

## Transcript

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### **ANZ Group Executive Australia Retail & Commercial Banking, Mark Hand**

**ANDREW CORNELL:** Morning Mark, thanks very much for joining us on bluenotes. You've just released to the ASX the APS 330 which is a document that really updates on credit quality and the capital position. There's also some data though on the home mortgage market and in the first quarter and again at the half year, ANZ talked about some weakness in the mortgage book and the APRA data we've seen that's just out shows really some continuing weakness there. So can you tell us what you're doing about that?

**MARK HAND:** We're doing a lot. And one of the things we made the point at the time is it takes a long time to right the ship. And so it will take some time before we start to see that in our settlements. But the main focus for us has been clarifying for our own people, for the brokers and mobile lenders, what the policy is, how we approve a customer, how we think about a customer's ability to borrow. And applying those principles consistently. I think it's fair to say that we had made it difficult for our people and the brokers to be certain that they're going to get a response and that could be a 'yes' that could be a 'no'. But a certainty of response was what they were looking for and we hadn't provided that for some time. So most of our efforts have been about, how do we make sure everybody clearly understands what our policies are? How do we make sure that we get back to the broker or the customer in a reasonable timeframe? And we said at the half that the time to say 'yes' to a customer was too long, we'd lost our way a little bit in that space. We've done a lot of work about getting that back to, what we consider, back to market, so that a customer can say with certainty, or a broker can say with certainty, ANZ will likely do this deal and they'll come back to me within a certain timeline.

**ANDREW CORNELL:** I'm assuming it's too early to see the results of that in official data but are you seeing it internally, that that's making a difference?

**MARK HAND:** As you say, it takes a while before, even if we had a really successful period, before loans start to settle and you start to see it on your balance sheet. But we've absolutely seen it over the application numbers. So, particularly in the last month we've launched the big campaign, our campaign we've gone to market with frequent flyer points and the chance for seven people to win their mortgage back up to \$500,000. We've absolutely seen that in the marketplace that applications have started coming to us again. We're seeing volumes that we're happy with. The next stage is to sustain that, certainly beyond the end of the campaign and see that transfer into settlements over the coming months.

**ANDREW CORNELL:** And another element, which again was mentioned at the half year and before, was a renewed focus on owner occupiers as opposed to investors. And with that comes slower growth, but are you still focused on owner occupiers?

**MARK HAND:** Absolutely. We see that as prime in the market, and one of the best customers that we want to deal with because they typically have a lot more of their other banking with us as well. But, what we had done was probably overcorrected and ignored the investor to an extent. We've seen investor come back in recent applications to be about 25

to 30 per cent of our volumes. It had fallen way behind that number. So what we have done, rather than move away from owner occupiers, is sharpen our focus on investor and we'll continue to do that going forward.

**ANDREW CORNELL:** And I guess one of the other questions people will always have, when you try and correct something or pursue greater growth is, are you taking on more riskier lending?

**MARK HAND:** We're not. And it all comes back to that clarity and that consistency of approach, and the reason we lost our way because it was unclear whether we would do a deal and we certainly didn't come back to customers and brokers quick enough. So, all our focus has been on improving that process, improving that consistency, re-teaching an assessor what a loan looks like, improving the input quality in the front lines - they know exactly what to put forward to get to an answer much quicker - and that's been our absolute focus.

**ANDREW CORNELL:** And by implication, you're talking about processes and operations here, but actually in conjunction with Maile Carnegie you're also undertaking a much broader transformation project in the Australian bank. Can you talk us through what's going on there? Really, it's only a couple of years since ANZ introduced agile into the operation.

**MARK HAND:** I guess there's a couple of things in that. So, agile and transformation are quite different things. Agile is just the way we work - autonomous teams, smaller teams focused on customer outcomes, making changes quicker than they've been able to make before. The transformation is more about what do we need in terms of capability to be successful going forward? So some of our systems need replacing, but it's also how we front the market, whether it be digitally or physically. It's also the capability of the people that we put in our market that talk to customers day-to-day. So the transformation is a much more holistic, I guess, approach to what we want to be when we grow up, if you like. What do we want to be like in two, three and four and five years' time so that we know that we'll be successful, given we know the world has changed a lot. Whereas the agile is more about how we do that, how we deliver, the cadence, the how quickly we put things in market and solve problems for our customers. So, it's exciting times ahead, but it's probably something that you'll never finish. It's something that we'll see substantive change over coming years. But then that will be our sort of operating rhythm going forward.

**ANDREW CORNELL:** It's not then a big bang project, or even a series of modest bangs.

**MARK HAND:** No, there'll be some significant change, periods of significant change, but it's more about the capability that we've put in front of people. Some of that starts today, the way we educate our people to deal with customers today will start to change today, and then there'll be drops of some system capability that comes periodically, so it'll be sporadic, but part of a much bigger picture.

**ANDREW CORNELL:** Well thanks very much for taking the time to speak with bluenotes, thanks Mark.

**MARK HAND:** Thanks.

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