

Start of Transcript

Kylie Bundrock: Good morning, everyone. I'm Kylie Bundrock, ANZ's Group General Manager, Investor Relations and M&A. Thank you for joining us for the presentation of our first half 2026 financial results, which are being presented from ANZ's offices in Melbourne and stand on the lands of the Wurundjeri people. On behalf of the ANZ team, I pay my respects to Elders past and present and also extend my respects to any Aboriginal and Torres Strait Islander people joining us for today's presentation.

Our results materials were lodged this morning with the ASX and are also available on the ANZ website in the Shareholder Centre. A replay of this results presentation session, including Q&A, will be available on our website shortly after this session concludes.

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

Our CEO Nuno Matos and CFO Farhan Faruqui will present for around 45 minutes, after which I'll go over the procedure for Q&A, before moving to questions. Ahead of that, a reminder that if you would like to ask questions, you can only do that via the phone.

Over to you, Nuno.

Nuno Matos: Thanks, Kylie. Good morning, everyone. Thank you for joining us. It's almost a year since I joined ANZ as CEO, and this has been a period of significant change for our bank. During this time, we launched a refreshed strategy, ANZ 2030, including the definition of our strategic pillars and initiatives, clear guidance of our major financial metrics, and we outlined our five immediate priorities. In parallel, we made good progress in clarifying our dividend outlook, as well as strengthening our capital position and increasing our collective provisions and coverage ratio.

These changes have resulted in better managed, more sustainable business, which is delivering stronger financial results. While we are early in our transformation, we are already more focused on our customers, simpler, more resilient and have materially improved value for our shareholders.

Before turning to performance, I will take a moment to reflect on the external environment. As Australia's most international bank, we have a front-row seat to global developments. The real impact of this crisis remains ahead of us, with the physical flow of critical commodities from the Middle East being key. While we have made a small

downward adjustment to our global GDP forecast, at this stage, we'll still see the global economy growing at around 3.2% this year.

In Australia, consumer and business confidence is materially weaker. However, spending and business conditions have only impacted modestly so far, and employment growth is stable. This supports our central expectation that Australia will avoid a recession, although the situation is extremely dynamic and we are prepared for a range of outcomes.

The longer the flow of oil is constrained, the greater the chance the crisis shifts from being primarily an inflation challenge to more of a supply and growth challenge with greater economic impact.

Turning to our customers. Generally, corporates have been taking prudent steps by shoring up liquidity, prioritising optionality in their treasury management and, perhaps most importantly, improving supply chain resilience.

For large corporates in sectors which are most impacted, such as transport, energy and construction, we are starting to see an increase in working capital needs, reflecting higher input costs, longer shipping routes and buffers for future disruption. Like other recent disruptions, capital markets have remained open, reducing the need for customers to solely draw on bank lending lines.

While our business banking customers in Australia and New Zealand generally enter this period well prepared, for smaller businesses, particularly in the impacted sectors, higher operating costs are placing pressure on margins and cash flow. We are supporting our business customers through this time, including by offering zero-interest loans through the Australian Government's \$1 billion Economic Resilience Program, where we are already seeing strong demand.

Turning to our retail customers, households in both Australia and New Zealand entered this period with high savings buffers, and we have not seen any material increase in hardship applications. However, in recent weeks, consumers have needed to sharply increase spending on transport, leaving them with less discretionary spending. We will continue to monitor emerging pressures and support our customers with appropriate assistance.

The impact of the current crisis on ANZ's credit, capital and liquidity position has been minimal as of today. Our business is strong and structured to allow us to adapt to periods of uncertainty.

First, we have very limited direct exposure to the Middle East, at less than 0.5% of our total Group exposure and we are focused on high-quality, investment-grade counterparties.

Second, we have a strong balance sheet and continue to have good access to funding markets, with limited increases in funding costs. As one of the world's most highly rated banks, we remain an attractive destination for global debt investors and depositors.

Third, we are seeing the benefits of actions taken to transform the profile of ANZ's portfolio over the last decade. This includes prioritising capital-light flow business over lending, while 83% of our wholesale portfolio is investment grade, as reflected in our continuing low loss rates.

That said, the situation is dynamic, and the longer it continues, the greater the impact. Reflecting this raised risk in the external environment, we have taken a collective provision charge of \$126 million this half, with our provision coverage ratio up four basis points to 1.22% in the half and up nine basis points since March 2025.

Now, turning to our performance for the half. Our return on tangible equity was 11.6%, an improvement of 161 basis points. In parallel, our balance sheet and capital positions remain strong, with common equity tier 1 at 12.39% at the end of March, having improved 36 basis points from September.

We proposed an interim dividend of \$0.83 per share and increased the franking rate to 75% from 70%, reflecting our improved performance in the Australian geography. Our capital levels are appropriate. As a result, we will not apply a discount to the dividend reinvestment plan for the interim dividend, which will now be neutralised.

When we launched the ANZ 2030 strategy last October, we were clear that this is a two-phase strategy. The first phase, across FY26 and '27, is about delivering on immediate priorities at pace in order to get the basics right, including a substantial improvement in productivity and initial investment for growth. In the second phase, beyond '27, we will realise the benefits of those strong foundations to drive outperformance.

In each phase, we expect to improve returns and deliver value. We are now a quarter of the way through the first stage and already showing tangible progress. We are also investing in capabilities now to execute the second phase, which will differentiate ANZ from our peers while significantly improving our customer experience and the strengths of our human and digital channels.

As I said at our strategy day, we have five immediate priorities, and we committed to regular updates on our progress. First, our new leadership team and our culture reset. Last year, we announced four new executives, who are now firmly embedded in their new roles. Most recently, we appointed Tammy Medard as the Group Executive, Business and Private Bank.

Just last week, we took another important step, launching our new corporate values, aligned to our purpose and our strategy. These values are not a slogan or catchphrase. They are action-oriented values which will guide our people to deliver best outcomes for our customers and shareholders, safely and consistently and at pace.

