further support for customers with personal credit card debt includes options to transfer to a product with lower interest rates, change credit limits, and set up direct payments.</p>

Measure	Details
Increased contactless card payments limit	We have worked with AusPayNet to temporarily increase the limit for contactless card payments from \$100 to \$200, in order to reduce the risk of COVID-19 transmission through physical contact with cash or the payment terminal. The limit increase is progressively being rolled out and may not be available on all terminals and all cards.
Guidance to ANZ Smart Choice Super customers	We have provided information for ANZ Smart Choice Super customers on the ANZ website at anz.com. This includes information about the Australian Government's early access to superannuation scheme, insurance and the impact of COVID-19 on balances. ¹
Advice on branch closures	We publish a daily list of branches which are temporarily closed due to staffing availability or other issues associated with COVID-19. The list is available on the ANZ website at anz.com.
Support for passbook account customers	We are contacting customers who currently only have a passbook account to offer them an everyday account with visa debit access. This account can be set up entirely from their home over the phone. A visa debit card allows customers who usually rely on cash or EFTPOS to instead pay for goods and services over the phone or online.
Information about COVID-19 assistance	<p>We regularly update a dedicated COVID-19 webpage which outlines the support available to customers.</p> <p>This webpage is available at anz.com/support/covid-19/.</p> <p>ANZ CEO, Shayne Elliott, has emailed 4 million customers informing them of the support available and how to access it. Our newsroom also provides information responding to Frequently Asked Questions about our COVID-19 response and information on Australian Government support.</p> <p>Due to the high volume of calls we continue to receive in response to COVID-19, customers can request online a call back. We will call customers back as soon as possible and they will not be disadvantaged by any delay in ANZ contacting them. We are also introducing processes to allow home loan customers to accept assistance offers online if they do not need to speak to an ANZ operator.</p>

¹ Note: ANZ's Pensions & Investments (P&I) business, including Smart Choice Super, is owned by IOOF Holdings Limited (IOOF). The sale of the P&I business to IOOF was completed on 31 January 2020.

Measure	Details
Business customer support	
Six-month deferral on business loan repayments	<p>Impacted business customers can request a six-month payment deferral on loan repayments for term loans, with interest capitalised. The six-month payment support is available to most ANZ business customers.</p> <p>For a customer with \$1 million in lending, the support equates to \$40,000-\$50,000 of working capital. If all ANZ's small and medium customers were to take up the offer of a payment deferral, more than \$2.5 billion would be freed-up for businesses to continue operating and employing staff during this time.</p> <p>This measure was announced as part of ANZ's COVID-19 support on 20 March 2020.</p>
Support for JobKeeper	<p>We have established a dedicated hotline to help small and medium business customers who are eligible for the Federal Government's JobKeeper payments. Customers can call 1800 571 123 or request a call back at anz.com.au/business/covid-19/.</p> <p>We have also implemented a process to identify which customers need this assistance and prioritise their funding requests until their payments arrive.</p>
New business loans under the Australian Government's small business guarantee	<p>Small business customers can apply for new ANZ business loans as part of the Australian Government's Coronavirus Small and Medium Enterprise Guarantee Scheme:</p> <ul style="list-style-type: none"> • a new three-year business loan up to \$250,000, with a six-month deferral on repayments (interest will be capitalised), or • a new six-month business overdraft of up to \$250,000, with a six-month deferral of interest. At the end of the six-months customers will have the option of fully repaying the overdraft or rolling the balance into a term loan for up to two and a half years. <p>The loans are available to existing customers up to date with their payments and that are a small or medium-sized business with annual turnover of less than \$50 million and not already experiencing financial difficulty. The loan must be used to support current and upcoming business cash flow needs only (including working capital, liquidity and operating expenditure). For customers already experiencing financial difficulty prior to the announcement of these measures, additional support measures are assessed on a case by case basis.</p>
Temporary increases in overdraft facilities	<p>Small business and commercial customers can request temporary increases in overdraft facilities for 12 months by up to 10%.</p> <p>This measure was announced as part of ANZ's COVID-19 support on 20 March 2020.</p>

