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Jill Campbell: Hi. Good morning, everybody. Thanks for joining us for the presentation of our full year financial 2024 results. We're presenting this morning from our offices in Melbourne which stands on the lands of the Wurundjeri people.

On behalf of the ANZ team speaking today, I pay my respects to Elders past and present, and I also extend my respects to any Aboriginal and Torres Strait Islander people joining us for today's presentation.

Our result materials were lodged this morning with the ASX. They are also available on the ANZ website in the shareholder centre. A reply of this presentation, including the Q&A, will be available on our website shortly after we finish.

The results presentation material and the presentation being broadcast today may contain forward looking statements or opinions, and in that regard, I draw your attention to the disclaimer in the front of the results slide pack.

Our CEO, Shayne Elliott, and CFO, Farhan Faruqui, will present for around 35 minutes. After that, I'll go through the Q&A procedure before we move to questions. But ahead of that, a reminder that if you do want to ask questions, you can only do that via the phone. With that, over to you, Shayne.

Shayne Elliott: Hey, good morning. 2024 was pivotal for ANZ. First, we completed the purchase of Suncorp Bank and the bank we bought is performing even better than when we announced the deal over two years ago. We're confident synergies will be larger and earlier than planned.

Second, we completed the sale of AmBank shares, contributing to one of our largest buybacks which has already reduced our share count by 30 million, and more coming. Third, Institutional delivered another record result on the back of our industry leading platform, Transactive. Record revenues, record profit before provisions, and record return on equity.

Finally, ANZ Plus emerged as a key competitive strength. In just two years, Plus has achieved 1% share of all retail deposits across Australia, purely through customers opting in.

It's already home to nearly one in five of our active Australian retail customers, with high levels of engagement, industry leading net promotor scores, best in class security, and all at a substantially lower cost to acquire and serve.

Strategically, we've long believed that banking is challenged by greater customer regulatory and community expectations, sharper competition, and higher costs. That's why we're moving to lower cost adaptable platforms that deliver better financial wellbeing and sustainability outcomes for customers.

Our migration from an uncoordinated ageing set of systems and processes to a contemporary dual platform business is well progressed, where all customers from ANZ and Suncorp from anywhere globally, irrespective of size, needs, or complexity, will be using Plus or Transactive.

This delivers resilience, lower cost, and the ability to bring new propositions to market faster than others which will drive growth and market share. We've invested around $2.5 billion in platforms and tools over the past five years, completing the foundational tech stack at both Plus and Transactive. That investment is delivering now.

2024 was our second highest revenue ever. Basically, flat with our record 2023 result on a constant currency basis. Lending, deposit, and transaction volumes grew strongly with well managed margins.

Now, looking through the acquisition accounting, cash earnings and earnings per share were up strongly over two and three years, enabling better dividends for shareholders. Customer deposits increased 11% year on year from onboarding Suncorp Bank plus organic growth.

We now have the second largest customer deposit base of any Australian bank. We increased lending similarly, with a step up of $102 billion in gross lending assets, up 15% FX adjusted.

Credit losses remain low, reflecting local industry trends but ANZ is consistently outperforming due to derisking, and we believe this is sustainable. Capital efficiency programs released around $30 billion of risk weighted assets and several debt ratings were upgraded during the year.

So, in addition to our strengthening number 1 positions in Institutional and New Zealand, we now occupy a clear and growing number 3 position in Australian Retail. Shareholders received total returns of 27% over the year and approximately 50% across the last two financial years.

It's pleasing to announce a final year dividend of 83 cents per share, franked at 70% which is higher than the first half.

Now, just a quick update on the bank we've bought and how this supports the bank we're building. Our investment in Suncorp Bank was to build scale and provide a platform for growth in Queensland, Australia's fastest growing state and youngest demographic.

In August, we welcomed 3000 Suncorp Bank colleagues and 1.2 million customers. From the outset, the business has exceeded expectations. This is a quality business, with significant upside when combined with the power of ANZ's technology and scale.

Now, in the two years since announcement, the bank we bought did not stand still, it just got better. Customer numbers, loans, deposits grew, and impaired assets fell. We've welcomed a highly engaged workforce. They're excited about the opportunity a larger bank with better technology and access to 29 Markets brings to their customers and their careers.

Now, a few months in, we've already had some early wins. So, three simple examples. In the very first week, we approved a $100 million loan in 24 hours rather than the weeks that they were used to as the benefits of a bank-owned bank became clear.

Second, we quickly reset their risk appetite, allowing faster growth. Reflecting the benefit of being part of a larger, more diversified portfolio. Third, we've seen wholesale funding costs improve by 10 to 15 basis points as the market priced in the benefits of ANZ's ownership. That will save 10’s of millions every year once that's rolled through the book.

Now, they're just a few examples of why we're more confident that synergies will be larger and earlier. We're going to provide more details at the first half results next year.

Now turning to the bank we're building. In four years, ANZ turns 200. Now, less than 42 months away, we aspire for ANZ to be radically better as we celebrate our bicentenary. While the environment will continue to evolve, at this point, it's our ambition that well before then, any individual in Australia will be able to join Plus and fulfil their everyday banking and home ownership needs.

Plus will be the only way to join ANZ for retail customers from 2027. Cognitive technologies like generative AI will be embedded within Plus, helping customers make more of their money.

Those prototypes are already under development with our AI partner in Palo Alto. By the end of '28, our Australian Retail customers, including Suncorp, will be migrated and enjoying Plus.

Small businesses will also be able to join Plus and fulfil their needs in a rich and engaging way using AI and advanced analytic tools to help them run their businesses better. All of our midsize corporates within Commercial will have already migrated to Transactive, mostly before 2026.

So, there'll be a progressive decommissioning of channels, systems, and processes at ANZ and Suncorp along the way. That will accelerate from 2026. Our dual platform vision will be a firm reality.

Now, key to this is Plus, which is experiencing exponential expansion and growth. This financial year, Plus customers grew 84% to nearly 850,000 with 48% first time ANZ customers.

We welcome around 30,000 onto Plus every month. Roughly 50/50 new and existing customers. Transaction numbers grew much faster. Almost 300% year on year. Three and a half times faster than the customer number growth which demonstrates how quickly our new customers adopt Plus for everyday needs.

In fact, 58% of Plus customers now consider ANZ as a main financial Institution. Which means that they're either depositing their salaries or they're using it regularly for payments. As a result, deposits grew 70% to almost $16 billion, with average saving balances stable at around $19,000.

Now, interestingly, despite changes to our deposit conditions and pricing, deposit growth this October was 22% higher than last October. Now, in line with our financial wellbeing strategy, almost half of Plus customers use at least one financial wellbeing feature, such as roundups, or card, or crypto controls, and with many using more than one.

More than a third are actively pursuing a savings goal. So, customers aren't just joining plus, they're actively embracing it. Irrespective of platform, Retail and Commercial customer engagement has improved dramatically based on investments we've made in personalisation.

In 2024, we increased personalised messages by sevenfold to almost 300 million, supporting a 20% uplift in digital sales and a two year high in brand consideration. We continued to add Plus features, enriching the experience and smoothing the path to migration, including the ability to move billers and payees from ANZ's existing app to Plus at the touch of a button, which has long been a point of friction for customers migrating or changing bank.

We've launched joint accounts and offsets, which are critical as we accelerate Plus home loans. We launched a richer set of savings products, including conditional bonus deposits. We integrated cash rewards, Australia's number one cashback provider with 2 million members which we fully own, bringing savings to customers at a time when many are looking to make their money go further.

Roundups. Delivered in just six weeks and already used by 14% of Plus customers who have saved more than $12 million from this simple tool. Simple but we remain the only major bank to offer it. Again, showing the value of the tech stack investment.

These features are great for customers but importantly, they lay the foundations for the smooth transition of ANZ and Suncorp customers to Plus which is now 35% cheaper to serve - a significant improvement from 20% cheaper a year ago, which really shows the benefits of scale.

But the most exciting feature is the most recent, ANZ My Accounts. This is the first time a major Australian bank has leveraged open banking, allowing customers to import balances and transaction details from any other Australian bank to get a consolidated view of their financials. Now launched quietly just seven weeks ago, already more than 50,000 customers have explored it. It's an important additional step to help make ANZ Plus their home bank. We're excited about the capabilities from here, particularly leveraging AI and advanced analytics.

Look, given strong momentum, we're working really hard and hope to begin scaled migration of existing ANZ save and transact customers to Plus, in the next six to nine months. They'll be moving to a simpler, safer, digital-first AI enhanced proposition, enabling us to deepen relationships and decommission legacy products, channels and platforms.

Well before Plus, we were investing in Institutional Payments and Cash Management, including a platform which is now the market leader - Transactive Global. I can't emphasise enough how important payments capability is, to Institutional. Helping companies move and manage money is core to our relationships.

When you are a company's payments bank, it's the equivalent of being a main financial Institution for a retail customer. It's the basis for longer, broader relationships, driving higher customer value and higher returns, not just in payments, but across the board, including lending and Markets.

That's why innovation and technology leadership matters. So, if Plus is the key platform for retail and small business customers, Transactive is our key platform for larger businesses and multinationals. Put simply it's the banking app for corporate treasurers and business owners.

It attracts and retains deposits by offering a secure digital banking platform, integrating features such as Falcon, which allows businesses to move and manage money, make payments and foreign exchange transactions, manage trade finance, loans, commercial cards, and importantly receive data insights all on a mobile app.

What started with single sign-on accounts in 2014 has developed significantly with digital payment volume growing 117% since 2020 and the cost per payment falling 45%, about 10% every year.

Transactive is the backbone of Institutional success, and it's extending its impact. We already deliver the power of Transactive to midsize corporates in our Commercial business. They make up 71% of the active users, having grown almost a third since 2021 and they generate about 12% of our Australian payment volumes.

Now underpinned by Transactive, our overall payments offering keeps getting stronger. Technology leadership has allowed us to provide clearing services to more than 90% of the world's globally systemically important banks, and capture around 60% of the market for Aussie and Kiwi dollar clearing. We won more mandates this year, which will see that share increase further.

More generally, payments continues to be fast evolving with ANZ right at the forefront given our unmatched network and sustained investment in Plus and Transactive. We led with NPP and we're now leading with PayTo, which is revolutionising Australian payments.

ANZ is the only bank to have activated PayTo across all segments and channels. Now let me just bring this to life. Using ANZ PayTo, customers can already purchase international flights through one of the world's largest airlines instantly and safely without credit card fees.

