HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF AUSTRALIA'S FOUR MAJOR BANKS

ANZ

ANZ01QON:

Mr WOLAHAN: I'm not sure who's best to answer this, but I'm interested in your observations on how home equity withdrawals have changed or not changed in the last 12 months and if you could separate whether those are for the 36 per cent you say are with a home loan or 32 per cent of Australians who own their home outright?

…

Mr Elliott: Again, we can certainly take it on notice. I'm not aware that there's a significant portion of that 32 per cent who own their home outright with no debt who are seeking to lever or take debt against that home. I'm not aware that's a significant cohort.

Answer:

Our data is limited to existing customers that have increased their existing home loan amount (Loan Increases) or redrawn funds against their existing home loan where they are ahead on their repayments (Redraw).

In the 12 months between FY22 and FY23:

- there was a decrease in the number and value of Loan Increases.
- There was no material change in the number of home loan accounts that had at least one Redraw event, though there was an increase in the average amount redrawn per loan account.

We are unable to identify a customer who owned their home outright and took out a new loan against that home.

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ANZ

ANZ02QON:

CHAIR: In a sense you've got likelihood of risk and severity of risk as a useful graph, which I can imagine appears in a lot of slide decks. Another way to think about it would be how close your organisation is to where it should be on that particular risk. You're right: everything is a work in progress and you haven't ever arrived. But, if you look at the 12 to 15, you probably also have a traffic light on risks you need to do more work on and risks where you think, 'These ones are not final but we're feeling pretty good about where we are.' Do you have a traffic light system in that sense?

Mr Corbally: We have a couple of things. One is that we've set appetite levels that we have, in terms of taking risk across each of those risk themes, and we monitor that in real time. From a credit perspective,it's literally today or tonight—whichever. Similarly, on the non-financial risk side, we also have a dashboard that looks at what our key non-financial risks are and how we're going against our appetite setting. So that is one. Secondly, we constantly evaluate each of those risks. We also assess what it is we need to do to uplift our capabilities to get to be even better than where we are today, and we undertake a series of programs of work around those. I would say that, with every solitary risk that we've got, we are doing more work to be even better than we are today.

CHAIR: It would be great to get a summary, not justof the likelihood and severity but also of where you see yourself in relation to each of those.

Answer: We refer to our response to part c. of question ANZ05QW.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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ANZ

ANZ03QON:

CHAIR: …On all of this work around risk management, how much do you rely on consultancies in that space? It might vary across the different types of risk.

…

CHAIR: …It'd be great to get a figure on the trend in consultancy use in this broad space.

Mr Elliott: Okay. It's a good question. In that area, sometimes, in order to build some new technology or to build a new process, we may not have the actual skill to do that, so, in terms of the execution of that, we may use a third party. Consultancy is a broad term. For example, it might be somebody like Capgemini or Wipro. It might be a tech firm, and we say: 'We want to build a system that looks like this. We'll give you the design. This is what we want it to do. You're better placed to go and do that.' So it might be that kind of work as opposed to employing a McKinsey or a BCG kind of consultant—or EY or Deloitte, for that matter. So it depends, but we might use them to get work done.

CHAIR: If you want to break it down by type of consultant, that's fine.

Mr Elliott: We can do that, yes.

Answer:

In our financial year ending 30 September 2023 we spent around $16m on consultants in risk. Over the past five years this spend has reduced by ~25% in real terms. A breakdown of the types of risk consulting services we used in the financial year is set out below.

Consultant service type	Example actions	FY23 consultant spend % breakdown
Independent view	The triennial independent review required under CPS 220 or where the board or management seek independent insights to inform appropriate action plans	8%
Thought leadership	Industry insights on leading practice approaches on a particular topic eg non-financial risk operating models	18%
Change and delivery support	Technical and expert change and delivery resources to supplement ANZ's people when particular technical expertise or delivery capacity is required	74%

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ANZ

ANZ04QW: Disputes

a. How many cases that arose during the period covered by the Hayne Royal Commission remain outstanding?

b. How many cases has the bank had an involvement with the Australian Financial Complaints Authority? Please provide a time series for the past 10 years.

c. How many of these cases remain outstanding?