Measure	Details
Six-month deferral on Trade Finance Loan repayments	Small business and commercial customers with an eligible ANZ Trade Finance Loan can request a six-month deferral on their Trade Finance Loans with interest capitalised.
Merchant terminal fees relief	ANZ Merchant Facility customers can request a three-month waiver of the Rental Fees for their ANZ Electronic Terminals.
Online Marketplace to support small business customers	Staff can purchase directly from a number of our small business customers through an Online Marketplace, replacing our annual small business customer Easter Market held in our Melbourne Headquarters.
Information about COVID-19 assistance and other support	<p>Our business bankers are working directly with customers to inform them about support available. Due to the high volume of calls, customers can request online a call back. We will call customers back as soon as possible and they will not be disadvantaged by any delay in ANZ contacting them.</p> <p>Severely impacted small and medium business customers are able to access to relief measures specifically to respond to their circumstances.</p> <p>We regularly update a dedicated COVID-19 webpage which outlines the support available to business customers.</p> <p>The webpage includes a series of Frequently Asked Questions to assist businesses to understand what assistance ANZ can offer them, as well as practical information such as how best to clean merchant terminals to protect their staff and customers.</p> <p>It also provides links to Australian Government resources which details government assistance available to businesses impacted by COVID-19.</p> <p>This webpage is available at anz.com.au/business/covid-19/.</p>

2. Community Response

ANZ has worked with our community partners throughout the COVID-19 pandemic.

Measure	Measure Details
\$1.5 million to community partners to support Australia's most vulnerable	<p>We have donated \$1.5 million to three of our charity partners to provide additional support to some of the country's most disadvantaged.</p> <p>The Brotherhood of St Laurence, The Smith Family and the Financial Counselling Foundation will each receive \$500,000 to support the financial wellbeing of vulnerable Australians. The organisations will use the funds for education, employment, aged care and financial counselling programs targeted at disadvantaged people further affected by COVID-19.</p>
Double matching employee giving	<p>We are encouraging employees to support our community partners during this time through our workplace giving program, where ANZ will double match employee donations.</p>

3. Regulatory and Prudential Response

ANZ has worked closely with regulators as part of the response to the COVID-19 pandemic.

Measure	Measure Details
CFR, RBA, APRA, ASIC, AFCA and ACCC measures	<p>We are continuing to work closely with banking and financial system regulators, and the Australian Financial Complaints Authority (AFCA), to provide support to customers and manage the impacts of the COVID-19 pandemic. For example:</p> <ul style="list-style-type: none">• ANZ funding has benefited from Reserve Bank of Australia (RBA) support for the repurchase operations market and changes to Exchange Settlement Accounts. ANZ is a regular participant in the repo market and considers that the additional steps taken by the RBA have alleviated potential liquidity concerns.• The advice of the Australian Prudential Regulation Authority to banks on 19 March 2020 that they may need to utilise some of their current large buffers to facilitate ongoing lending to the economy has been important for giving flexibility to the banks.• ANZ has been able to free up resources to focus on COVID-19 related activity as a result of the suspension by the Australian Securities and Investments Commission on 23 March 2020 of a number of non time-critical activities including supervision, consultation, regulatory reports and reviews.• AFCA measures to improve external dispute resolution responses have allowed ANZ further opportunity to resolve complaints directly with our customers and, if required, to identify and provide information to AFCA.• Authorisations by the Australian Competition and Consumer Commission have allowed banks to work together through the Australian Banking Association (ABA) to develop important support measures such as the ABA small business relief package.

4. Corporate and Employee Response

ANZ is taking action to ensure the wellbeing of our employees and customers during the COVID-19 pandemic.

Measure	Measure Details
Protecting our branch employees and customers	<p>In line with Government requirements, we have asked customers to not visit our branches if any of the following have applied to them:</p> <ul style="list-style-type: none"> • travel overseas in the past 14 days • contact with someone who has been diagnosed with COVID-19 • experiencing fever, breathing difficulties, fatigue, a cough or sore throat.
Protecting the wellbeing of our employees	<p>We have moved employees to work-at-home arrangements, split teams and introduced greater distance between those employees performing essential functions in the office. Approximately 95% of our non-branch employees are working from home. We introduced 10 days' paid coronavirus-related special leave, and provided a one-off payment to junior and mid-level employees as a contribution towards working from home work expenses.</p> <p>To protect our employees, we have provided them with information and additional products to ensure good hygiene practices, as well as taken social distancing measures in our offices, including restricting meetings to video conferencing or phone calls and limiting the number of people in elevators. Our buildings have extensive measures to keep them as safe as possible, including thermal screening, regular cleaning, locking down floors, relocating teams and having hand sanitiser and protective gear available wherever we can.</p> <p>We have a range of wellbeing resources available for all staff including a digital app, a comprehensive intranet site and webcasts with external medical professionals. We are also providing support for our employees working from home, including to assist them in setting up their home workspaces appropriately, helping them to remain connected to their colleagues, and continuing to provide access to our Employee Assistance Program.</p> <p>We are providing links to the COVIDSafe app on our internal social media platform. We are encouraging staff to consider downloading it to as a way of improving the ability of our frontline health workers to trace contacts of those who have tested positive to COVID-19 and protect the workplace.</p>