We've also tested PayTo with a major global car company, which will allow people to buy a new car at low cost using our natively built platform. So, no need for cumbersome bank transfers or checks and all done securely in real time, reducing the risk of error and scams.

We're also leveraging our leadership in tokenisation. Now, you may not realise that after superannuation gets paid, it can take weeks to be invested. We completed a groundbreaking tokenisation pilot with two major super funds and a clearinghouse to reduce that to seconds, putting hundreds if not thousands of investment dollars in the hands of regular hardworking people faster so they can generate better returns.

It also allows the Super funds to instantly reconcile member accounts, saving time and money. These innovations are transforming ANZ, delivering higher revenue and share, and it's pleasing to see this recognised with ANZ named as the best bank for payments globally by *Global Finance Magazine*.

Institutional now generates much of its income from these low risk, low capital processing businesses, which is helping drive a doubling in its return on equity since 2016. That's just not possible without sustained investment and a disciplined commitment to a market leading platform, which we're now applying to other parts of the Bank, including ANZ Plus.

At the first half, I outlined six priorities, and we've made substantial progress across the board. Looking ahead, the FY25 priorities agreed with the Board include first, ensuring that we retain an engaged purpose-led culture, driving better customer outcomes, and strengthening the management of non-financial risk.

Second, delivering strong financials focused on sustainable growth and returns. Third, driving value from Suncorp Bank, capturing the synergies, managing costs, and growing high value customer deposits. Fourth, making ANZ Plus even more successful, launching relevant features that will support migration, adding customers, deepening their engagement, and launching our first scaled migration.

Fifth, continuing to improve platform excellence, functionality and resilience. Finally, remaining focused on productivity.

Now I'd like to stress that we are committed to addressing the concerns raised around non-financial risk management, getting those changes embedded to improve the way we manage the Bank, and have the capital overlay removed.

Now before closing, I would like to take you back to 2016 when we were first to talk about the need to build a simpler, better bank. We sold more than 30 businesses. We decommissioned products, we streamlined processes. We radically reduced our Institutional customer base. We took out a bunch of costs, and we built a stronger de-risked balance sheet.

That work continues but in 2024, we pivoted to the next phase of simplification, the simplification of our technology to a dual platform future. We're well advanced and this phase will be even more powerful and the advantages harder to replicate.

I've referenced AI and advanced analytics several times this morning, and that's deliberate. Like the web, mobile, and cloud revolutions, AI will fundamentally change the way we operate, serve customers, and compete. In our view, the impact will be more profound.

It will drive a step change in productivity, but more importantly, it can drive competitive advantage. Every bank will use out of the box copilots, and they'll use them well. These are tactical tools that will be table stakes, and the advantages will be competed away to the benefit of customers.

No different than how we all use Microsoft Office today, but the competitive advantage accrues to those who engineer strategic solutions using AI and intelligent automation into their propositions and into critical operations. That's only possible for the few who've invested in building the contemporary technology and data platforms required.

You can't build a skyscraper on sand, and you can't build it overnight. We have built that stack in Plus and Transactive. The foundations are complete, and we are ready to leverage them. We have a team of some 7,000 engineers, mostly writing software that millions of our customers use daily.

At peak, every second of the day, more than 200 customers look at their bank accounts and 300 payments are made, all done through the solutions our team engineers. We have systematically been giving modern tools to our engineers to help them, to help them write software faster, better, safer, because the better the tools, the better our engineers are.

We added GitHub Copilot over a year ago, and all our leading engineering teams use it daily. As a result, more than 7% of the code written at ANZ in the last six months was written by AI and that number will only increase.

So, unlike peers who will continue struggling with multiple legacy, high cost, and ponderous platforms, our ambition is to have the simplest contemporary platforms powered by the best partners. Partners like Salesforce, ServiceNow, Adobe, AWS and Zafin but augmented by leading internal innovation.

Getting that right, allows us to better serve customers, help them for longer at substantially lower cost with faster deployment, unlocking the real benefits of simplification. With that, I'll hand over to Farhan.

Farhan Faruqui: Thank you, Shayne and good morning, everyone. As Shayne mentioned, 2024 has been a pivotal year in terms of progress on strategic goals. Our financial performance this year showed resilience coming off a record year for the sector in FY23.

When we look through what was in many ways a highly unusual year, our trends have been consistently strong. Since FY21, Group revenue has increased 19% with profit before provisions up 20% and cash profit up 12%. This has been delivered in an environment characterised by inflation, heightened competition, and macro uncertainty.

In addition, we have taken steps in the year to optimise Group ROE, including the divestment of our stake in AmBank, continuing the announced on-market share buyback and finally being able to deploy capital raised in '22 towards Suncorp Bank.

This builds on the work we have done since 2016 to optimise capital allocation and productivity, including exiting of non-core businesses such as Asia Retail, partnerships, wealth, insurance and dealer finance, reshaping Institutional to optimise ROE, and reduce risk, with the business achieving a record ROE this year and delivering over $1.7 billion in cumulative cost savings.

Just to put this in perspective, this is equivalent to about 16% of our current expense base. Collectively, these initiatives have given us the capacity to invest in value-accretive opportunities, which have added capability and scale such as Transactive and ANZ Plus, as well as the acquisition of Suncorp Bank, while returning capital to shareholders via buybacks and dividends.

Suncorp Bank joined the Group on 1 August this year. Therefore, our financial results include two months of Suncorp Bank earnings, as well as acquisition related adjustments, which we announced last week.

Group revenue for the year on a constant currency basis was broadly flat compared to a record FY23. This was driven by strong ANZ performance with only two months of Suncorp Bank financials included in FY24 results.

Additionally, the acquisition has increased scale in both our Retail and Commercial businesses, and on a consolidated basis, ANZ now holds the second highest customer deposit base relative to our domestic peers.

It's important to mention that the second half of FY24 includes two months of Suncorp Bank expenses affecting both half-on-half and year-on-year comparisons. I realise that comparisons this year are somewhat complicated by the Suncorp Bank acquisition and the accounting adjustments that were required.

So to be clear, the Group cash profit for the FY24 year, excluding the accounting adjustments, which were one-off, was $6.92 billion. I will provide further detail on Suncorp Bank later in my remarks, but I will now focus on the ANZ financial performance excluding the contribution from Suncorp Bank. I will begin by discussing our business and this year's performance in a way that aligns with how we think about the Group.

Essentially, ANZ consists of two main businesses, Banking and Markets. Around 90% of our revenue comes from our Banking business, which offers lending, trade deposits, and payment services to 11 million Retail and Commercial customers in Australia and New Zealand, and around 6,500 Institutional customers globally.

We manage this business to optimise net interest margin, and return on equity. Our MMarkets business comprises the remaining 10% of Group revenue and acts as an intermediary to provide risk management solutions in areas such as rates, credit, foreign exchange, and commodities to our retail and corporate customers. It is complementary to our Banking business, deepening relationships and lifting average customer returns.

We manage the MMarkets business to optimise revenue and ROE. We also operate a Group centre, which is similar in size to the corporate centres of our domestic peers. It manages shared services which do not lend themselves to being allocated to operating divisions, such as costs related to central functions like financial policy control and risk modelling, as well as capital associated with our Asian partnerships.

Completion of the Suncorp Bank acquisition, together with the share buyback currently underway, which was partly funded by the sale of our AmBank shareholding, reduced capital held in the Group centre by approximately $6 billion. This, therefore, had the effect of reducing capital allocated to non-operating investments.

We remain focused on optimisation opportunities here, including further asset disposals and completing the $2 billion share buyback.

In aggregate, our Banking business is producing attractive cost to income and margin outcomes that are comparable to or better than our major domestic peers. These returns are underpinned by a relatively high proportion of low risk, high return banking activity, including liability led businesses.

These businesses support ANZ's strong customer funding base and include our Payments and Cash Management business with $110 billion of operational deposits. In Australia Commercial, with a $116 billion book of relatively low-cost deposits, $55 billion of which is surplus funding that supports our Australia Retail loan book.

On the asset side, we have de-risked our portfolio over several years while lifting credit margins to improve our return on risk. In addition to attractive returns, our Banking business has also delivered strong growth over time, with a particular focus on higher marginal ROE areas.

Over the last five years, for example, 9% per annum deposit volume growth in Payments and Cash Management and 5% per annum growth in pre-provision profit in New Zealand.

Moving to our banking business performance, revenue is higher, half-on-half, underpinned by average interest earning asset growth across all divisions and continued margin discipline with the second half of FY24 seeing the highest risk-adjusted margin in a decade.

On a constant currency basis all our businesses grew revenue in the half. Profit before provision was flat, with a continued focus on productivity resulting in a stable cost to income outcome, despite inflationary pressures.

As I mentioned earlier, we manage the Banking business to optimise net interest margin and return on equity. Our banking NIM of 248 basis points for this year, compares favourably to the trend from FY21 to FY24.

I will speak and focus on banking NIM trends in future results but for continuity today we have provided a waterfall explaining the changes in Group headline NIM for the second half, which was up two basis points, half-on-half.

Let me point out the key changes. Minimal impact from home loan growth across both the Australian and New Zealand mortgage books, back book repricing in Australia continued to slow over the course of the half while in New Zealand, front book margins improved.

Continued competition and deposits across our businesses but the impact in the half is largely felt in New Zealand. However, in New Zealand asset and deposit margin movements largely offset each other. Some residual wholesale funding impacts from retiring TFF funding, which in conjunction with the modest increase in short-term basis spreads, drove one basis point of compression.

Liability mix shifts, which have been a significant factor for the sector over several halves has slowed substantially and our deposit mix was unchanged in the half. Increase of four basis points from asset and funding mix, partly due to lower cash balances in Group treasury.

Finally, completion of the Suncorp transaction reduced capital volume in the second half. As a result, ITOC volumes in the half were lower but we benefitted from rolling maturities at higher rates on our capital and replicating hedges, which will continue to provide a benefit in FY25.

Moving to banking deposits, customer deposits grew 3% organically year-on-year with mix stable in the second half. Including Suncorp Bank, our total customer deposit base is now the second largest amongst the major banks. We acknowledge that continued competition and rate cycle uncertainties represent a challenge for the banking sector.

In response to this backdrop, we have made significant investments in developing two scalable platforms, Transactive and Plus, which we'll see ANZ become a simpler two platform bank with lower unit costs per dollar of FUM. That in turn, reduces the Group's sensitivity to further margin pressures from rates or competition.

In Payments and Cash Management for example, the $1.2 billion we have invested in developing scale and capability has driven a 22% reduction in the unit cost of FUM over the last five years. During the same period, PCM deposits increased 51% and digital payments increased 129%.