Answer:

a. The remediation of matters raised during the Royal Commission, in case studies and in submissions, is now largely complete. In some matters further work is being conducted to resolve unclaimed cheques and submit payments to unclaimed monies or to charity as appropriate.

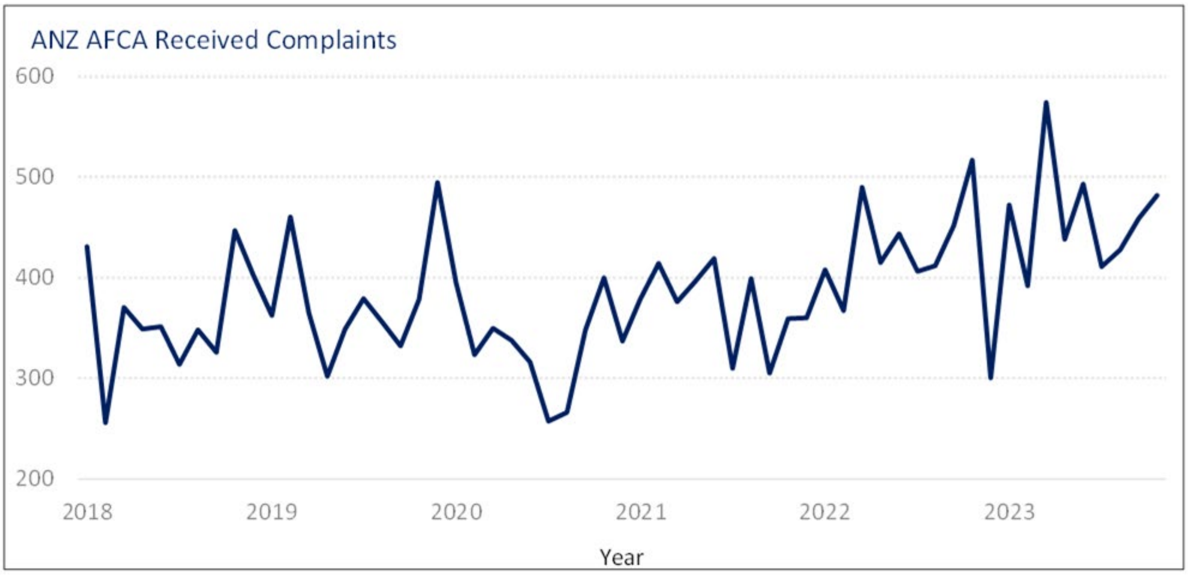
ANZ has a dedicated remediation team to manage larger or more complex remediations across the Australia retail and Australia commercial divisions. This team is still working on one matter which was raised during the Royal Commission where further payments are expected to be made to customers. To date payments have been made to ~85% of accounts in scope for this remediation matter, with payments to the remaining ~15% of accounts expected to be completed before the end of 2024. ASIC is being kept updated on this matter.

There are 3 other matters relating to the former financial planning business where we are undertaking reviews of files to ascertain if any further remediation is needed or otherwise confirm if they have been appropriately closed.

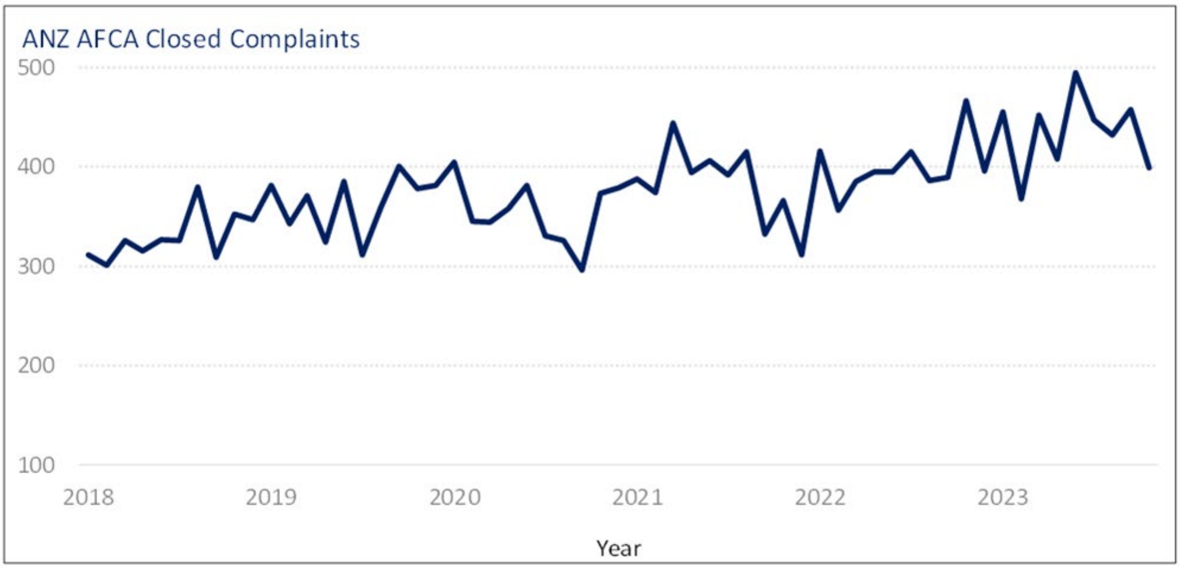
b. AFCA was established on 1 November 2018.

