Transcript

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ANZ Chief Financial Officer Farhan Faruqui speaks with Alicia Muling, Senior Journalist of bluenotes

Alicia Muling: Farhan, thank you so much for your time as ANZ announces its full year result. What are the key takeaways from this result? And what does that say about the progress that we have made under our new strategy?

Farhan Faruqui: Thank you. Look, I think it's been a big year for us. It's year one of our ANZ 2030 strategy. I'm pleased in the sense that we've been through the first 20 per cent of what we want to do to get through from a strategy point of view.

We are sort of halfway through the first phase of our strategy, which we said was going to be the sort of more immediate phase where we're going to deliver simplification, resilience and start to deliver value for our shareholders.

And when I reflect back on when we sat here about a year ago, Alicia, and we talked about what our objectives are going to be for this first year I feel really good that we've delivered on those commitments. We said to our investors that we are going to deliver cost savings, which we've done. In fact, we've exceeded the targets we set for ourselves a year ago, and we've delivered a substantial improvement in the cost to income ratio, by about 400 plus basis points, just in the course of one year.

We've done that while delivering a higher return to our shareholders. Our return on tangible equity is up by over 100 basis points, and I think that's a remarkable achievement for one year of effort. We've also tried to reward our shareholders through a stable dividend, which we announced at 83 cents per share, but improving the franking element from 70 per cent at the end of last year, to 80 per cent in the final dividend this year – substantial change.

So, all of those things, including the fact that we have grown our cash profit number by 10 per cent in one year [excluding the impact of significant items recognised in 2025], is actually a good, solid progress in terms of the targets we had set for ourselves and puts us on the journey to the 2028 targets and ultimately the 2030 targets that we have set for ourselves.

So I feel good, but I feel even more excited about the year that's yet to come, because it's one where we are going to make substantial progress around some of our immediate priorities, including Suncorp Bank integration, single customer front-end, etcetera, and we want to make sure that we further progress our way to getting to our 2028 targets.

But the good news is, we're going into 2027 in a much better shape than we went into 2026.

Alicia Muling: And Farhan, since we spoke six months ago, what has characterised the second half versus the first half?

Farhan Faruqui: So, great question. And I think we have made progress through the course of the year. So certainly on the cost agenda, as I said, we've over-delivered. By the time we got to the end of the year, we had over-delivered the $800 million cost reduction target we had set for ourselves a year ago – we've delivered over $900 million. And on an annualised basis, more than $1 billion of sustained cost out of the bank. That's a major cost, structural reset.

So that has actually been a big achievement, and that has continued through the second half. And, that's been really important because it shows that we are determined and we have a more sustained framework to deliver discipline and cost as we go forward.

The other thing we saw in the course of the second half, was there was more balance sheet momentum. We had talked about the fact that in the second half we will get our home loan growth back to system. We delivered that through better service, through better SLAs, and more improvement in our process and turnaround times, which I think is a very big positive.

We started to show momentum in our Business & Private Bank in terms of growth of our balance sheet from a lending and deposit standpoint. The Institutional bank delivered great outcomes in terms of operational deposit growth. We delivered substantial growth in the course of this year, adding to the growth we've been having every year in our operational deposit, in our payments and cash management business over the last few years.

We had a good, solid Markets year in the context of the fact that at the back end, in the second half particularly in the fourth quarter, it was a softer environment from a trading perspective, where customers were taking a bit of a

step back in an uncertain environment and reassessing their hedging and risk management needs. And that effectively reduced some of the volumes that you would normally see, and some of the tenors that you would see customers hedging out to.

But despite all of that, we delivered a strong solid outcome in the second half, and I feel that we're heading into next year with momentum.

Alicia Muling: And finally, Farhan, it is an uncertain external environment. As a CFO, what are some of the key things that you're watching?

Farhan Faruqui: I think it's fair to say that CFOs are genetically predisposed to being paranoid. So obviously there's a lot of things that I watch, but if I was to narrow it down, I would say number one: higher rates. Higher rates can be difficult for our customers to navigate in terms of how they manage their risks, how they manage their cost, and how they manage their businesses in a higher rate environment.

So that's something that is obviously a big watchpoint, and ensuring that our portfolio remains resilient, as it has been over the years.

I think the second issue is that it is going to be a competitive environment. And one of the things that we have consistently said, Alicia, is that we are not going to grow volumes at the cost of margins, at the cost of returns. So managing that is going to be very important. Watching that is going to be very important. We want to be there for our customers. We want to support our customers. We want to grow our volumes. But not at the cost of margins and returns. And I think finding that balance through great management is going to be really, really important.

I think the third is the geopolitical environment. Obviously it has a transmission impact into Australia. It has an impact on our customers' behaviour in terms of how they look to hedge their businesses. For example, as I just mentioned, in the case of Markets and how they navigate this environment from the perspective of capital needs, supply chain, etcetera. So, all of those things are important watch points for us. We continue to manage that business very closely to ensure that the – particularly on the Institutional business and the Markets business – that we are doing, delivering for our customers. But we're also watching that space very closely.

And I would say sort of finally, it's really important that we're going into this environment with a solid position in terms of our balance sheet and our capital.

So, all of those things are good, we've done really well in terms of managing those. We just have to make sure we keep an eye on that.

Alicia Muling: Okay. Farhan, thank you so much for your time.

Farhan Faruqui: Thank you.

For media enquiries contact:

Lachlan McNaughton
Head of External Communications
Tel: +61 457 494 414

Siobhan Jordan
Senior Media Relations Manager
Tel: +61 403 988 326

For analyst enquiries contact:

Kylie Bundrock
Group General Manager, Investor Relations and M&A
Tel: +61 403 738 809

Cameron Davis
Executive Manager, Investor Relations
Tel: +61 421 613 819

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