At the strategy day, we committed to a safe and secure migration of Suncorp Bank customers to ANZ by June 2027. This program of work was reset in October 2025. At the end of March, we have delivered 34% of this program, and our plan is to get to 57% by the end of this financial year. We remain on track to complete the migration by June '27.

During the half, we strengthened the program operating model to support timely decision-making and delivery, with clearer accountabilities and enhanced executive oversight. We also made progress building and testing the product solutions required for the integration, as well as the core data solution and new end-to-end testing environment. Through this process, we will meet all of our federal and Queensland government commitments.

At the strategy day, we also committed to delivering a single customer front end by September 2027. Again, this program of work was reset in October 2025. By March, we'd completed 13% of all this work and expect to have completed 45% by the end of this financial year. We remain on track for full delivery by September 2027.

Once complete, we'll serve individuals and small business customers with a single ANZ digital platform and brand. This will bring together the ANZ Plus experience with the broader products and functionality of ANZ's existing retail and business platforms.

We have made significant progress on our fourth immediate priority, simplifying the bank and reducing duplication. We reduced costs by 9% half on half, excluding significant items. As a result, our cost-to-income ratio reduced to 49.4%, down from 54.6% in the previous half.

When launching the strategy, we said we expected the impact of these initial productivity improvements to yield pre-tax gross cost savings of around \$800 million in FY26. We have realised 49% of the identified productivity savings, and we are on track to deliver in excess of this in the full year. Farhan will provide more detail. By the end of April, 78% of our

announced 3,500 employee exits have occurred, as well as more than 1,000 managed services consultant departures.

Fifth, we are making good progress on our non-financial risk management uplift and remain on track to deliver our root cause remediation plan, approved by APRA last September. This is a comprehensive framework that details the activities of our enterprise-wide PACT program, standing for People, Accountability, Customers and Trust.

Today, we have released the second report by Promontory, the independent reviewer appointed to assess this progress, and regularly report to APRA and the Board on the execution of the RCRP. All reports are and will continue to be available in full on our website. We are now through the setup phase of the PACT program and on track to largely complete the design phase this year.

Last September, we also announced that ANZ had established an ASIC matters resolution program within our Australian Retail end markets to deliver improvements across a number of areas. This work is progressing, and constructive engagement with our regulators on these important matters continues.

I will now turn to the strategic initiatives across our divisions, with a focus on the customer first pillar. This includes progress in laying the foundations for the second phase of our strategy, to accelerate growth and outperform the market beyond 2027. In Australia Retail, excluding Suncorp Bank, we have 6.5 million customers, and 11.6% of the market view us as their main financial institution. Our strategic NPS was stable at 2.9, and we remain an uncomfortable number 4 of the majors.

Total deposits grew 2%, with 1% growth in transact and save. Home lending grew 1% at 0.36 times system in the half. Having improved service and assessment levels in our home loan business, we increased momentum throughout the half to 0.85 times system in March. We expect to be around system or at system in April and in the second half. This will be further supported by us having joined the first home buyers guarantee scheme.

Under our ANZ 2030 customer first strategy, we are laying foundations for growth through differentiated propositions for attractive customer segments, including migrants and mass affluent, strengthened proprietary origination and elevated channel experience.

Early progress on our customer proposition enhancements includes enabling New Zealand customers relocating to Australia to open accounts before arrival and launching competitive digital international money transfers to meet core migrant and affluent needs. Alongside this, we are upgrading our physical and digital channels, including the delivery of

the single customer front end in 2027, the ongoing modernisation of our call centre platform and ATM fleet, and a branch refresh across our network.

In our business and private bank, which has 580,000 customers, excluding Suncorp, MFI share was steady at 16.4%. Business bank save and transact deposits and lending grew by 2%, with lending continuing to lag the markets. NPS for the division was down to minus 0.4%. Again, an uncomfortable fourth position. Our transformation is focused on improving customer experience and accelerating growth.

In contrast, the private bank is performing quite well. Deposits increased by 6%, investment funds under management were up 8% and lending rose 17%. We were recognised with four awards by *Euromoney*, including Australia's Best Private Bank.

Under our ANZ 2030 strategy, the transformation of the business bank will be driven by building a front line that matches our ambition in size and quality and ensuring we have the right platform for the right customers, while leveraging our strong private bank foundations. In short, our ambition is to have more business bankers, who are highly skilled, with better tools.

In this regard, on the front line, our initial focus is on upskilling our business bankers with our upgraded Bankers Academy ready for its first major intake. In this half, we have equipped them with better tools, having launched agentic AI-enabled capabilities in our CRM. With the right foundations in place, we remain committed to increasing business bankers by close to 50% by 2030.

On platforms, we are accelerating the delivery of the single customer front end for small business customers, and for our larger business bank customers, we are releasing a new set of improvements to Transactive Global to make it simpler and more agile for this segment.

For the private bank, we recently completed a strategic review of our products, services, people and platforms, and we are moving forward in accelerating this business. Suncorp Bank NPS and MFI continued to perform well, with a stable customer base of 1.26 million. We look forward to bringing these customers into the ANZ franchise by June '27, delivering benefits of scale and experience to both our customers and our shareholders. Our institutional business continued to deliver strong and consistent earnings, with two highlights, 8% growth in operational deposits and 8% growth in market revenues, both FX-adjusted, half on half. Our institutional business is relationship-led, with a unique international network and unified digital platform.

We have a clear strategy focused on transaction banking services, delivered through market-leading platforms, a capital-light profile and target customer acquisition. We are seeing the benefits of this strategy. Around a quarter of our strong operational deposit growth has been driven by new clients across target sectors, including financial institutions.

Our customers benefitted from our continued improvements to our Transactive Global platform, as well as data and insights from our markets platforms, which is helping them manage risk during a period of financial market volatility.

In institutional, we have been clear that we focus on supporting our customers in lending, in the context of a holistic relationship, while balancing risks and returns. Finally, we recently announced an agreement to acquire Worldline's share in our merchant-acquiring joint venture, moving us to full ownership. This will allow us to regain control of the merchant–customer relationship and ensure it is consistent with our strategy to be a leading payments and transaction bank.