This is a high performing business powered by multi-year investments, strong regional footprint, and a high-quality global customer franchise, making the business resilient and difficult to replicate.

Similar to our PCM business, the investment in developing the Plus platform has delivered a 45% lower cost to acquire and 35% lower cost to serve to date relative to ANZ's Classic platform. These benefits will continue to improve, with scaled migration to Plus starting in calendar year '25, and by structurally reducing our unit cost of FUM, all else equal, we can generate the same earnings and ROE in a lower interest rate environment, making our business more resilient across the cycle.

As I mentioned earlier in my remarks, we manage the Market's business for total revenue to optimise return on equity and on these measures, MMarkets delivered another strong result in FY24, with total customer revenue up circa 9% year-on-year, supported by strong volume growth. We ended the year with strong momentum, with our fourth quarter one of the strongest ends to the year in a number of years.

Similar to the approach we have taken in our banking business, we have invested at scale in Markets to create resilience against spread and margin compression over time in order to maintain an attractive return on equity, which has averaged 11% over the last five years. For example, in our highly profitable FX business, the benefits of increased digitisation are clear. The business processes 7,000 FX price updates per second and FX turnover is about 60% higher than it was three years ago, with over 90% of flows now being digital.

Now to expenses. We have maintained our strong track record of cost management with a 3% underlying cost increase for the year, despite ongoing inflation, while sustaining our strategic investment spend. The primary drivers of cost growth were increases in salary and third-party vendor costs which moderated slightly compared to the prior year. Second half expenditures increased 2%, driven by seasonality, and acceleration of Suncorp Bank integration post-completion.

We continue to support our strategic priorities, enhancing our technology capacity and capability to drive sustainable growth. To create capacity for these investments, we maintained a sharp focus on productivity, achieving our highest ever full year benefit of nearly $400 million. Outside of underlying cost movements, two areas of uplift were restructuring costs and Suncorp integration. Restructuring was in support of a net reduction of 800 FTE in FY24, which represents our largest annual organic FTE reduction since 2018.

ANZ has had an investment spend of around $2 billion per annum for the last there years. This included the build of the Transactive platform, the technology stack, barring ANZ Plus and the BS 11 regulatory program in New Zealand along with some other strategic programs like cloud migration. These programs have now met key milestones or have been completed such as in the case of BS 11. It is now appropriate for a portion of the associated expenditures to be allocated to BAU run costs.

Going forward therefore, we will report against an annual baseline investment spend of around $1.5 billion for ANZ ex Suncorp Bank. Importantly, with an OpEx rate of over 80%, we continue to pay for our spend up front and as a result, depreciation and amortisation was unchanged year-on-year and we continue to have the lowest software capitalisation balance of our peers.

Moving to credit quality, for the third year in a row we had a peer-leading IP loss rate of two basis points, with an IP charge of $106 million in the half. That is less than a third of the peer average loss rate. Our IP loss rate has remained lower than our peers for the past three years, in part reflecting a benign credit environment, but more so because of years of proactive derisking.

This derisking is evident in the embedded credit risk in our lending portfolio today. Setting aside residential mortgages, which are well secured, and sovereign exposures which have low expected loss rates, the average risk weight on our corporate FI and non-mortgage retail portfolios, which you can see on the top right-hand side of this slide, is well below peers. That's in line with our impairment charge experience.

Moving to portfolio trends, consistent with the broader banking sector and following several years of historically low levels of home loan delinquency trends, we are seeing some pockets of weakness. This uptick is off a low base and improved analytics of our customer data is allowing us to more proactively identify customers in hardship and engage with them to identify solutions.

Importantly though, these portfolios remain well secured, with a dynamic LVR of 42% in both the Australian and New Zealand home loan books. Borrowers who are 90 days past due and in negative equity, represent 0.04% of the total home loan portfolio, implying limited risk of loss.

Our collective provision balance was steady at $4 billion for ANZ ex Suncorp Bank, but our coverage levels for the Group moved up five basis points to 1.21% post new home loan PD and LDG models implemented during the half, which now more appropriately reflect the underlying portfolio risk.

When looking at CP coverage, it is important to consider the split of the loan book between performing and non-performing. As you can see on the top right-hand side, the CP coverage for our performing exposures, which comprise over 99% of our portfolio is comparable to peers. On the bottom right-hand side, you can see that we have a lower proportion of our exposures in default relative to peers. Given the above, and our lower risk intensity portfolio, we are confident that we remain appropriately provided.

Moving to capital and capital management, ANZ's capital position remains strong with a CET1 ratio of 12.2%. This is net of the impact of the Suncorp acquisition and the full impact of the $2 billion share buyback which are captured in the 12.2%. At the end of the financial year, we had completed around half of the buyback and expect to complete the remaining portion by the end of first half 2025.

Capital efficiency is a priority for our Board and management, and in addition to strong organic capital generation in the half and the year, capital benefits emerged from the sale of AmBank, which released $900 million of centrally held capital, as well as the updated risk models especially for our mortgage books, which now more appropriately reflect the underlying risk of these portfolios.

In aggregate, this generated $9.2 billion of capital. This has been deployed into return accretive growth, the buyback on foot and dividends of $5.3 billion. The capital generation and usage here shown does not include Suncorp Bank as the capital was already set aside at the start of the year.

Shayne spoke to the momentum in the Sun business, which has led to a step up in pre-synergy shareholder value, largely driven by Suncorp customer deposits up 14% and deposit revenue doubling since we announced the acquisition in July 2022. A dedicated team worked throughout the two-year period, from announcement to finalisation, to prepare for the day-one transition of the Suncorp Bank business, including its people, into ANZ.

This work has meant that the transition could be accomplished promptly once the final approvals came through and importantly, this quite complex program of work went smoothly. As we progress our work on integration, we believe we will be able to drive more value from Suncorp Bank and sooner than we had initially anticipated.

My remarks today have been largely on an ANZ excluding-Suncorp basis given the relatively brief period of ownership. While we're not providing a forecast, my second slide should help you to consider the end of financial year position for the consolidated Group.

Based on ANZ's ex Suncorp Bank FY24 results and the annualised Suncorp Bank results based on two months of our ownership, the FY24 baseline would be approximately $22.1 billion revenue and $11.45 billion cost for the consolidated Group, which equates to a broadly similar CTI outcome to that for the ANZ Group excluding Suncorp Bank in FY24. We'll speak further about Suncorp Bank performance, investment spend, and synergies, at the first half 2025 results.

In closing, we are well positioned as we move into FY25, exiting 2024 with a good momentum across our Banking and Markets businesses. My key focuses here remains on continuing to deliver strong financial outcomes through a focus on productivity and profitability, driving value from the Suncorp Bank transaction and strong capital and balance sheet management.

Thank you and with that I'll hand back to Jill for Q&A.

Jill Campbell: Thanks Farhan and Shayne. Now you've been through this Q&A procedure many, many times, I don't need to bore you with that, but just for old time's sake, I'll hand back to the operator shortly, she will give you the instructions as to how to ring through, she'll turn to the first question and the questions thereafter. If you could try to keep your questions to two; if there are any we don't get to, you can ring Cameron, myself, Pavita this afternoon and we'll help work through those.

So with that, [Rachel], I'll hand back to you to start the questions, and I think the first one's from Jon Mott.

Operator: Thank you. If you wish to ask a question, please press star/one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star/two. Your first question is from Jonathan Mott with Barrenjoey. Please go ahead.

Jonathan Mott: (Barrenjoey, Analyst) Thank you. First question to Shayne, you spent quite a lot of time talking about Plus and Transactive and you put some numbers out. I just wanted to consolidate them and make sure everyone's on the same page with how this is all going. So, $2.5 billion has being spent so far on Plus and Transactive, you're saying that it's 35% cheaper to serve the customers and you're going to start decommissioning your old systems from 2026, but then really kick in in 2027.

So, I wanted to get a feel for that, because it would imply, as you start to decommission these systems and move everyone over, costs are rising in the next year or two, but you should get absolute cost reduction from 2027 onwards to offset the NIM pressure that you're anticipating as AI and everything else kicks in. Is that correct? I just wanted to get that feel for the outer years.

Shayne Elliott: Yes, thanks Jonathan, it's a good question. So strategically and directionally, yes that is correct, that is the ambition that we have and that's the plans that we have in place, right? So, we need to complete the build out of Plus in particular. Transactive is largely fit for purpose, number one in market, yes of course we need to add things to it, but that's largely kind of done.

Plus, we've still got some work to do because we need to round out and particularly get cards, term deposits and the broker channel onto that and that's going to be over the next out towards 2026 and we also need to enable small businesses with an ABN to be able to join. That prototype is already in place now but we've got to get all that so we can migrate the customers.

But your timing is right. We expect that cost-to-serve number to continue to improve, so it was 20% cheaper a year ago, it's now 35%. Look, don't ask me for what the end state is, I don't know, but we'd expect that gap to grow.

In terms of the investment required to get there, to do all that what I've just talked about, let me put migration aside just for a second and Suncorp, the core basic – what we're saying that is essentially in our run rate now, yes? Okay, there'll be a little bit of inflation in there, but for all intents and purposes, within the spend rate and investment rate we have now for Plus and Transactive, we should be able to achieve those ambitions, and any sort of uplift will be reasonably modest.

But you might want to talk a little bit more, Farhan, in terms of the – because 2027, to be fair, it's hard to….

Farhan Faruqui: 2027 is hard, Jonathan and as you know, there are lots of moving parts here. But I think if you look forward for the next year or so, we'll probably see some moderation of inflation in terms of the cost around salary and wages, et cetera. Vendor inflation is hard to call because it depends on contract maturities, et cetera, but we expect that to continue.

We'll probably see similar levels of restructuring costs because we are focused on productivity, it's going to continue, and we'll probably see slightly more elevation in terms of cost around Suncorp integration and migration as we start to prepare for that transition of customers from Suncorp onto Plus.

So all in all, we saw 3% underlying, 4% if you include restructuring and Suncorp integration costs, we expect costs next year to be in the similar range, with the mix changing a little bit in terms of where the inflation and impacts are, but broadly speaking, that's a reasonable estimate to think about for 2025. Then as Shayne said, over the next two or three years we'll hopefully look to getting those synergies which we'll hope to offset that cost.

Shayne Elliott: But the broader point that you said, yes, the strategy here basically says when you think about Retail banking in Australia, which the industry is under massive profit challenge, and we talked about why and you all know that. The only, in our view, the only path forward is to get onto substantially lower cost, more nimble platforms and we have one.