Graph 1 shows the volume of AFCA complaints received each month and graph 2 shows the volume of AFCA complaints closed each month since AFCA was established until 30 September 2023.

Graph 1



Graph 2



c. At 30 September 2023, ANZ had 1138 active AFCA complaints.

Most AFCA complaints are resolved within 30 days of receipt. If we are unable to resolve the complaint with the customer in this initial stage, it moves into the AFCA process.

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REVIEW OF AUSTRALIA'S FOUR MAJOR BANKS

ANZ

ANZ05QW: Risk management

a. Please provide your most recent *Prudential Standard CPS 220 Risk Management* (CPS 220) report (even if redacted).

b. Which consultant undertook the majority of the work?

c. Please provide a high level summary of the most recent assessment of key financial and non-financial risks, for example, as a traffic light indicating the importance/likelihood of risk and organisational preparedness.

Answer:

a. ANZ's most recent independent external CPS 220 triennial review in 2023 found that the bank's risk management framework (RMF) is embedded across the organisation in line with the requirements of CPS 220. This included clear evidence of the existence of the required elements of the RMF including the design, operation and their in-use practice at all expected levels of the organisation.

The report noted the key strengths of the framework have served ANZ well through recent volatility. Overall, the management of financial risk exhibited a high level of maturity. A dynamic approach to risk management was observed whereby geo-political, industry and sector specific risks are monitored on a continuous basis, and the risk exposure in the portfolio continuously recalibrated in response. As a result, the report noted, ANZ has been able to successfully navigate the risks arising from the Ukraine war and further geo-political unrest, as well as the failure of a number of banks across the globe in recent times.

The review identified that, in line with the financial services sector more broadly, it was evident that uplifting the risk management capability generally, and non-financial risk capability specifically, has been a considerable focus of both ANZ management and the board in recent years. The report confirmed that areas requiring uplift are known and well understood by ANZ management and board.

It observed significant progress in a number of areas with strong and consistent levels of awareness and commitment to progressing towards the target state in all areas of risk management, across each of the three lines of defence.

We refer to the response to part c. of this question for further detail.

b. PricewaterhouseCoopers

c. A high level summary of ANZ's most recent independent external CPS 220 triennial review in 2023 and ANZ's risk focus areas in its 2024 financial year is set out in the following table.

Risk Type		Preparedness: External CPS220 triennial review conclusions completed September 2023	ANZ internal focus area in FY24	Heightened or emerging: external environment
1	Capital Adequacy Risk	Strength		
2	Liquidity and Funding Risk	Strength		
3	Wholesale Credit Risk	Strength		
4	Retail Credit Risk	Strength		Heightened
5	Market Risk (Traded & Non-Traded)	Strength		
6	Climate and Bio-diversity Risk	Neutral	Climate - Focus area	Bio-diversity - Emerging
7	Operational Risk & Compliance	Uplift	Focus area	
8	Financial Crime Risk	Neutral	Focus area	Heightened
9	Data Risk	Neutral	Focus area	
10	Info/Cyber Security Risk	Neutral	Ongoing focus area	Heightened
11	Technology Risk	Neutral		
12	Conduct Risk	Neutral		
13	Strategic Risk	Sustain	Embed	
14	Risk Culture	Sustain	Embed	