In New Zealand, ANZ remains the largest bank, with 2.7 million personal and business banking customers. Refreshed customer propositions helped increase personal and business MFI share to 33.3% and 31.6 respectively at the end of March. On the other hand, our NPS for both personal and business remains a challenge to be addressed.

Save and transact deposits grew in the first half by 4%, in line with the market. In New Zealand, we gained share in total deposits and lending across personal and business and agri, with the only exception being home lending. To build on our existing scale, we are re-platforming for the future to bring the customer experience in line with our leadership position, refreshing our customer propositions and investing in business bankers. The re-platforming rollout is well underway, with the successful migration of customer data records to our new modern banking platform completed in the first half.

Now, before I hand to Farhan, I would like to leave you with three key messages. Our transformation is running at pace, and we are making good progress in executing our five immediate priorities safely, sustainably, and on time. In parallel, we are investing in line with our ANZ 2030 strategic initiatives to deliver for our customers, accelerate growth and outperform the market beyond 2027. Importantly, we are already delivering materially better returns for shareholders.

With that, I will hand over to Farhan. Thank you.

Farhan Faruqi: Thank you, Nuno, and good morning to everyone joining us today. We are six months into phase 1 of our ANZ 2030 strategy, and we have made solid progress this half. As I noted at the end of last half, our focus is on sustainably improving our performance, and that means simplifying our organisation to drive more efficient outcomes, maintaining a strong balance sheet and capital position, and improving returns for our investors.

We have delivered on each of these, with progress across all our key financial metrics. Return on tangible equity increased by 161 basis points to 11.6%. CET1 capital ratio increased by 36 basis points to 12.39%. Cost-to-income ratio improved by 519 basis points to 49.4%. Revenue-to-risk-weighted assets increased 15 basis points to 4.88%.

Importantly, our performance delivered value for our shareholders, with a total shareholder return of 10.7% in the half. Dividends were maintained at \$0.83 per share, and the franking rate increased from 70% to 75%. As a result of our strong capital position at the end of this half, we will now not be undertaking a second discounted DRP, and the interim DRP will be neutralised.

In the first half of 2016, the Group delivered a cash profit after tax of \$3.8 billion. Excluding the significant items announced in the prior half, cash profit increased by 14% and profit before provisions increased 12% half on half.

I want to particularly call out the FX movements, which were more pronounced in this half. As previously reported, we hedge a large portion of our non-Australian-dollar earnings, and over this half, these hedges helped offset the adverse FX translation impact. In revenue, we had a negative translation impact of \$205 million, and a hedge benefit of \$99 million in other operating income. In expenses, we benefited from a positive translation impact of \$107 million. Therefore, at a profit-before-provisions level, the net FX impact was fully neutralised by our hedging strategy.

I'll now step through the key drivers of results, starting with revenue. Our half-on-half comments will be based on comparisons to second half '25 financials, excluding significant items.

Revenue was flat in the half. However, on a constant currency basis and excluding the hedge benefit, Group revenue increased 1%. On this basis, net interest income was broadly flat. Deposit volume growth and margin management were offset by lending revenue.

In addition, lending volume growth was softer in the half, particularly in Australia Home Lending and the Business Bank. Other operating income ex-markets increased by 2% and markets delivered another solid result with revenue growth at 8%. I will talk more to deposits and lending volume as well as markets income shortly.

Now moving to margins. Headline margin was 1 basis point lower in the half, while margin ex-markets was up 2 basis points, reflecting our disciplined approach to margin management. I'll walk through the key factors that impacted NIM this half. Number 1, we continued to optimize deposit pricing, offsetting the impact of rate cuts in offshore markets in the half, delivering an overall flat margin outcome for deposit pricing. Asset and funding mix added 2 basis points with growth in save and transact deposits as well as overall deposit growth outpacing lending growth.

Three, our replicating portfolios added two basis points, benefiting from higher rates and our decision to modestly lengthen the duration of the portfolio. Four, timing impacts from RBA rate changes as well as continued Australia home loan pricing competition drove a three-basis-point asset pricing reduction in the half. When adjusted for temporary factors, we exited March with Group NIM consistent with the overall first-half average of 1.53%.

In terms of outlook, we remain disciplined in our execution. Looking forward, we face both tailwinds and headwinds. We anticipate that higher term rates and our house view of further RBA and RBNZ cash rate increases will be supportive to NIM. In particular, a further seven basis points of tailwind to NIM from replicating portfolio earnings is expected over the next 12 to 18 months. However, sustained levels of competition and customers shifting to term deposits as rates increase presents potential margin headwinds. Based on these factors and noting that margin outcomes may vary from quarter to quarter, we see a bias to the upside in NIM ex-markets in the next half.

Moving to the balance sheet, ex-markets customer deposits grew by \$11 billion in the half, and the performance was stronger on a constant currency basis with deposits up \$20 billion. Volumes grew in all divisions, with the exception of Suncorp Bank, where deposits were broadly flat.

Core to our strategy is deepening customer relationships and improving the quality of our deposit base. With this focus, we grew our save and transact deposits by \$16 billion on a constant currency basis this half, delivering a positive mixed shift. Operational deposit growth of 8% on a constant currency basis was a particular highlight in our payments and cash management business. On the same basis, these deposits have grown 28% over the

past two years as we continue to prioritise serving the transactional banking needs of our institutional clients. While deposit growth and mix were positive this half, Australia retail deposit growth remained below system and remains a focus, as Nuno has highlighted.

Turning to lending, on a constant currency basis, customer loans and advances increased by \$16 billion in the half, with all divisions contributing to the growth. In Australia, retail home loans grew \$5 billion, reflecting below-system housing growth. As Nuno has said, we expect to be at or around system in April and in the second half. Growth across Business Bank was mixed and below the broader market. This business is in transformation, and we are investing to accelerate growth.