So we're making really good progress, we've got to get our customers onto this so that we can decommission the old, so that we now have in absolute basis, to your point, for retail and small business later, a lower absolute cost base for running the business. Because that, when you think about the whole, the economic profit pool and the things that we get to control, we're a price taker and many of those, we've got our cost to funds, all those other things, operational costs is one of those ones that we really do have the ability to manage and do better.

That gives us obviously a step advantage and we think that that is actually going to be much harder for others to replicate, particularly if you're starting from scratch now.

Jonathan Mott: (Barrenjoey, Analyst) Thank you. The second question if I could and this goes to slide 32, which is capital efficiency and one line that really sticks out to me is the $2.2 billion that you've generated in excess capital from model updates, one of my pet topics. If you think about that, it's about a third of the profit of the Group was generated equivalent of from model updates, it generated more capital than the profit from Retail, Commercial and New Zealand divisions and it more than offset the credit risk weighted assets that you got coming over from Suncorp Bank which have 1.2 million customers.

So, when we step back and think about this, the Banks are very reliant on models. How do we get confident that the old models were so wrong, in effect, they were out by so far and that the new models, we're not going to see this constant change, that you're so reliant. If you look at it, the organic capital generation didn't cover the dividend and growth of business. Do you need more model updates to be able to pay the dividend going forward?

Farhan Faruqui: Good question. I think that there are obviously changes in the risk profile of our portfolio and the environment that we take into account as we look at our models and frankly, our models and our mortgage risk weights were pretty much out of line with the rest of our peers. So effectively what's happened is we've just come back into line in terms of where we are relative to our peers. So that better reflects the quality of risk below.

Underlying, that will continue to, depending on how the underlying portfolios perform and the front book, we hope that will continue to improve. We don't think that is – we do generate enough organic profit, Jonathan, as well as have some capital position right now to continue to pay dividends, et cetera, so we don't think that's likely to be affected. That's therefore the reason why we announced effectively flat dividends through last half at $0.83 per share.

The foundation of our dividend philosophy is driven by the Board and the management's focus on making sure that we have a stable dividend outcome. IF we felt that that was not sustainable, we would have had a different outcome this half on dividends.

Jonathan Mott: (Barrenjoey, Analyst) Thank you.

Operator: Your next question comes from Ed Henning with CLSA. Please go ahead.

Ed Henning: (CLSA, Analyst) Hi, thanks for taking my questions. Just following on, first one just on ANZ Plus, look fully understand future benefits of lower cost-to-serve, but can you just touch on the near term, the impact of the migration and the cost of that? Will there be any revenue impact from that when you've got to migrate onto potentially higher costing products on the revenue side? Can you just touch on thoughts on any attrition as you migrate your Suncorp customers across, is the first question?

Shayne Elliott: Yes, I'll start and then I'll get – so they're really great questions, actually, Ed. So what we need to do is we're upgrading or use the word migrating, our customers across from essentially – essentially, from a digital platform that they know and love today and what we internally now affectionately call ANZ Classic and we need to move them across into this much better platform that has better functionality, better features, and from a shareholder point, it just happens to be much lower cost and easier to run.

In doing so, what we need to do is, and I refer to it, we need to make that as seamless as possible, yes? What we're working on and the things that I reference in there, things like My Accounts allow that. I didn’t get into some of the detail, but not using open banking, using some of our own technology, we've already allowed that look through from ANZ Plus to see all your existing ANZ Classic accounts.

What we're working on is literally touch of a button to move those across. So, we're going to make that as frictionless as we can, as easy as we can and we obviously have plans as we develop, when we get to home loans and cards and all those other things as well, that philosophy of making this an upgrade experience as seamless as possible.

So in that world, we don’t think the attrition risk is high. There'll be some, clearly, but we think it's really, really modest. The reason we said we're going to start scaled migration or mass in the next six to nine months is to test and learn. So we'll start really, really small, I don't know, 1,000 or a couple, 5,000, whatever, customers, start small, see what happens, right? Of course, that's really important learnings because it's not just the six million ANZ customers we need to move, it's the one million Suncorp customers as well.

So that's the approach we'll take. We are really confident, though, with the technology tools we have today to make that seamless and radically limit attrition. Now there's some good data, we're not the only – we're not Robinson Crusoe in this thing globally. Our approach is slightly different and Plus is, we think, better than what others have had, but there are cases around the world where we can look at and learn from their experience.

Whether it's through acquisition, so there's been a lot of bank acquisitions in the US where they've migrated customers, or whether it's through these new platforms which we've also seen and that experience has given us some benchmarks of what to expect in terms of attrition and we think we can do better than that, so it's built into our models. That shouldn't be a big issue.

Your question about profitability is a really awesome and excellent one. In order to move or migrate our customers across, we need to have an equivalency of products and services. So I mention there, for example, we've just launched a conditional bonus product, one of these behavioural bonus product savings, so i.e. you get a low rate of interest and if you're savings goes up by $100, if your balance goes up by $100 a month, you get a bonus. We didn't have one of those in Plus, but we need it for the future.

We need it because customers like it, so people want that and we have an embedded book in our back book that is already on that product or a product that looks like it, we need to move across. So that's what we're doing. So, we will be able to preserve profitability more or less, we're not going to have it perfect every single dollar in terms of revenue, there'll be a little bit of attrition, but we think – well, we know the cost benefits radically outweigh that in terms of the benefits of that move. So that's built into our modelling but obviously we have to test and learn around that.

Farhan Faruqui: The only thing I would add to what Shayne said, Ed, is it's not likely to have any significant impact for FY25, because the migration will really, in terms of scale, will only start in the course of calendar year 2025. So, I would not think of FY25 as being a definitive year in terms of revenue or cost impact.

Ed Henning: (CLSA, Analyst) No worries. Just to clarify on that, as you move some people across, they might be going on to some higher rates. There could be a little bit of near-term revenue pressure but obviously, the cost benefits outweigh once they come through, is that how to think about it?

Shayne Elliot: Could be. I mean it will be swings and roundabouts. Look, it could be - as I said, what we've got to do, we've got to have that - you're right to raise it, but we've got to have the equivalency of product structure.

So all of the - people who have the products today have to have a home to go to. There has to be something that is the equivalent, and that quite rightly - by law we have to be able to do that. Obviously, that should be at the same levels of revenue and the same levels of margin - more or less, yes.

So there should not be a radical difference from a revenue perspective in terms of the margin differences because we're literally doing a like-for-like transition. We have term deposits over here, we'll have term deposits here. If the margin was X, it will be X here, more or less, yes?

So we're not moving people from a margin structure today to a radically different one that is lower. That - and I understand when we first launched Plus there were some questions because the product offering we had in Plus originally was simple, as it was supposed to be. It was really - and everybody assumed that was it.

Well, clearly that is not it and we will have the richness of features and pricing and choice that customers want in Plus, just as we have today. What we're hoping is we can make it a bit simpler than it is today. We think there is too much product differentiation, there is too much product choice for our customers over here, and that actually causes some confusion.

So, we do want to simplify, but anyway, I think I got the point across. The essence of this is not radically different in terms of profitability on a revenue side but radically different on a cost side.

Farhan Faruqui: Yes, just to - sorry. I don't want to keep…

Shayne Elliot: Well, we love talking about this.

Farhan Faruqui: Yes, we love talking about this and so be prepared to listen for a bit more. We - the idea of ANZ Plus was, of course, to build a modern, contemporary, leading digital technology but it was designed not just from a cost perspective, it was designed to ensure that we get more market share, and we get more engagement of our customers, and we get better customer experience to our customers. Including on the financial well-being perspective.

So, the goal, of course, is to increase revenue and market share as a result of that, but deliver that, that services, those products, and those propositions more efficiently because of the cost structure that Shayne outlined.

So overall, irrespective of what happens to margins, and margins could move because of market, environment, and competition, they should be - it just builds - the cost base just builds more resilience in the terms of maintaining earnings.

Shayne Elliot: So, the way we do it internally, for those listening, is we - this concept of customer lifetime value. So, we think about the lifetime value of a customer and so the ways, from a shareholder's point of view, to do better; we need more customers, and we need to have broader relationships with those customers. That they're doing more things with us, and we need to lengthen the time they stay.

The way we do that, is by having really obviously compelling propositions, but giving people better and better tools to do better with their money. Whether that's round-ups or card controls, or crypto controls, or cash rewards, or whatever it might be, so that people are using and staying.

We know there is a very, very direct correlation between usage and lifetime value and that's what the platform is designed to build anyway.

Ed Henning: (CLSA, Analyst): Thank you for that detailed answer. Just a second question. You talked before about the risk appetite in Suncorp and increasing the risk appetite. Can you just run through what you've done there and does that mean you potentially see a little bit more growth coming through Suncorp in the near term if you think of that as standalone?

Shayne Elliot: Yes. Again, excellent question. So - and Bruce is here actually who runs Suncorp Bank for us, part of the team. Really, really early on, I literally think we might have been in the first week or so, we - as you would imagine, we had a team meeting with our Team and with our new friends from Suncorp.

They were going through the way they think about stuff and this issue - they raised a point, within Suncorp Group context, within Suncorp Bank and the capital and the way they think about risk, they had adopted a certain level of risk appetite.

So, the example was they had put a cap, or a speed limit, on the proportion of home loans that they were willing to write in the investor space and we all know that investor home loans, typically, have slightly higher returns for a whole bunch of reasons. That's true across the industry, right?

They had put a cap on which was entirely reasonable for a bank with 2.5% market share in their capital and part of a bigger [unclear]. So, it was entirely reasonable in that context. We said, well, you're not in that context anymore. You are now in the context of a $1.3 trillion balance sheet, and we have a lot more diversification and we think about that differently.

Putting a sublimit just for that brand of whatever the cap was doesn't really make sense. So, we need to rethink that. So, we changed the cap. We didn't remove it, we changed that cap. That allowed Bruce and the team to be more assertive.

They didn't really need to change anything in terms of their proposition with customers, but they were able to welcome in more customers. That's the sort of thing we're talking about Ed. It's just a - you're putting a different lens on now that you're thinking about it in the context of this broader diversified risk group.

So that's the sort of things that we did and again, I'm not putting words into Bruce's mouth, but I think the team at Suncorp have been pleasantly surprised at how quickly we can do those things, you know? We were able, literally, to make that decision on the spot and do that to the benefit of Suncorp Bank customers.

Yes, it should lead to faster growth in the right areas.

Ed Henning: (CLSA, Analyst): Okay. Great. Thank you very much.

