

News Release

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Transcript – ANZ CEO Shayne Elliott keynote address at Pacific Banking Forum

[Check against delivery]

Good afternoon, gutpela avinun, ni sa bula vinaka, talofa lava and welcome.

Before I begin, I would like to acknowledge:

- His Excellency, the Honourable David Ranibok Adeang, President of Nauru.
- The Honourable Mark Brown, Prime Minister of the Cook Islands.
- The Pacific Island Forum Secretariat, Secretary General Baron Waqa.
- Excellencies, Honourable Ministers, Central Bank Governors, Distinguished Guests, ladies and gentlemen.

I would also like to acknowledge the traditional custodians of the land on which we meet today and recognise their continuing connection to land, waters and community.

I pay my respect to Elders past and present and to Aboriginal and Torres Strait Islander peoples joining us today.

It is an honour to have been asked by Australian Treasurer Jim Chalmers and United States Secretary of Treasury Janet Yellen to speak today on the important issue of bank de-risking in the Pacific.

This is a topic that ANZ is well placed to discuss.

We have been in the Pacific Island region for more than 140 years.

The region is an important part of our network.

From our earliest days, we've financed commerce and trade to help unlock opportunities in the region for individuals, families, businesses, and communities.

Over the years, we have adapted our business in the region, focusing on the areas where we can add the most value.

Today, we have operations in Fiji, Papua New Guinea, Samoa, Vanuatu, Tonga, Solomon Islands, Timor-Leste, Kiribati and the Cook Islands.

Our presence in the Pacific helps our customers make the most of the growing trade and investment opportunities throughout the Pacific region.

We currently hold over 5 billion Australian dollars of deposits in Pacific and provide over 2 billion in loans.

To support our quarter of a million customers in the region, we employ over 1,200 people in sophisticated roles and pay 65 million Australian dollars in wage and salary costs each year.

In the last 5 years, we have invested about 95 million Australian dollars in buildings, systems and technology and paid an average of roughly 75 million Australian dollars in corporate taxes annually.

We also invest in regional infrastructure that supports economic growth and a better standard of living for Pacific Islanders.

And, most importantly, we work to improve the financial wellbeing of communities across the region.

Since 2011, more than 50,000 Pacific Islanders have participated in our flagship financial education program, MoneyMinded.

And, pleasingly, we have just announced that we are expanding our efforts with a pilot of our matched savings program, Saver Plus, in Fiji.

As part of the pilot, ANZ will work with the United Nations Development Programme to support identified market vendors over 10 months to set a business or education savings goal, save a consistent monthly amount and attend 10 hours of financial education.

If they complete the program, vendors can have their savings matched by ANZ, up to 500 Fijian dollars, for business or education items.

Financial literacy is one way we live up to our purpose of shaping a world where people and communities thrive.

Another way we do this in the Pacific is through facilitating payments into, and out of, the region.

This helps connect the region with global markets, supporting Pacific Island economies through trade, tourism and the movement of people.

Since 2020, we have supported Pacific Islanders by waiving key international money transfer fees on payments from Australia and New Zealand to our core markets in the Pacific.

We also have more than 100 account correspondent relationships across the Pacific, including where we provide clearing services for Pacific currencies and Australian and New Zealand dollar clearing services for Pacific banks.

Through this network, we facilitate about 25% of all payments into the Pacific, and around 15% of all payments out of it.

This makes us one of the largest providers of both banking and correspondent banking services across the region.

ANZ's presence also helps other banks service the Pacific.

While we don't provide U.S. dollar clearing, our partner banks do.

This allows our retail and commercial customers to access our correspondent bank network and make international payments.

To give our partners comfort, we apply the same minimum standards in the Pacific as we do in our 29 markets around the globe.

To lower our standards would put ANZ's correspondent bank relationships with large global banks at stake and hurt our ability to connect our Pacific customers with overseas markets.

But connecting the Pacific Islands to the world through payments is becoming more difficult.

Depending on what data you look at, the number of correspondent banking relationships has reduced by ~60% over the past 11 years.

From our perspective, there are two reasons for this.

First, bank returns have decreased since the global financial crisis.

In Australia, like elsewhere, bank returns on equity have reduced significantly over the last decade due to factors including higher capital requirements, more expensive technology, and stronger competition.

Lower returns mean that banks must make choices about how best to use their capital.

Business areas that don't offer enough scale to offset costs have become less attractive.

ANZ is not immune to this pressure.

We need to balance our desire to serve the Pacific region with our obligations to our shareholders.

In 2022, we made the difficult decision to exit American Samoa and Guam to focus on building a more sustainable business in our core Pacific markets.

In the last 5 years, we have closed 10 branches across the Pacific region, excluding PNG.

This leaves us with a network of 19 branches and 2 cash centres.

The Pacific Island region is difficult because the economies are smaller compared to other markets and doing business in the region can be complex.

Each country has its own laws, regulations, customs, and tax.

While it's important that each country charts its own course, this can create costs for businesses that want to operate across the region.

For example, there are differences in regional financial crime regulation.

We see varying definitions of 'politically exposed person' and identity and reporting requirements throughout the Pacific.

High costs for each country mean that greater offsetting scale is needed and, unfortunately, it can be difficult to find that scale in the Pacific.

Ultimately, this means it can be hard for banks to operate efficiently in the region.

Second, financial crime regulation has become more important globally, with tougher laws and stronger enforcement positions.

Few banks have an appetite to get financial crime wrong and we have seen higher due diligence and expectations from correspondent banks across the globe.

These two pressures mean that high-cost and high-risk countries that don't offer scale have become less attractive for banks to serve.

While the Pacific is not unique in facing this challenge, it is an area that is badly affected by it.

So, the question now is: how do we solve this?

The first step, encouragingly, is to bring governments, regulators, and banks together.

By talking, we can agree on the problems and start to identify solutions.

So, it is pleasing to see so many of you here in Brisbane to start discussing what we can do.

Official sector coordination from governments and multilaterals committed to supporting the region will provide the momentum, focus and settings we need to ensure the Pacific has enduring access to international payments.

From a commercial perspective, our suggestion is that banks will find the Pacific Island region more attractive if its countries can take coordinated steps to reduce both cost and risk.

Adopting common laws, implementing consistent regulation, and enhancing regional financial crime efforts will make the Pacific Islands a more attractive place for banks to do business.

As we look for ways to do this, ANZ is happy to participate and make our resources and people available to you.

For too long, individual Pacific countries have been trying to solve this problem on their own when we are all part of the solution.

And while this level of regional coordination may seem daunting, there is hope.

The Automated Transfer System implemented across Fiji, Samoa, Vanuatu and Solomon Islands to deliver same day business payments shows how regional governments and regulators, development partners and the banks can deliver great outcomes together.

With an ANZ investment of over 8 million Australian dollars so far, we have been pleased to support the Reserve Bank of Fiji, the Central Bank of Samoa, the Reserve Bank of Vanuatu and the Central Bank of Solomon Islands on this initiative.

With this example in mind, we look forward to working with you on providing Pacific Islanders with long-term access to international payments.

Thank you, tenkyu, vinaka, Fa'afetai.

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