In New Zealand, business and agri-lending grew at 1.1 times system and home lending grew 0.8 times system in a highly competitive market characterised by a record level of customer switching and migration to lower-margin fixed rate lending. In institutional growth, this half was in shorter tenor supply chain trade finance. This was pronounced particularly towards the end of this quarter as customers started to secure their supply chain inventories given the current geopolitical environment.

Turning to markets, the business again delivered consistent high-quality earnings with income of \$1.1 billion, up 8% this half and up 7% on the prior first half on a constant currency basis. This outcome reflects increased customer activity across key products. FX, rates and commodities income all increased compared with the same period last year. In FX and rates, customer demand for structured products increased as customers sought to mitigate downside risks in this environment. In commodities, demand for gold underpinned performance this half. These positive contributions were partly offset by lower franchise credit income due to wider credit spreads.

Balance sheet revenues also grew, driven by higher liquid asset volumes and improved yields. The result was further supported by geographic diversification, with 72% of markets income generated outside of Australia, providing an important and resilient source of earnings diversification for the Group.

Looking ahead, our markets business remains well placed to continue to support our customers as they navigate volatile markets. That said, in periods of extreme volatility in financial markets, customers tend to step back from risk management activity and adopt a wait-and-see approach. This could be a headwind in a prolonged Middle East conflict.

Now turning to expenses. At the full year result last year, we outlined actions to remove duplication and simplify the organisation. We delivered a 9% half-on-half reduction in

operating expenses and 8% on a constant currency basis. This reflects a substantive shift in how we manage cost and drive operational efficiency across the organisation, representing a structural reset of our cost base.

Specifically, 78% of the 3,500 FTE reductions have exited the group as at 30 April. More than 1,000 managed service contractors were exited at the start of the financial year. We also optimised third-party spend by consolidating and rationalising our vendor base, reducing total vendors by 8%. We exited non-core businesses and activities at pace. These exits reduced complexity and lowered costs in the half. Together, these actions are delivering a step change in cost discipline and realising approximately \$392 million of productivity in the first half. Suncorp Bank synergies contributed a further \$29 million of first-half productivity, primarily from the removal of duplicative project spend.

Investment spend overall was lower this half, reflecting both the seasonal phasing of spend and stopping initiatives not aligned with our strategy. We will remain within our full year investment envelope of approximately \$1.5 billion. Our expense rate for investment continues to be a sector leading approximately 80%. At the full year results, we outlined an expectation that FY26 costs would be down approximately 3% from the \$11.85 billion baseline, which reflects the FY25 cost base adjusted for significant items.

Our productivity program is now on track to deliver an estimated \$875 million of savings this year, up from our previous target of \$800 million. In addition, we expect an FX translation benefit of \$210 million this year if FX rates remain consistent with the first half average. As a result of our recent agreement to acquire Worldline shares in the ANZ Worldline merchant acquiring joint venture, we will consolidate the expense base of the business post-regulatory approvals. We remain confident that this expense impact can be absorbed within our overall outlook. Taken together, we are updating our expense outlook. We now expect costs to be down approximately 5% in FY26 from our FY25 cost base adjusted for significant items of \$11.85 billion.

Let me turn now to portfolio quality. We recorded an individual provision charge for the half of \$148 million, including \$79 million for our wholesale and small business exposures. This resulted in an annualised individual provision loss rate of 4 basis points, which has now remained stable for three consecutive halves and is well below our long-run loss rate of 11 basis points.

Our low individual provisions are the product of portfolio de-risking over several years to strengthen our asset quality. We have been monitoring developments in the Middle East

where we have limited exposure, less than 0.5% of total Group exposure. This exposure is focused on investment-grade government-related entities: central banks, sovereign wealth funds and sovereign-backed corporates. We believe these customers are well-placed to withstand stress, and we continue to support them.

Our institutional portfolio continues to be high quality, with over 92% of our institutional exposure investment grade. Importantly, nearly two thirds of this exposure is to financial institutions and sovereigns, where we've had near zero basis points loss experience since the GFC. For Business and Private Bank, we continue to focus on ensuring strong levels of collateral coverage, with 83% of exposure being fully covered by collateral and a loss rate of 13 basis points in the half, down from 20 basis points in the second half '25.

Our Australian mortgage customers' delinquencies decreased 3 basis points in the half to 83 basis points, and our mortgage customers continue to show resilience, with 88% of accounts ahead on repayments, and approximately 70% of our customers holding savings buffers of three months or more. Similarly, our New Zealand mortgage portfolio delinquencies decreased by 6 basis points in the half, down to 80 basis points. Now, while we have not seen a material increase in customer requests for hardship relief, we are very conscious of the stress from higher interest rates and cost of living pressures. We are closely monitoring and providing support for our customers against this evolving macroeconomic backdrop.

Now moving to collective provisions, where we considered the Middle East conflict and took a balanced view at the end of March. Translation to the broader economy is still at an early stage, and our portfolio is strong but there are clearly risks to both the domestic and global economies, especially if the conflict is not resolved in the near term. We have reflected this view by increasing the weighting to our severe scenario by 2.5%. This increased our collective provision charge by \$175 million.

Over the half, we also made adjustments to our overlays and together with portfolio growth, credit quality improvements, and model changes, our resultant collective provision charge for the half was \$126 million. Overall, the collective provision balance has increased to \$4.45 billion, lifting coverage by four basis points to 1.22% of credit risk-weighted assets. This new collective provision balance represents a post-COVID high in coverage levels with the collective provision balance now around \$2.5 billion above our base case scenario, and \$65 million above our downside scenario.

In reviewing the adequacy of our settings, we also considered (1) our scenario rates are now skewed 52.5% to our two downside scenarios, reflecting the current volatile geopolitical environment; (2) existing collective provision balance levels cover 13 times the individual provision losses taken in FY25 and 20 times based on the average of individual provision losses taken since FY23 - this is well above peers - (3) the continued resilience of our high-quality onshore and offshore portfolios, as evident by consistently low individual provision loss rates. Overall, these settings reflect an appropriate approach, and we will continue to actively review our provision balance as conditions evolve.