Operator: Your next question comes from Richard Wiles, Morgan Stanley. Please, go ahead.

Richard Wiles: (Morgan Stanley, Head of Research) Thank you and good morning. Shayne, do you think the outlook for revenue growth is better across your Australian Retail and Commercial banking divisions, or your Institutional and New Zealand division?

Can you make some comments on the outlook for margins in Institutional and New Zealand, please?

Shayne Elliot: You always pose a tough one, Richard.

Farhan Faruqui: You're asking Shayne to pick…

Shayne Elliot: My favourite child.

Farhan Faruqui: …a favourite child. Yes [laughs].

Shayne Elliot: Well, you probably know better than me actually in terms of the forecast. The reality is look, Australian Retail is challenged, and I don't think it's challenged for ANZ in particular, I think the industry is challenged.

It's probably, if you looked across - while Institutional is always competitive because It's much more global and the barriers to entry are much lower, we're kind of used to that. So, it's in our DNA. We kind of know that that's part of the way we run the business and we've been doing that for a long, long, long time.

That is a very different outcome in retail. Which is for - you know better than anybody, for a long time that hasn't been the case and it's relatively - in the scheme of banking history, it's a relatively new phenomenon that it is so desperately competitive, and the margins have reduced. So, revenue growth in retail is extraordinarily tough.

That's why - and it's not like that has been a shock, it's come fast and quick and that's why we took the decision to move onto the lower cost, more nimble platforms in ANZ Plus. So that's actually what we've done.

So that - I think Australia Retail is probably the most challenged across [unclear]. Commercial, much less so. I mean, it's still - everybody has challenges but in Commercial there is still underlying growth opportunities.

They're particularly for ANZ because while there's a lot of focus and everybody - it's everybody's new favourite part of banking.

Our strategy is quite different in many aspects to our peers who are largely lending-led. We are much more in the deposit and transactional end we are much more focused on the small part of that. Start-ups, relatively microbusinesses, those sorts of things, who don't typically have big borrowing needs, while others tend to be focused more on lending. So, it's slightly different.

So, we do see growth opportunities there, and do you want to talk about the actual - the outlook for New Zealand and…

Farhan Faruqui: Yes, sure. Look, I think, Richard, and I know that you're basically asking one question hoping to get three or four things answered but I'll try my best to meet your expectations.

So, while I agree with Shayne that the Australian Retail business is challenged, the fact is that coming off what has been a very volatile period with rates shifting, et cetera, and shift in liabilities and move from fixed to floating, and all the things that happened in the retail space over the last 18 months, which was quite a bit.

The fact is, that on a half-on-half basis, Australia Retail grew revenue, and I think that suggests that things are stabilising, which they are from a NIM perspective as well as from a mix shift perspective and from a back book repricing perspective et cetera.

So, I don't think that we should - I don't think it's fair to assume that Australia Retail will not grow next year, it will be a function of what's happening with the environment, obviously, as we continue but I certainly think it's a lot more stable today than it was six to 12 months ago.

I think as Shayne suggested, Institutional is a question around PCM as well as market performance. We now have a new Government, and soon to be a new Government in the United States that will drive rate environment and that will drive volatility. So, to some extent that could be a big, big positive for the Institutional business, but we have to wait and see.

New Zealand has actually been interesting, because New Zealand has had some competition around deposits, particularly over the last one half, but those deposit issues are more balanced today and we've actually seen some improvement in terms of front book margins. So, I think New Zealand probably has good prospects going forward. The fourth quarter was pretty steady.

The other point I would make from a NIM perspective is that replicating benefits will continue for us going into next year as you know because of the fact that our hedging was out to five years. So, we continue to see those maturing tranches supporting our NIM as well.

So, look, overall, I think we're probably more stable with some positive prospects but, obviously, Richard, as you know the environment can change that we continue to be very vigilant to make sure we manage the margins dynamically.

Richard Wiles: (Morgan Stanley, Head of Research) Okay. Thank you. Just my second question is another one on ANZ Plus. I just want to get a bit of an understanding for how many customers need to migrate.

I mean, you say on Slide 10 that there are 850,000 customers on Plus, and half of them are new to the bank so that suggests a bit over 400,000 have migrated. I think, Shayne, you also said ANZ Plus is - now accounts for one in five active ANZ retail customers.

Does this mean you've got another 1.5 million to 2 million customers to migrate or have you got 5 or 6 million to migrate?

Shayne Elliot: Yes, totally fair. So the big - we've got essentially 5.5 million to migrate from Australia Retail and, obviously, the 1 million from Suncorp. So, let's not forget them. So that's true.

What the point is then, not all those customers are equal in complexity or need. So, when you break the - [this assumes it] is 6 million, roughly. Of the 6 million customers we have in ANZ today, just roughly, about a million, a million and a half, you and I would probably think of as dormant or inactive.

So, yes, they have some money in their account, they don't really use it, et cetera, et cetera. You're migrating them and they're typically relatively simple accounts, savings accounts or something like that. Relatively simply. So, in terms of active customers, now you're down into that 4.5 million, we need to move all of them.

What we've done is we break them into different cohorts. There are some customers that have really simple needs, actually, about half of them - call it 2 million, all they do is have a savings and transactions account and a debit card. They don't have a credit card, they don't have a home loan. Those customers is where we start, because we satisfy them now.

They would be very happy on Plus today and as we said, many have decided that on their own. Your number is about right. About 400,000 have already made up their own mind and figured it out for themselves and moved.

That doesn't mean that all that 400,000 are just simple. It might be somebody like me. I've moved my day-to-day there, but I've left my home loan in classic. Your answer is, we really got to move all 6 million, plus a million.

Suncorp, we start - the bit we start next year is focusing on that 2 million that are really simple, save and transact. Where we start within the 2 million, those that we can see don't go to a branch, use - are very comfortable on mobile, et cetera.

So, we're going to use the ones that we think it's appropriate for. So that's sort of the challenge and that's why it's not something we can do over a weekend, it's not an upgrade. It's going to take some time, and we'll do it in waves. We start, as I said, in six to nine months on a relatively big scale.

Did I answer your question? I mean, that’s sort of the scale of the challenge. That’s why the plan is we will move everybody. So today you can join ANZ Plus or you can join ANZ Classic. From ’27 onwards, yes, about then, you won’t be able to join ANZ Classic.

We’ll say, no, no, we’ll have all the functionality that you need in Plus, and if you walk in the door in a branch, you come online, whatever, you - the option will be Plus. We’ll have some people using Classic and we will move them all across and the idea is to have everybody across by the end of 2028, irrespective of how complex their needs are, what they do, how active and all that, all six will have moved and the 1 million Suncorp customers will be in the middle of all that as well.

Farhan Faruqui: But I think just from a pure financial cost lens on that, Richard, obviously when we move the million customers from Suncorp Bank onto ANZ Plus, that will have cost benefits obviously because we will not be operating three technology stacks for retail customers at that point.

Obviously as we scale the migration, whether - starting from this year, over the next two, three years, as we scale the migration of customers from Classic to Plus, you will start to see incremental cost benefits coming through because you won't need the same level of manual intervention, you won't need as much manual approvals, manual servicing, et cetera.

So, it doesn’t mean that if you don’t - if you haven’t migrated the last customer until '28, we don’t see any benefits until then. You will start to see those benefits come through from Suncorp as well on retail.

Shayne Elliott: Yes, and I mean - I know this goes without saying but it's probably worth just making the point. The beauty of these platforms, whether it's Transactive or Plus, is scale, and the scalability.

So, the cost of running Plus for 1 million customers, two, four, five, six, seven, or 10 million customers is pretty much the same. Not quite but the variable cost is de minimis because the platforms are, to some extent, kind of infinitely scalable.

Where the marginally cost comes in, sure, we need to have more coaches. You know, because there's still a human-supported element. Yes, of course, there will be some of that.

But particularly when you think about something like Suncorp, if we say that the marginal - the cost to serve is 35% lower in Plus versus Classic, it's even bigger when you think about the benefit from a Suncorp position.

You know? Because we - and so that's why we're excited about the opportunity. Yes, there's some risks here obviously. Yes, like Ed's question, yes, attrition, matching, margin, all that sort of stuff. But we have a plan, and we have a future that's really exciting and that cost advantage is going to be really significant.

The faster we get there safely, the better. That's why we've tried to give you a sense of timetable today so that we can assure you. Then to Farhan's point, we don’t wait until the end to get the benefits. There will be a progressive drop of some of those decommissioning, although it's fair to say that really only starts in a material way in 2026 and starts ramping up in '27.

Richard Wiles: (Morgan Stanley, Head of Research): Thanks for more detail, that's great.

Shayne Elliott: Thank you.

Operator: Your next question comes from Carlos Cacho with Macquarie. Please go ahead.

Carlos Cacho: (Macquarie, Analyst) Thanks for the opportunity to ask a question. First of all, just looking at the margin impact of liquids, I was hoping you could give a bit more guidance on what the impact was to the reduction in liquids over the half and how much of that minus - that plus four from asset and funding mix was driven by the change in liquids over the half.

Farhan Faruqui: So, because we - a fair point of that four basis points was driven by the liquid's movement. Look, at the end of the day, liquids are in both treasury and Markets. We look to optimise opportunities every half, every day, in terms of where we should move the liquidity in order to get the best value for it.

This half, it so happened, it was a bigger move from treasury to Markets because we had opportunities offshore. Still low risk. Still counts as part of our HQLA and still qualifies for LCR et cetera. But there's just those opportunities, whenever we can find them, we continue to move them.

That could change next half because we might find better opportunities back home. So, it's a function of environment and the opportunities but I would argue that of the four basis points, a fairly substantial part was driven by that.

Carlos Cacho: (Macquarie, Analyst) In terms of the impact on - it's neutral for revenue [unclear]…

Farhan Faruqui: It is. It is.

Carlos Cacho: (Macquarie, Analyst) …margin without change?

Farhan Faruqui: I mean broadly neutral for revenue. But beneficial because of the fact that ex-Markets, it's - it reduces the denominator, so it improves the NIM. Yes.

Carlos Cacho: (Macquarie, Analyst) Then secondly just around the replicating portfolio, it looks like you've had a reduction in the portfolio in both Australia and New Zealand. You've had an increase in the hedge portion. Can you maybe talk us through those changes? It doesn't seem like there's been a big change in your deposit mix looking at the slides.

Is there a bit of a change in customers you now consider to be rate sensitive? Or what's driving that shift?