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ANZ

ANZ07QW: Employment practices

a. Please provide a times series over the past 10 years of total employment at the bank.

b. What are the particular growth areas, for example cyber security, anti-money laundering and counter-terrorism financing (AML/CTF).

c. What proportion of staff are outsourced overseas? Note: This does not relate to a retail banking presence in another country, rather theconduct of specialised services. Please provide a time series over the past 10 years:

   i. total staff outsourced overseas

   ii. by function (e.g. call centres, back office data analysis, cyber security).

d. How does the bank manage risks relating to outsourcing?

Answer:

a.

ANZ full time equivalent (FTE) employee numbers[i]

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	1H2023
48,239	47,512	50,328	50,152	46,554	44,896	39,924	39,060	38,579	40,221	39,196	39,802

ANZ FTE employee numbers – Australia [ii]

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	1H2023
Not available	*Not available*	*Not available*	*Not available*	19,957	19,667	18,671	18,874	18,689	19,552	19,211	19,575

b. The areas with particular growth are the following.

Role Type	Average annual growth (FY19 -FY23)
KYC	>70%
Customer Support Coaches	>25%
Financial Crime	>20%
Data Professionals	>14%
Banking Professionals	>10%
Engineers	>9%

c. Our Group Capability Centre (GCC) with locations in India, the Philippines and China[iii] provide specialised banking operations and technology services to the ANZ Group across Australia, New Zealand, Asia Pacific, Europe and the Americas.

Financial year	GCC FTE	GCC FTE as a % of total ANZ FTE
2022	8,969	23%
2021	9,373	23%
2020	8,736	23%
2019	8,622	22%
2018	8,804	22%

Note: We have provided a time series from 2018 because of data limitations prior to that date.

Role category	% of GCC FTE	
	2018	2022
Technology	22%	22%
Transactional (eg includes credit assessment, settlement, investigations, trade processing, KYC)	22%	22%
Operations & Production Management (eg includes operations support and quality assurance)	20%	18%
Customer Services & Support (eg includes service and collection consultants)	13%	13%
Data, Analytics & Insights	6%	6%
Financial Crime	3%	4%

d. Risks associated with outsourcing activities are managed in line with ANZ's operational risk management framework. The framework is used for identifying what's important to our business, acting where necessary and monitoring our environment and the effectiveness of our actions. This is supported by the Three Lines of Defence model to facilitate an effective risk management framework, with the First Line (Business & Risk Owners) owning the risk, Second Line (Risk & Compliance teams) providing review and challenge, and Third Line (Internal Audit) providing independent review.

In addition, outsourcing activities must also adhere to other applicable ANZ policies and requirements (for example but not limited to Outsourcing Policy, Information Security Policy, AML/CTF Policy, Procurement Policy) and laws and regulations in Australia (including Prudential Standard CPS 231 Outsourcing) and internationally.

i, ii

2012 Full Year Results ended 30 September 2012 (Consolidated Financial Report & Dividend Announcement)

2013 Full Year Results ended 30 September 2013 (Consolidated Financial Report & Dividend Announcement)
2014 Full Year Results ended 30 September 2014 (Consolidated Financial Report & Dividend Announcement)
2015 Full Year Results ended 30 September 2015 (Consolidated Financial Report & Dividend Announcement)
2016 Full Year Results ended 30 September 2016 (Consolidated Financial Report & Dividend Announcement)
2017 Full Year Results ended 30 September 2017 (Consolidated Financial Report & Dividend Announcement)
2018 Full Year Results ended 30 September 2018 (Consolidated Financial Report & Dividend Announcement)
2019 Full Year Results ended 30 September 2019 (Consolidated Financial Report & Dividend Announcement)
2020 Full Year Results ended 30 September 2020 (Consolidated Financial Report & Dividend Announcement)
2021 Full Year Results ended 30 September 2021 (Consolidated Financial Report & Dividend Announcement)
2022 Full Year Results ended 30 September 2022 (Consolidated Financial Report & Dividend Announcement)
2023 Half Year Results ended 31 March 2023 (Consolidated Financial Report & Dividend Announcement)

[iii] Note we are decommissioning our GCC operations in China.