Now turning to capital, as I noted earlier, we have taken decisive action to strengthen our capital position, and this is reflected in our CET1 ratio increasing to 12.39% as at March. The dividend remains stable at \$0.83 per share, and franking increases from 70% to 75%. This higher franking reflects the improving performance of the Australian geography.

At FY25 results, we had announced the potential to discount the first half '26 interim dividend subject to our capital position and needs at the time. As I mentioned, this discount will now not occur and the DRP will be neutralised. This is reflective of our improved capital position, including the benefit of higher participation in the full year 2025 discounted DRP and clarity on the direction of the RBNZ capital changes.

It is also our intention to continue to neutralize future DRPs. With a stable dividend and improving profit, the payout ratio has reduced to 66% and is now broadly in our target range of 60% to 65%. A payout ratio at this level retains capital for the underlying growth capacity to deliver on our ANZ 2030 strategy. We welcome the announcements in recent months from both the RBNZ and APRA regarding capital settings and capital reviews and agree that these will encourage better capital management and, importantly, better alignment between risk settings and capital allocation.

Notwithstanding some of the recent volatility in the markets and a modest increase in funding costs, we have continued to have good access to funding markets and a strong liquidity position. Key funding and liquidity metrics remain well above regulatory minimums. However, uncertainty is heightened, and this is an area we will continue to monitor closely.

In closing, I wanted to reiterate the financial targets we have set for ourselves, including the upward revision to our productivity target for FY26. Phase 1 is progressing as intended, and the delivery is now evident in the numbers: improved returns, higher efficiency, and strong balance sheet settings while continuing to invest in the franchise. As conditions

evolve, including ongoing geopolitical uncertainty, we will continue to actively manage our balance sheet and risk settings and support customers as needed. Our priorities and targets under ANZ 2030 remain very clear. We will continue to report transparently at every result, and we will be held to account on delivery.

Thank you, and I'll now pass to Kylie for Q&A.

Kylie Bundrock: Thanks, Farhan. As a reminder, if you would like to ask a question, you can only do this via the phone. If you could please limit your questions to two per person. I will now hand to the operator for questions. Thanks, Darcy.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you're on a speakerphone, please pick up the handset to ask your question.

Your first question comes from Andrew Lyons with Jefferies. Please go ahead.

Andrew Lyons: (Jefferies, Analyst) Thanks and good morning. Just two questions. Just firstly on your capital position, slide 63 highlights that the risk impacts were a tailwind for your core equity tier 1 ratio via lower credit risk-weighted assets in 1H26, as it has been in recent halves. However, I'd just be keen to understand the sensitivity of your capital ratios to a deterioration in the macro economy.

Can you maybe just talk to if the macroeconomy plays out per your base case assumptions that you use in your ECL modelling, how do you expect the risk impact within your credit risk-weighted assets to play out over the next couple of years, and maybe I can hazard to ask what it would look like in the downside scenario as well?

Farhan Faruqi: Yes. Thanks for that question, Andrew. Look, I think actually, from a base case scenario standpoint, we have - and I don't have the numbers for the next two years or so, Andrew, but I can tell you that over the next six months or so we have an estimated - if you were to move to the base case, we would have an estimated \$3 billion increase in RWA, which would basically equate to approximately 9 basis points of capital. I don't have a downside scenario assumption, but I would imagine obviously it would be much higher than \$3 billion.

Andrew Lyons: (Jefferies, Analyst) Yes, okay. That's really helpful. Thank you, Farhan. Then just a question around your mortgage lending. APRA data yesterday highlighted that you are clearly closing the gap to system in your mortgage lending. I guess two parts to the question. Firstly, how should we think about the NIM implications of reinvigorating

growth, both from the perspective of more aggressive mortgage pricing, but also the need to fund that higher level of growth? Then also historically, your systems have impeded your ability to manage a big recovery in volumes. Can I perhaps just ask to date how effectively your systems responded to higher volumes that are now coming ANZ's way?

Nuno Matos: Sure. This is a topic that we addressed in the last quarters, and we talked about it at length, and I think now we are seeing the results of our first actions in this regard. The first thing I would say is we are not targeting mortgage growth just from a growth perspective. We want to grow in a profitable manner. That's the first thing we want to say.

In terms of the levers, we've been working on it. Pricing has been one that clearly we paid a lot of attention. We moved from competing at structural discount into competing using pricing as another lever tactically when it makes sense, means we use discounts for a specific segment that we believe is more profitable than others. We don't do discounts across the board. We are not anymore the cheapest in the market; we change our competitive stance, and we will keep it that way for the future because again, as we've been saying, we are targeting sustainable and profitable growth.

We also continue to manage aggressively our processes and improving the way we underwrite, the way we process loans. In that regard, as we said, we had significant improvements in this half. We had issues with our loan processing team in last years. That's basically done. That's digested. We have now the right size of a team. We are now in SLAs, in market SLAs for basically all products and that's why we feel confident now to regain market flow. As you can see in March, we are very close and in the second half, starting in April, we should be at market or around market.

But we are not only relying on process improvements; we are also improving significantly the quality of our distribution. That means our proprietary origination teams, we are very much focused on productivity, and that's already a plus in this half. We were able to produce more tickets per individual, per lender in our mortgage business. The way we interact with brokers was also significantly upgraded in terms of times and in terms of experience.

We are also touching the product lever. For example, in the half, we were able to in record time launch - and we were lagging to be honest - we were able to launch our first homebuyer proposition. We entered a scheme. This is an important scheme. It represents roughly almost 10% of the market, so we should be there.

We are touching all the levers, product, distribution, processes, and pricing, and we are getting out of only competing based on pricing, as we've been saying. With that, the production that we are bringing to our balance sheet from the market, it's accretive and we are comfortable that it will not hurt our margins in the future. Thank you.

Andrew Lyons: (Jefferies, Analyst) That's great. Thank you, Nuno.