Farhan Faruqui: The shift in what again, sorry, Carlos? Can you ask…

Carlos Cacho: (Macquarie, Analyst) In the replicating portfolio. You had a decrease in the volumes in the portfolio but an increase in the hedge rate, but it looks like the deposit mix didn't really change much.

Farhan Faruqui: No, you're right. So, the deposit mix didn't change much in the half. Now, to be fair, the deposit mix as a portfolio didn't change. There are of course movements within each different division and business where people are looking to change yields and change products. But overall, you're right, deposit mix did not change.

But what did change from a replicating perspective was that the Suncorp Bank capital was paid at the end of July/early August. So that reduced the average balance of [IToC] for the second half.

The buyback also reduced some of that. So, there's a bit of a changes that happened in the course of the second half which caused volumes overall to be less than what they were in the first half.

But you also then got the benefit, as I mentioned in my remarks, of the hedges coming through, providing a tailwind from a rates perspective. So, it was a bit of a volume mix and rate impact, in the second half.

The reason I'm calling that out is the fact that it was a very peculiar half from that perspective. Not driven by underlying customer deposits, et cetera, but because of these other movements.

Carlos Cacho: (Macquarie, Analyst) Then just on - does Suncorp have any impact on that replicating portfolio going forward?

Farhan Faruqui: No. This was just the fact that we had capital set aside for Suncorp and we obviously paid it. Reduced the balance, yes.

Carlos Cacho: (Macquarie, Analyst) Great. Thank you.

Farhan Faruqui: But they have their own portfolio obviously and they have capital and replicating tailwinds there as well. They do similar hedging as we do.

Carlos Cacho: (Macquarie, Analyst) Okay. That's not consolidated into the disclosures…

[Over speaking]

Farhan Faruqui: The numbers we gave you were for the - on the NIM walk were basically ex-Suncorp, yes - ex-Suncorp Bank, sorry.

Carlos Cacho: (Macquarie, Analyst) I'm just looking at the slide 75 which has the detail of Australia and New Zealand. Is that ex-Sun for the moment?

Farhan Faruqui: No, so there is - just let me make sure I get to the right slide.

Shayne Elliott: Yes, yes. There’s 75. It says on the footnote, it says excludes Suncorp Bank

Farhan Faruqui: Yes, yes. That excludes it, correct, yes.

Shayne Elliott: We’ll obviously consolidate going forward, it’s just that it looked weird because of the two months, but once it’s – going forward it will be.

Farhan Faruqui: Yes.

Carlos Cacho: (Macquarie, Analyst): Thanks.

Operator: Next question comes from Matt Dunger with Bank of America. Please go ahead.

Matt Dunger: (Bank of America, Analyst) Yes, thank you gentlemen for taking my question. Just looking at Slides 60, 61 and around the Institutional bank margins, you flagged that the cost of those PCM deposits, the margins on those are back around pre-COVID levels and a pretty low exposure to zero and low-rate deposits.

Are you telling us that the Institutional net interest margin compression should be minimal on those deposits going forward, given we're almost back at pre-COVID levels and most the compression could come from the lending side?

Shayne Elliott: Yes, essentially that's what it says. Again, it's a good question. I mean, what we're trying to show here is, and I understand that it's now always easy to understand [the split], but the whole point about transactive and the way that we generate those deposits and the way that we go about, they're what we call – they're contractual deposits. They're essentially benchmark plus or minus.

When the benchmark moves, it doesn't change our margin, yes, so their contracted. Now they're not contracted forever, so it's a little bit like having a fixed rate home loan, it's kind of the same thing. It just means that when rates change, they don't immediately impact our business because 90% of that book on PCM is on a contracted term, so they're not sensitive to rates.

To your point, yes, the 10% is the sort of free cash flow piece or the transactional piece at the bottom, yes, that is subject to rates, so you don't get that immediate impact of rate cuts don't translate in to Day 1 into margin pressure on the PCM or the payments and cash management piece of deposit. That's what that's talking through.

If there is going to be changes on the asset side, whatever that might be, I mean that will depend on pricing and the lending Markets.

Farhan Faruqui: Yes, I think I will just say Matt, just to add to what Shayne said, which is absolutely right, that there is that low sensitivity because the free fund component if you like of PCM is about 10%, as Shayne mentioned, but the only thing I wanted to add to Shayne's comments is that the customer's behaviour is not siloed, so it's not just rates go down therefore the volumes, there could be changes in volumes on the deposit side, there could be changes in borrowing behaviour, investment behaviour, market risk impacts that come from what's happening in the environment.

It's sort of hard to say, well, you know, if rates go down X, revenue goes down Y, because there are so many other factors that can play out here.

But your question, broadly speaking, yes. We don't get – the deposit betas on Institutional on PCM is extremely high and that's why you don't get as much volatility as you would think you would if rates go down.

Matt Dunger: (Bank of America, Analyst) Understood, thank you very much. If I could just follow up to ask about the non-financial risk practices which you've addressed today. Understand you have the APRA capital add-on, an independent review underway. Shayne, what timeline are you looking at to resolve these issues and what additional programs of work might be required from here?

Shayne Elliott: Yes, okay. Good question. We already a program of work around non-financial risk. That's been on a radar for a period of time. Expectations around that, quite rightly, from ourselves, our Board, but also from regulators around non-financial risk have changed materially in our lifetime, quite understandably.

We already had a program of work, an uplift program around non-financial risk and yes, absolutely no excuses here, it's a little bit more complicated when you're in a global organisation like us and the diversified nature of our business. Again, not an excuse, but it's a little bit harder to do.

We had a program of work, it's fully funded, it's a reasonable amount of money that we're putting into that program, it's part of our investment slate today. Some of that involves new technology and new tools, so that piece is well underway, but then there's the – and I don't want to undervalue the term, there's sort of that cultural element of then actually using these tools well, these dashboards, these tools, these reporting mechanisms, to actually manage the non-financial risk.

We're making progress. We felt we were making really good progress, and I think we were, and I think we've got really strong evidence, but we've been let down in a couple of areas and so the regulator quite rightly called us out on that and said, you're not making sufficient progress, and they were right.

We've gone back, had a look, and we're going to uplift that program. That uplift in the program doesn't actually require a meaningful uplift in spend. It's not about the money, it's more about the cultural implementation of this – training, using, rolling these things out, making it part of our daily habits around the way we think about non-financial risk, just like we do a really, really good job on financial, so it shouldn't result in really a material uplift in cost.

In terms of the reviews that are happening, in order to do some of that Oliver Wyman review and there will be a bunch of other bits and pieces we'll do and those are good things, right? But those reviews are – we're talking here like single millions of dollars again to do and, even when you add it up, it's not going to be a material cost. It's more about cultural embedment and leadership from me and my team to really make this a priority and get it done.

Timing is a hard one. I'm really confident we can get the work done around actually making us better as a bank in terms of the way we identify, manage and mitigate these risks, so I'm confident we're making progress. We are, we are making progress there.

In terms of getting – I think your question is really, when does the capital overlay come? Look, that's a matter for APRA obviously. It's on us to go and show them that we've adopted the tools, we've embedded them properly and we've got the data to show that it really is changing the way we do that. That is not going to happen in the next financial year, I think. Now, I don't know when that will happen, but it is not going to happen in FY25, because we've got a lot of wood to chop there to get that done and then we actually have to evidence over a period of time so that APRA have confidence that it has truly made a change for the better.

Matt Dunger: (Bank of America, Analyst) Understood. Thank you very much.

Shayne Elliott: Thank you.

Operator: Your next question comes from Brian Johnson with MST Marquee. Please go ahead.

Brian Johnson: (MST Marquee, Analyst) Fantastic, and thanks very much for the opportunity to ask a question. Also, on the disclosures generally which are pretty good in a very confusing timeline of results with the acquisition.

Two questions if I may. I'd like to just to back to one of the issues Jon Mott raised, but perhaps ask it slightly differently. If we have a look at Page 35 of the result, we can see that the new impaired assets went up half-on-half, but the loan loss charge stayed low which, to me, feels like it's telling you quite logically, the loss in event of default is quite low because asset values have generally risen, which I think – would I be right in thinking that actually flows into those capital models?

What I'd like to understand is, just if asset values were to fall, particularly house prices, not only do we get a higher provisioning charge, but do we also get the models reversed and we get a higher capital requirement? Do we get kind of double procyclical leverage on the way up and double on the way down?

Shayne Elliott: Do you want to – Kevin, do you want to have a go at that one? I'm just saying I don't want to misspeak on this Brian.

Kevin Corbally: Would you mind if we get him to repeat the question?

Shayne Elliott: The question is – let me try to paraphrase it, Brian and you tell if I've nailed it. Basically, what Brian is asking, which is – I forget the page in the document is that it would appear that while impaired assets have gone up, the reason the provisions haven't is because they're well secured. So, the question is, if property prices were fall – and has that been part of what's led to the RWA release in terms of the model improvement, and so his question is, if property values were to fall substantially, fine, we might get a provision uplift. Do we also get a double whammy that the capital models themselves, the risk weightings, would also change? Then that's sort of the essence of question, [i.e. is there] double jeopardy?

Kevin Corbally: Simple answer…

Brian Johnson: (MST Marquee, Analyst) I just want [unclear] summarising myself.

Kevin Corbally: Simply the question, the primary reason for the increase in the impaired assets, about three-quarters of it was to do with the introduction of Suncorp into the business. That's the primary reason why the impaired assets have gone up.

The rest is essentially a combination of small amount [in mortgages] in Australia, a small amount in New Zealand in mortgages and also a small amount across the commercial book. It's not actually really a reflection of a significant increase in impairment per se across the book.

Shayne Elliott: But does it – I guess the question, Kevin, does it feed into – if asset prices fell, let's just imagine there was a 20%/30% fall in house prices or something, does that – we all understand how that affects the [CP] does that affect the risk ratings? Because we obviously got a capital benefit with the lower risk weightings, because we obviously got a capital benefit with the lower risk weightings.

Kevin Corbally: Correct.

Shayne Elliott: Would it affect it in a negative sense, I think is Brian's question.

Kevin Corbally: Logically it would.

Shayne Elliott: The question will be degree.

Brian Johnson: (MST Marquee, Analyst) Kevin, just on that, sorry. I apologise, but Page 35 says, new impaired assets. That delta which has gone from 630 in the first half up to 859, that's primarily driven by the acquired Suncorp impaired assets as opposed to genuine new ones.

Kevin Corbally: Correct. Three-quarters of it is Suncorp.

Brian Johnson: (MST Marquee, Analyst) Fantastic, thank you.

Kevin Corbally: There are also some restructures in there too as well, but it's predominantly Suncorp and some restructures.

