

Australia and New Zealand Banking Group Limited

Response to Questions on Notice following 5 October 2016 House of Representatives Economics Committee Hearing

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Question

Mr CONROY: Mr Elliott, can you tell me—and I am not asking for specific product lines—in your credit card part of your business what your return on equity is over, say, 10 years?

Mr Elliott: I think you went through this yesterday with another bank. It is difficult for us to disclose that without giving away competitive information. The reality is that returns on the cards business are higher than average. That is undoubtedly true. They have been reducing at a fairly healthy rate, at a fairly fast rate. Over the last 10 years they have come down a lot. That is to do with the fact that there are increases in terms of the cost of running the programs and there is the increasing cost of the rewards programs, which is one of the prime drivers that attracts people to that product, and so the returns have absolutely come down. Are they close to the cost of equity? No. They are still above our group average.

Mr CONROY: Well above? Are we talking 30 or 40 per cent?

Mr Elliott: Our group average ROE is 12 per cent. We reported at our first half 9.5 per cent ROE, so, yes, they are above our group average but are coming down.

Mr CONROY: Well above?

Mr Elliott: They are well above and they are coming down. The cards business is not a growing business.

Mr CONROY: Will you disclose to this committee—I am not asking for individual products; I am asking at the general product level—your returns on equity over the last 10 years for your credit card business, your personal loan segment and your housing loans segment?

Mr Elliott: We are happy to make some disclosures around that with some caveats. Partly the reason there is resistance around that is having been a former chief financial officer I know that ROE is not as an exact science as it might sound. Part of the reason for that is in this simple example. We run a branch network. It costs a lot of money. In order to calculate the ROE on cards versus personal loans versus mortgages I have to allocate the cost of that branch network to those products. How exactly you do that is an art not a science, so you can get very misleading answers by looking at it. But, in general, we are happy to give you the broad returns and trends on those products.

Answer

ANZ notes that a Question in Writing from Mr Bandt (received 12 October) also relates to this subject. ANZ will respond to both this question and Mr Bandt when it responds to the Questions in Writing.