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

Ed Henning: (CLSA, Analyst) Hi. Thanks for taking my questions. I've got a first one on margin, the second one on cost. Just the first one on margin, just to confirm, Farhan, what you said on the call is the exit margin was the same as the half, but there's an upward bias. Is the upward bias just on the replicating portfolio with the headwinds on competition and stuff a little bit more muted than what you're seeing currently in the environment on the replicating portfolio?

Farhan Faruqi: Yes. Thanks, Ed. I talked about the bias to the upside in the next half. It is driven to a great extent by replicating portfolio. As I said, we have a 7-basis point tailwind in the next 12 to 18 months on replicating portfolio, but majority of that actually comes through in the next half. That actually is supportive to NIM, as well as, obviously, the fact that we have more rate hikes baked into our current house view, from both RBA and RBNZ. Overall, we feel that we are likely to see more upside of NIM than we are to see anything else from a headwind perspective.

Nuno Matos: Just to complement what Farhan is saying, the reason Farhan is saying it's a bias up and it's not the full up, obviously, is that we have impacts on both sides. Clearly with higher rates, customers will migrate to lower-margin products on the funding side. So, you would expect that both consumers and small business would migrate to, for example, term deposits. We also have potential in our offshore business, US rates coming down, let's say, with a new environment on the Fed. There are undoubtedly very important tailwinds, but it's not just on one side, there's others also on the other side, but it's a net up, that's what we think.

Farhan Faruqi: I would just add to that that some of those headwinds are starting to - the green shoots of that are starting to show up. We are starting to see a little bit of activity towards switching into, say, term deposits, et cetera, away from save and transact.

Ed Henning: (CLSA, Analyst) That's great. Thank you for that. Just a second question on cost, just to clarify the increase in the savings coming through for '26. Is that additional

productivity savings, that's not a bring-forward of any Suncorp synergies there? Now also with your guidance improved to down 5% this year, previously you were indicating likely that '27 will be down again from '26. Does that still hold or is that a bit more of a challenge? Obviously, you've talked about growing your bankers and stuff and it depends on your timing around that as well.

Nuno Matos: Yes. Let me recap where we are here and reminding you what we guide on this topic. We guide \$800 million savings this year and then net of inflation gets equated to a 3% reduction on costs. We are now guiding to a 5% reduction on costs for 2026. That means \$875 million of savings, not anymore \$800 million, plus the FX translation on the cost line. If you want the 5%, it's a simple math of the previous three, plus 1.8% impact of FX translation, plus an additional 0.2% of savings, which is around \$75 million.

We also would like to remind that we acquired the stake in Worldline, which makes us now, let's say, the full - we have now full ownership, and that includes - so we are going to absorb on those 5%. We are going to absorb the additional costs that we'll have by consolidating the Worldline company in our books. So, it's 5% if you want, is 3%, 1.8% of FX, additional 0.2% of savings, and no additions on Worldline.

On your question of '27, I want to remind you we did not guide '27, so we did not disclose any guidance in '27. What I can tell you is that we are not moving forward '27 savings to '26. It's not about that, it's to continue to make the Company more and more productive. As we continue to be highly focused on finding those efficiencies, we are not [hesitating] in taking them, and we continue to commit to the mid-40s cost-to-income by 2028.

Farhan Faruqi: Just to answer a little bit of your question, sorry, in addition to what Nuno said about not moving forward the synergies from '27, we're also not - we're also reporting, as you know, the Suncorp synergies separately. So the 875, the new guided number, does not include the Suncorp synergies that we're producing which is separately tracked and I mentioned that in this half was \$29 million. So the 875 does not represent any moving forward of Suncorp synergy benefits.

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

Operator: Thank you. Your next question comes from Tom Strong with Citi. Please go ahead.

Tom Strong: (Citi, Analyst) Good morning and thanks for taking my question. Firstly, perhaps just on the progress of the Suncorp migration and the delivery of the customer front-end, I mean, you're further in front on the migration side but can you just put a bit

more colour around the next 12 months, around where the material points of financial risk are and technology delivery so we've got a bit more of a better idea of what to expect and the ability to hold this to account over the next year?

Nuno Matos: Well, I believe you have – we have announced for those two projects clear timelines in terms of where we expect that to be concluded and I repeat September '27 for the single customer front-end which means why is this so important? It means that by then, we'll have eight million customers, retail and small business customers, in one single platform, one single brand, from what we have today, which are many, right? So it's not a small thing, it's a big thing.

We reset the program in October/September '25 when we came to the market with our new strategy and we start measuring all the tasks we have to do from that date until September '27. We start measuring them. Obviously, the program's started. We have many things that we are leveraging on top from the past so it's not that we are starting from zero, obviously.

But we reset the program and we said, whatever we have to do from September '25 on, we have a book, a book of work, and we are now measuring that execution. We are at 13% in March '26 and we are very clear that we want to be at 45% by the end of this year, so I think you can take that as a clear pace. Basically, the project will be almost half done one year before the finish line.

On Suncorp integration, we are at 34%, again, of the reset book, resetting the clock at zero in October '25. A lot of work had been done before but again, we calculated the remaining book of work, and we started from that at zero, 34% at March '26, we expect to be at 57% at September '26.

We will be publishing every quarter, by the way. In Q3, when we launch – when we'll publish to the market, we'll publish again those percentages and you will be – every quarter, you will have a very clear definition on where we are. These programs are not long-term anymore; they are next year. It's going to be very easy for you to test if we are on time or not.

From a financial perspective, from an investment perspective, we have clear definition of the, let's say, required investment and we are – again, this is not long-term – we are very convinced that there won't be any material deviations from the numbers we have in our investment planning.

Farhan Faruqi: Just to add to that as well, Tom, no deviation, all of those investment asks for both Suncorp bank integration as well as the single customer front-end are fully baked into our 5% reduction in total cost for '26.