Brian Johnson: (MST Marquee, Analyst) Fantastic, okay. The next one, if I may. Shayne, during the ESG briefing, you briefly mentioned that the ROEs on the total home loan book were barely above the cost of capital from memory.

Shayne Elliott: Yes.

Brian Johnson: (MST Marquee, Analyst) When you think that the home loan book has got two components – it's got the good stuff originated by the branches and the stuff originated by the brokers, who get pretty big margins.

I'd like to phrase this in the context that three of your peers are now talking about the need to do something on the branch versus proprietary channel, but if you actually have a look at Slide 90, we can see that basically the percentage of the book has gone from 57% to 59% over the year, but the flow has actually gone from 64% to 65% and, from memory, Suncorp's flow is about 75%.

Shayne Elliott: Yes.

Brian Johnson: (MST Marquee, Analyst) Can I just confirm those comments that you made before, the ROE on the front book home lending through the mortgage broker is probably below your cost of capital, because that's what it would appear to be when I look at the retail banking margin, which fell.

I'm sorry, this is a long-winded question, but I can also see the NIM relative to the risk weighted assets expanded half on half.

Shayne Elliott: Yes.

Brian Johnson: (MST Marquee, Analyst) Is that kind of telling me that basically a fair bit of what we can see is this, perhaps even this procyclicality flowing through, where the brokers and the customers are getting the benefit rather than ANZ, and should you be changing your mix?

Shayne Elliott: We go where our customers go and it's not – we can change our mix by just saying, no, to a whole bunch of business, right? I mean – and I know that's not your question, but – so when we say, changing our mix, our customers – the market is choosing to go to brokers. 75% of the market goes through brokers.

Now, we can sit here and say – we could just say, we don't want to compete, we only want to compete in 25% of the market. Well, we'd have a really, really small bank, right? So, we had to find a way to have a proposition that is profitable in, irrespective of channel. Hence, Plus. I mean, that is what we are doing.

Now, we don't think that the answer is to go and build more branches. We don't think that, because our customers don't want to use them and so that is not the answer. The bigger philosophical question you are asking, I 100% agree with. Again, we've talked about profitability on home loans every call, as we should, because it's a really important point.

If you do it on a fully allocated basis, and again, we can argue whether that's right or wrong, fully allocate – you allocate the cost of everything, branches, brokers, blah blah blah. Home loans are below the cost of capital, but the marginal cost, because a lot of that cost is fixed cost, obviously the thinks like the branch network, but if you look at the marginal returns, the marginal returns on proprietary and broker are at or above cost of capital, kind of depending on investor/owner et cetera, et cetera.

We run our business on that marginal basis. We don't ignore the fully allocated, buy we run it on that marginal. What's the marginal costs of funds, what's the marginal operating cost, what's the marginal brokerage, cash backs, all of that sort of stuff et cetera. That's how we run our pricing.

The bigger question you're asking, which is absolutely on our mind, is the only way forward – we don't get to control pricing. We are a price-taker, as we should be, and we don't see that's really fundamentally going to change. When you look at the P&L, the risk base is the risk base, we don't want to be out of market on risk, we don't want to take more risk or do low doc or anything like that, so we're not really going to get any change or material difference there. It really comes down to your cost lines, and these two costs. You know this. There are two costs that go into manufacturing a home loan – the cost of the money and the cost of the operations.

Our future on Plus is designed to lower the cost of both. It's to lower the cost of operations, and we've showed you the numbers. I accept it's on save and transact and we haven't got to home loans yet, we've got Plus as a substantially lower cost to operate, tick, that's good, and we believe by making a more engaging platform, over time, not tomorrow morning, but over time, we will get a lower cost of funds there as well.

What is important, and I think, I mean what's important here, we now have the second largest customer deposit base in Australia, of an Australian bank, right? Now, what we need to do – what we don't have is the lowest cost customer base in Australia. That's the work we need to do.

Brian Johnson: (MST Marquee, Analyst) Should you be differentially pricing between your digital home loan and the broker?

Shayne Elliott: Yes. Yes, we should. I mean, it's funny you say that. It's not funny. No, no, it's funny you say that. Maile and I were literally having this conversation yesterday. Literally, absolutely. We're not there yet and we're not there yet because we're not sufficiently scaled to be able to make that meaningful, but philosophically, of course we should and of course we should have channel differences when – if there's literally a different cost to operate, I think that's only reasonable.

But what we need to do – so that is something, but it's not, again, it's not in the pipeline for right now, but absolutely I would imagine that's the case. If you look globally at other worlds were – we look on the US with rocket mortgages and things like that, absolutely, digital you would imagine to be more assertively priced. But still be, I think you can do that and still be higher profit margins for the provider, i.e. the Bank. I don't think that all gets competed away.

Farhan Faruqui: Brian, just to clarify on a couple of things, just two data points to add to what Shayne said. I mean, if you think about our business this year, our NLAs went up 6%, our cost in the retail business went up too, so there is a scale benefit, which is why we look at the marginal cost as Shayne was saying.

The other point I would just highlight, is that the five basis point reduction in margin. Part of it, of course, is still the coming through of previous halves adjustments, et cetera, around asset and deposit pricing, but almost two basis points of the five was perversely actually because of the fact that we had lower RWAs because of the change in the PD and LGD models and the [rec] capital allocated or the [rec] capital earnings that retail got were basically moved back to group centre, because they were using less regulatory capital. In some ways, that NIM reduction was actually ROE accretive, but it perversely showed [unclear].

Shayne Elliott: Now, just to extend our enthusiasm for Plus, Maile would like to just make a few comments.

Maile Carnegie: Thanks, Brian. I think one of the things that we don't spend enough time on as an industry is actually, we talk in a very blunt way about the fact that - are brokers more or less profitable than proprietary channels?

I think the thing that people don't spend enough time is really getting under the hood and saying, why are brokers kind of slightly less profitable than proprietary? It's actually not necessarily the commission that is being paid. When you really look it, the key drivers of that profitability difference are a combination of how long a broker customer is on your book and how engaged that customer is in your products beyond just a home loan.

Again, we talk a lot about the Plus savings and transaction account, but what we don't talk – we're basically rebuilding almost everything else as well. That includes things like our broker portal and how we're going to interface and be able to partner better with our brokers, so actually, if you really want to improve margins in home loans, yes, you need to get your overall cost-to-serve and cost-to-acquire down, which again Plus is going to deliver on, but then specifically for brokers we are starting to look at building propositions to partner with them about how do you fix those underlying drivers of the profitability difference, which as I said it not necessarily the commission, it's actually the engagement with those customers.

Shayne Elliott: Thanks Maile.

Brian Johnson: (MST Marquee, Analyst) Thank you.

Operator: Your next question comes from John Storey with UBS. Please go ahead.

John Storey: (UBS, Analyst) Thanks so much and thanks for giving me the chance to ask a question. I appreciate the opportunity.

Shayne, I've only actually got one. I appreciate it's been a long call too. I see your Institutional business had an exceptional performance during the year. I just wanted to drill down a little bit more into the Markets business, and particularly the franchise revenue for the second half of the year that was down 22%.

I just wanted to get a view from you if there's been any change in risk appetite within the Markets division and, more importantly, I wanted to get a sense what are clients saying and what's happening with the actual client franchise itself.

Shayne Elliott: Sure.

John Storey: (UBS, Analyst) Caveat that with, I read the comments around the seasonality in terms of market, so maybe just a little bit broader that than would be appreciated. Thanks.

Shayne Elliott: Yes, sure. It's a very reasonable question, John. Obviously, I won't focus more on the seasonality, but that's real, so that's not unusual for the second half to be lower and I think there are some slides in there that show that. In fact, the fourth quarter was the strongest we've had in eight years.

But looking through and talking more contextually about – and I assume you're relating, you're trying to link this back to the market related issues and whether that's actually had an impact on our franchise, I mean, the short answer to that is, no.

Our customers have been really supportive, and I think again it speaks to the diversity of our business. I'm not diminishing the issues that we've had, they're serious and we have to deal with them. But they are in the context of our Markets business, it's a relatively small part of the overall business. Remember, that business, this is in our – those issues relate to rates trading in our Sydney dealing room. We do operate a 30-country network. In fact, our largest Markets business is in Asia. It's in Singapore actually. It's our largest dealing room.

The diversification of the business has helped, but even here in Australia where those issues have been more prominent, the reality is, no we haven't. Obviously, we've had questions. Obviously, quite rightly, people have asked question about our conduct and the way we run our Markets business, but the business itself is in good shape. We've got work to do there to get these issues behind us and we're doing that. Obviously, there's been a little bit of a morale hit in the team as you can imagine.

So, we're working really hard. Mark's doing a great job on that with Ange, who runs the business but the short answer to your question is no, and we don't - we haven't seen any impact on the overall flow, customers or the general business.

What is impacting the business isn't really to do with customer engagement, clearly just volatility in the business and there's a lot of uncertainty at the moment. That can be good or bad but that's what's really impacting the revenue base at the moment, as opposed to any material or even noticeable change in customer engagement.

In terms of your risk appetite, a good question as well. We haven't changed our risk appetite. The appetite is set. We go through that with the Board. We haven't changed the appetite but as I say, they are fully resourced and capable of satisfying the needs of our customers and generating the kinds of returns that we desire from that business.

John Storey: (UBS, Analyst) Excellent. Thanks Shayne.

Shayne Elliott: Thank you.

Operator: Your next question comes from Andrew Triggs with J.P. Morgan. Please go ahead.

Andrew Triggs: (J.P. Morgan, Analyst) Thanks. Good morning. Just to follow up on Matt Dunger's question actually on slide 60, Shayne or Farhan, what actually drove the compression in deposit NIM do you think in the half, given you said high deposit beta and really rate cuts didn't start happening, apart from New Zealand until right at the tail end of the half?

Farhan Faruqui: So Andrew, the customer deposit NIM was largely felt, as I said in the second half in New Zealand. That's where we had a bit more pricing competition in the course of the second half. So particularly on TDs. That has moderated towards the end of the second half but that's largely what impacted deposit pricing NIM.

On the mix side, as I said, the mix changes or the shifts in retail have largely slowed but we continue to see the high beta impact of some of the Institutional PCM book because as corporate customers move deposits around. Largely I would say second half pricing impact was New Zealand, it has moderated since then.

Andrew Triggs: (J.P. Morgan, Analyst) Thanks Farhan. The previous half, you had a footnote saying that in periods of zero rate interest rate policy deposit margins would range between 75 basis points and 90.

