

## News Release

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### **Appearance of ANZ before Productivity Commission Inquiry into Competition in the Australian Financial System**

*Below is the opening statement by ANZ CEO Shayne Elliott at his appearance before Productivity Commission Inquiry into Competition in the Australian Financial System.*

Good morning and thank you for the opportunity to speak with you.

As a bank with roughly 15% market share, we have welcomed inquiries into the competitiveness of Australian banking.

Evidence based policies that support contestability offer us, and others, the best chance to win customers through price and service.

We agree with the Commission that lower barriers to entry and open data promise more competition.

Open data will allow us to innovate and win customers with better services. It also opens doors for our competitors, large and small, new and existing.

Each day, we work hard to serve the 15% of customers who bank with us, and to convince the 85% who don't that we can offer them a better price and service.

We understand that policy makers must balance stability with competition. As we have seen overseas, if you get that balance wrong, consumer wellbeing and economic stability can suffer through poor practices, bank collapses and financial crises.

Australians benefit from financial system stability through economic growth and the confidence that deposits will be repaid. It is true that deposits are backed by the taxpayer, up to a point. But bank stability means this backing is easier for taxpayers to provide.

Over a 22 year period from 1995, key return metrics for ANZ have all trended down despite Australia's long run of economic growth.

Our return on equity is down 36% over that period. From its high point in 2002, the decline is 51%.

Revenue per dollar of average interest earning assets effectively looks at what we earn in fees and interest on our lending to customers. This is down 49%.

Similarly, net interest margin, which measures the difference between what we pay in interest costs and what we receive in interest revenue, is down 41%.

While bank returns have trended down, consumers have benefited from innovations such as internet banking and new ways of paying.

With this pressure on returns, our strategy in the Australian retail market is to be the best bank for people who want to buy and own a home or start and run a small business.

As a result, we are focusing on the owner-occupier home loan market.

Through a mixture of pricing, service and underwriting policies, we have grown our market share in this market significantly, from 15.8% to nearly 16.3% in the two years to December 2017. These figures include loans which have been securitized.

To achieve this increase, we've had to consistently win business from others who are trying to do the same thing.

In some periods, we have managed to expand our book 1.5 times faster than the system as a whole. At other times, we have only expanded at 0.5 times the system growth. The market is fluid and competitive.

In this market, consumers have won with increased discounts delivering lower rates. Consumers are refinancing both within and between banks to capture lower rates driven by competition.

Part of the story with home loans is brokers.

Consumers use brokers to understand the market, help with loan paperwork and negotiate a better deal.

We are happy to help customers whether they choose to use a broker, our branch network or our mobile lenders.

About half of our mortgages originate from brokers. As such, while we don't own a broker network, we believe the integrity of the channel is critical.

In addition to helping our customers, brokers also help those banks without branch networks compete.

The Productivity Commission has made some recommendations concerning brokers. We see merit in enhancing the consumer protections in this space.

A best interests duty could support the existing law to promote consumer interests when receiving help from a broker.

Finalisation of the Commission's recommendations on this topic should take into account:

- The need for trust in brokers as advisors
- Whether consumers are willing to pay for loan help; and
- Brokers' role in leveling the playing field for banks without branches.

Lastly, in relation to the New Payments Platform, we believe it is too early to reach a conclusion on whether a mandated access regime is required.

The NPP is open by design and will succeed for its ADI shareholders if innovative overlay services have access to the platform. These services will make it more attractive to consumers and this will drive volume that will benefit the shareholders.

Thank you for your time and I now welcome your questions.

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