Tom Strong: (Citi, Analyst) Okay. Thank you. That's very clear. Just a second question, if I can. As the Suncorp customers are migrated and we're moved to a single customer front-end, can you just talk about any pricing decisions you'll have to make? If I look at Suncorp customers, do they get a slightly sharper mortgage rate and a little bit better in terms of TDs and savings, does this move to a single front-end so you need to harmonise some of those different product pricings between the ANZ and Suncorp brands?

Nuno Matos: Yes. Undoubtedly. Our competitive ambition is to have one face to the market, one face in terms of one product suite, one brand, and to have a very simple offer to customers. Now, when we say customers, we should talk about segments of customers, which means we might have a specific proposition for Segment A [unclear] Suncorp, and then another proposition for Segment B and so on and so forth. So yes, there will be inevitably a certain level of harmonisation. We don't believe that it will impact at all our competitive position vis-a-vis Suncorp customers.

Tom Strong: (Citi, Analyst) That's very clear. Thanks very much.

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

John Storey: (UBS, Analyst) Morning, guys. Two questions from my side. Obviously, there was a big focus on ANZ lifting its revenues over the next few years. I'd be interested if you could just provide a little bit more detail just on the revenue trends that you've seen quarter-on-quarter. It looks just like operating income's down roughly about 1.9%. Maybe a little bit more detail just on that split between NII and non-interest income would be useful.

Nuno Matos: Sure. Well, we are absolutely committed and a lot of our attention is dedicated to make sure that growth, it's part of this journey, and that was very clear when we published the ANZ 2030 strategy. Now, I would say we want to deliver profitable growth. We are not focused on inflating our balance sheet just to show growth and hurt our shareholders and our returns.

When we started this journey some months ago, we read quite well our starting point, we read quite well our business capabilities, and we were very clear on which divisions were

performing well and which divisions were not performing well, and which geographies were performing well, and which ones were performing less well.

We also were very clear about – we took into account our risk management perspectives and capabilities and our regulatory stance and we read well our returns, our capital levels, and our dividend outlook. We took all that into account and I believe that we set a very clear strategy to address ANZ from a short-term and long-term perspective, right?

We communicated two phases. In the first phase, which we – if you want, we make it tangible by always reporting on our five immediate priorities. Those are foundational elements. It's important that we understand that without those elements, the company will not be able to run as fast as it can in a sustainable manner and we are thinking long-term for this company. We want this company to be in a fantastic position to run fast in a sustainable manner and that's '26 and '27, as we said, right?

Beyond '27, we expect to grow and outperform the market in a profitable manner, in an accretive manner, and that's based in improving the customer experience, especially in retail and business banking, in improving our propositions, in strengthening materially our capacity to distribute our products both from a digital and human perspective, and to really focus on being a service bank.

We are not a lender only; we are a 360 bank that want to be with customers every single day and that's transaction banking, right? We also said that we'll deliver returns, improved returns in each phase of our strategy, in both phases, as we are seeing, but the profile of that improvement is different between phase one and phase two.

In phase one, the one we are now, I think you can observe significant improvements in how we are managing productivity and results are coming out of it, cost management discipline, structure discipline, organisational design discipline, significant improvements in margin management and in return management and in capital management, which means we want to generate organic capital, we want to be sustainable and accretive, we want to set the way we compete in our own merits, not on pricing only, and we want and we need to increase significantly the way we manage risk. That's all going on.

Now, silently but decisively, we are investing in order to be credible in our commitment to accelerate growth beyond '27 and that means improving customer experience, especially on the two divisions we said which undoubtedly are our biggest opportunities, if you want. We are building propositions, especially for the segments we announced [affluent

migrants] which will be launched in due time, even though we are already delivering [unclear] improvements.

We are, as we speak, re-platforming our call centre, improving the quality of our ATMs, launching a single customer front-end, so important in 2027. In wholesale, we continue silently to improve our digital transaction banking platforms, not only in Australia, not only in New Zealand, but also in our international network. What I'm saying is - at the same time we put the company in good order and we set the foundations, at the same time in parallel we are improving our capabilities.

So undoubtedly, our revenues will improve but they have to be accretive, they have to deliver good returns. That's our ambition and that's our commitment. I think, to be honest, the consensus of the market is agreeing with us. That's where the consensus is, is the company that needs to transform itself in order to grow faster. What I can assure you is that we are obsessed with that, but we will not do it without having the right foundations. It's better for shareholders to do it this way.

Farhan Faruqi: I can [unclear] just add, if you like, just on the quarter-on-quarter comment. Would you like me to answer that now?

John Storey: (UBS, Analyst) Farhan, [I'll take it up] with you, maybe chat a bit later.

Farhan Faruqi: Sure.

John Storey: (UBS, Analyst) I've just got another just quickly on the collective provisions rates and it's slide 73 and 74. It looks to me like you've basically taken effectively a charge of 200 million, right, [unclear] economic overlays and the [re-weighting] as you call that a big driver of that.

But if you look at actually how the model splits it out in terms of where the provision actually sits from a divisional perspective, it looks like it actually kicks a lot of it out, actually, into the Aussie retail and institutional divisions. I just wanted to ask, why would you not take a more subjective view on increasing overlays possibly into the business and the private banking division, right?

Nuno Matos: [Unclear].

Farhan Faruqi: Thanks for that. Look, I think we've - again, this has been - there are some overlays that we've also taken, which we haven't described in great detail. But there are, on general, macro uncertainty, obviously. There is no trend or any particular impact that we're starting to see in our business and private bank.

There are also offsetting impacts, because where we add some provisions, we also have had reductions to offset the increase in the scenarios as well. So there's been a bit of pluses and minuses. I'm happy to walk you through it in more detail, John, when we speak later.

But it's not that we chose not to take in business at private bank. All divisions were impacted by the shift in scenario rates, but there were offsetting impacts which had different outcomes for each division.

John Storey: (UBS, Analyst) Okay. Got you. Thanks very much. Appreciate it.

Operator: Thank you. Your next question, it comes from Matthew Wilson with Jarden. Please go ahead.