It's sitting at the middle of that range at the moment. Why wouldn't we expect it to fall towards the lower end of the range, especially as US Fed funds rate falls and the RBA cash rate?

Farhan Faruqui: Look, I think that it is reasonable to expect that there will be some impact on NIM as a result of what happens in the rate cycle, the timing of which remains unknown.

As I said earlier, Andrew, I think we've got to look at the business more holistically rather than looking at it purely from a lens of rates because if you think about the PCM business, as I mentioned - I'll repeat it for the sake of repetition - but it has 51% growth in volume over the last five years and we've seen 22% reduction in cost per dollar of FUM.

I think that ultimately plays into the fact that it's a far more resilient business, probably much more resilient than some of our peers if you like because of that investment that we've made. We are continuing to win new business in payments and cash money management.

So you're right, if the rates turn across globally, then it has some impact on NIM but on the other hand, you get better volume and better quality of [unclear].

Shayne Elliott: I think it goes to a really important strategic - and it's the same for Plus and Transactive. What we're saying here is what we are moving to as we build these platforms is we will always have exposure around NIM. That's what we do for a living. So, we understand that.

What we're trying to do is desensitise that a little bit by controlling the things we can control, which is actually looking to what's the operational cost associated with generating those deposits. That's why moving to lower cost platforms like Transactive, and that's why I talked about where the volume is going.

Over the last - the average - the cost, the operational cost and per payment, if you will, is coming down at a rapid rate. It's the same thing we're seeing in Plus. That gives you more profitability buffer and less sensitivity to NIM in the purest sense of the term. That's the direction we're going for both businesses. It doesn't remove it, but it reduces that. We're not just exposed to the NIM and being on those lower cost platforms [unclear] helps.

Farhan Faruqui: That's evidenced as well, Andrew, if you look at slide 61. You don't get as much benefit on the way up and you get not as much damage on the way down because of the fact that these do operate at high betas. As Shayne mentioned, 90% of this is contracted so it just moves with the rates, but the margin remains consistent.

Andrew Triggs: (J.P. Morgan, Analyst) Thank you. Just a related question to Shayne, I guess you've mentioned a couple of times on the call that you now have the second largest deposit base of the majors, but that position is largely due to market deposits and also PCM deposits in Asia.

I guess my question is what gives you the comfort that that mismatch, I guess, between having a big Australian/New Zealand home loan and commercial loan book and Institutional loan book is somewhat mismatched with liability spreads that are driven by offshore trends?

Shayne Elliott: Yeah, I get it and again, it's not about - remember the reason we now have the second largest deposit base isn't actually because of market TDs. It's because of Suncorp. That's what really tipped us over in the edge.

I mean those TDs in Markets; they are what they are. They are great, they're very profitable, they're a high return business for us. You're quite right, a lot of those deposits in Markets, they're not fungible and they don't provide the same liquidity support as say retail deposits.

So, what we're really talking about is if you think through the customer franchise benefit really came from Suncorp. I mean if we cut through and really say, what did we buy with Suncorp Bank? We bought a great franchise but what we bought was $58 billion worth of deposits. Those deposits are extremely valuable and really, really high quality and come at relatively low cost.

I get your point. We manage the liquidity sensibly and it's not that we've changed our mind around how we use Institutional deposits to fund anything else. Obviously, there's some barriers in doing that but we've actually improved the quality of our franchise, our deposit base and it's now more skewing more to retail with the Suncorp acquisition, which is really, really valuable.

Let's be honest, that's been a weakness at ANZ over a long period of time. We've had a structurally weak position when it came to retail deposits for 30 years. Plus, Suncorp these things are designed to rectify that over the long term and it's great to see that we're making progress.

Farhan Faruqui: Of course, we get the optionality because of the fact that we have surplus deposits in Commercial which are growing and the third-party deposits, which are reflected in Markets and we're not - don’t show up in Retail, but are used to fund Retail and then of course, we have Wholesale funding. So, we have a bit of a mix to optimise the cost of funding but as Shayne said, I think this will particularly get accelerated once we have Plus at scale.

Andrew Triggs: (J.P. Morgan, Analyst) Thank you.

Operator: Your next question comes from Jeff Cai with Jarden. Please go ahead.

Jeff Cai: (Jarden Australia, Analyst) Good morning and thank you. Look a question on Suncorp Bank, if I annualise the Suncorp Bank costs, the cost base looks to be about $900 per year, that's about $100 million higher than what Suncorp had. Can you talk through why that's the case? I understand there's some timing issues involved.

Farhan Faruqui: Yes, so Jeff, once we – I think first of all, just to put this in perspective, we didn't really buy an entity, we didn't buy a bank on its own, we bought effectively a spinoff of a bank within a group, therefore there were, as you know, a number of services et cetera that were being delivered by Suncorp Group into Suncorp Bank. As we transitioned into day one, i.e. when we became owner of the Bank, some of those services, technology, people, central functions, finance, risk, talent and culture, you name it, a lot of those things had to be rebuilt at Suncorp Bank or provided by ANZ Group into Suncorp Bank.

That obviously elevates cost right at the beginning but hopefully as we get synergies and as we start to move more of those services into the ANZ Group scale, then those costs will start to reduce. So, there is going to be an uplift temporarily, Jeff, until some of those TSA and transition into Group services occur, which is going to happen over the next 12 to 24 months. We'll start to see some of those synergies come in 2025, but probably more thereafter.

Jeff Cai: (Jarden Australia, Analyst) Okay, got it. Then very quick question on slide 24 on the deposit pricing buckets, to what extent do you see that part can be a tailwind to margins going forward? It sounds like some of the pressure in New Zealand is easing and what we're seeing in terms of deposit competition in Australia is also easing. Just interested in how you think about that piece going forward.

Farhan Faruqui: Look I think the asset and deposit competition isn't going to disappear, but as I said, it's moderating. So, we don't think that those are going to be as much of headwinds as we've seen over the last 12 months. Wholesale funding hopefully will improve, I mean as I said, part of this has been the unwind of DFS, which on a half-on-half basis, will hopefully be less of a headwind. Asset and funding mix will move depending on how customer behaviour changes and where we look to position our liquids.

But capital and replicating portfolio will remain positive, so I would basically say, look, there's going to be modest pressure across all of those areas, but more manageable and because of the diversification of our business, just a bit more optionality for us.

Jeff Cai: (Jarden Australia, Analyst) Thank you, got it.

Operator: Your next question comes from Brendan Sproules with Citi. Please go ahead.

Brendan Sproules: (Citi, Analyst) Good morning, I just have one question given we've had quite a long conference call. Just in relation to New Zealand banking NIMs, the Reserve Bank in recent months has made comments around how the banking sector has been able to expand its NIM 30 or 40 basis points during the tightening cycle.

I wonder if you can make some comments around your NIM as we go through this rate cutting cycle and where there has been structural change to the NIM or has this been a cyclical phenomenon and we can expect that 30 to 40 basis point gain to [rat] over time?

Shayne Elliott: So, as you know, I'm on the New Zealand Board and we're obviously actively engaged in the New Zealand business, which is a really important one for us. I mean, yes, there's been more intense scrutiny around the New Zealand banking system, which is sort of replicating what Australia has been through maybe a couple of years ago. So parliament, regulators asking questions and wanting to understand the profitability and whether the profitability of Australian banks is fair and reasonable. Our CEO there, Antonia Watson and our Chairman, Scott St John actually appeared recently in front of a parliamentary committee on that.

I think the facts kind of speak for themselves actually. When you look at the margins, if you just look at banking margins, the banking margins in New Zealand are almost precisely the same as they are here in Australia on a like-for-like basis, so there's not really anything in that to see. What's different, to your point, though, is the drivers are different and the reason the drivers are different, I mean I don't want to oversimplify it, but one of the reasons is it's a fixed rate home loan market, as opposed to floating.

So, it just means that – and a fixed rate in the sense and you know this, that the average tenor of a home loan there is – people have one, two, three year fixed, as opposed to here where most people are variable and that just means that the way rates role through the book is very different. You get a delayed reaction on the asset side.

So that's kind of it really, I don't think it's any more complicated than that. I don't think there's any fundamental other drivers that suggest any different outcome, you just get this – it's almost like there some ballast in the system and it just means those things roll through slower, both plus and minus, because of the fixed rate nature of it.

Brendan Sproules: (Citi, Analyst) Maybe if I could just follow up on that, Shayne, I mean it's a very good point you make and I think the Reserve Bank comments were that they had to actually push their cash rate higher than they might have wanted to because partly because of that dynamic, that the mortgage rate just didn't keep up. So therefore, do you expect on the way down as they cut that you'll get the opposite, that the Reserve Bank will have to push it lower because you just won't get the fall in the mortgage rate which obviously will affect your overall deposit profitability?

Shayne Elliott: It's a great question and the short answer, who knows? But I think it's a very perceptive point in the sense that it may well be. I mean I think it stands to reason, if the conditions are the same, the transmission mechanism in Australia is more immediate, it's slower in New Zealand for the reasons we talked about, therefore it stands to reason if you're the Reserve Bank, if you want to put more money in people's pockets in New Zealand, you probably have to cut more than you do in Australia. So, I think that's true, all else being equal.

But there's one other factor that's an interesting one and again, I don't have perfect data on this, but literally again we were talking about it yesterday with Antonia, is what while New Zealand's a fixed rate market and historically that has meant that people roll their fixed rate for two years on their home loan or three years, that's come in radically. So, at the moment more and more people are writing a fixed home loan for six months.

So what I don't have in front of me at the moment, but something we can certainly follow up and look at, is what's the average tenor – now obviously there's a back book, which will be more like the two-ish years, but at the front book it seems like that's shortening really fast and so that's another factor that the Reserve Bank will be thinking about. I don't know what the average tenor is in that fixed book in the back book off the top of my head, but we can certainly get those numbers out to the market. So, I think that will be a factor as well.

But your broader proposition, I think, is correct, that New Zealand has to do harder work on the way up and down, that will have an impact on us, but as I said, what it has an impact on margins, it also flows through slower for us as well. So, it's kind of swings and roundabouts, if you will.

Farhan Faruqui: That's right.

Brendan Sproules: (Citi, Analyst) Okay, thank you.

Operator: There are no further questions at this time. I'll now hand back to Shayne for closing remarks.

Shayne Elliott: Look, I'm not going to say anything other than thank you, thank you for the thoughtful questions and hopefully you found the presentation useful. I know Jill, Farhan and the team will be speaking to many of you later in the day and we're always available to take further questions. Thank you.

Farhan Faruqui: Thank you.

End of Transcript