Matthew Wilson: (Jarden, Analyst) Yes, good morning. Matthew Wilson, Jarden. First question. How will the pace of the business banking transformation to accelerate growth and lift returns be impacted by the current macro uncertainty that you sort of outline given that segment is front and centre of the impact.

Does it create opportunity? How do you avoid adverse selection? The 50% new bankers, what is that in absolute terms and where will they come from?

Nuno Matos: Yes, important topic undoubtedly. The transformation of a business, it's about building capabilities, right? So in that regard, the question could be, do we deviate from our initial plan vis-a-vis the cycle that we might be facing? I wouldn't think so. Meaning, having to build a new digital front-end, what we are doing, it's something that we will do in any case, right?

We are not going to reduce the pace of our digital capabilities in business banking. Be it on the small business side, which is single customer front-end, or as we've been saying, or bringing transactive global, which is our institutional platform, into the business banking bigger customers in that segment.

Those two platforms will continue to be upgraded. One built, the other upgraded continuously. We are actually launching in the second half, a very important release of improvements for business banking customers from Transactive Global, as an example. So that does not change.

In terms of the bankers, and this is an important element, we need on our bankers' force, sales force, we need to do three things. We need more, undoubtedly, we are underweight versus the industry for the size of our ambition. That's no doubt about it. So the 50%

increase stands. We might fine-tune it according to the cycle to your points but stands by 2030.

We need better bankers, and that means train them and making sure they have the right skills to a different level. The launch of our banker academy, the new banker academy, it's a reality and we are going to start having intakes in that academy.

We need to significantly have better bankers to face customer needs and the competition. We need to equip them better with CRM tools. The fact that we in this half launched a new CRM platform for them with the Agentic AI, was a big milestone.

So I would say in terms of infrastructure capabilities, no change at all. We are fully committed to improve the platforms, to improve the CRM tools, to improve their skills. In terms of how fast we go on the 50%, of course, the cycle might inform you if you should go faster or not.

It's too soon to say. At this point in time, our appetite has not changed a bit. So we are committed to accelerate, if possible, anything we can do in that segment.

Matthew Wilson: (Jarden, Analyst) Thank you, Nuno. That's very clear. Just one final one. In your opening remarks in the press release, you mentioned that there's been no material change in the overall borrowing behaviour of your customers.

If deterioration did materialise in the next 6 to 12 months, as is usually the case when that happens, you see rapid drawdown of facilities. Is that the leading indicator that you're pointing to? If we did see a pickup in system corporate credit growth due to that, then that would be telling us that things are getting a bit tougher in reality.

Nuno Matos: Undoubtedly. That's one. Okay, that's a very important indicator when companies start to draw in their liquidity lines, that's one, undoubtedly. But to be honest, there are also other indicators that we should be looking into it.

Traffic on our highways, on our streets, that's a very important indicator. Discretionary consumer spending, a very important indicator. So there are some leading indicators that we are also looking into it, and many others, to be honest. But that one is a very important one.

To be honest, so far, yes, there are some cases, but it's still very, very shy. But again, this crisis is still at the beginning, to be honest. These are weeks. It takes some time to really unfold. Hopefully, it will not, but we can't rule out a more nasty environment, undoubtedly.

Farhan Faruqi: But just to add to that point as well, Matt, as we look forward, and particularly when we talk about capital, we have stressed our capital to see if there was a more elevated level of corporate borrowing, what would be the impact from a risk weight asset perspective and capital consumption standpoint?

So that we can be comfortable that we can continue to accommodate the DRP as well as dividends going forward.

Matthew Wilson: (Jarden, Analyst) No worries. Thank you, team.

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

Andrew Triggs: (J.P. Morgan, Analyst) Thank you. Good morning. First question, please. You talk quite a bit about your mortgage growth ambitions into the middle of this year. Can you touch a little bit more on both the business banking and institutional division side of things?

On the latter, noting that the volumes were soft in the half and it looks like that was more about the Australian division rather than currency impacts. It tends to be the division which is harder to forecast in terms of line growth.

Nuno Matos: Sure. First, I would like to remind or to highlight again what's our strategic stance. Okay? We see ourselves as a transaction bank, meaning we want to serve customers holistically. We want to be with them on a day-to-day basis, which means we want to be their main bank for their accounts, for their payments, for their FX, for their 360 needs, which include obviously lending.

But we are not a lending-driven organisation, just to be clear. We are a customer-driven organisation, certainly in wholesale. In terms of the second half, and obviously not guiding too much, we would say first, it's uncertain because the cycle is just unfolding at this point in time.

But both in institutional and in business banking, on the deposit side, the behaviour was good or at market. In business banking, we feel we grew in the positive side with markets. In institutional, we feel that it was a good performance.

On the lending side, I would expect to accelerate. Now, caveat, the cycle. The cycle will inform us if this element I just quote, it's possible, reasonable, doable, et cetera, or desirable.

But at this point in time, we think it will be better. In institutional, I want to be very clear, we don't target lending growth. Okay? We remain very flexible. We target customer 360 relationships, and we target flexibility, and lending is a part of that relationship. This is very, very important from a return perspective. We want an institutional business that is profitable and is customer focused.

Andrew Triggs: (J.P. Morgan, Analyst) Thank you. Just in terms of the credit quality looking forward. Obviously, you have a very strong weighting towards institutional, which is very high grade customer base. Could you just talk a little bit more about some of the, I guess, the more energy exposed sectors within that portfolio and how resilient those customers are?

Especially given they have, I guess, better access to capital markets and the like, versus SME customers?

Nuno Matos: Sure. I'll give you two or three data and then, Farhan, you can add for that. Our institutional portfolio is 83% investment grade globally. Our international network, it's 91% investment grade. So it's a very robust portfolio.

It's a portfolio that has been, year after year, for almost a decade, showed extremely low loss profile. This is not, in our opinion, a coincidence. This is a result of a decade of strategic shift from a lending-driven business to a customer-driven business focused on transaction banking on customers that really value ANZ because of its regional presence in Asia-Pacific and its global presence as a capital provider.

So it's consistent, and we don't expect to change, but obviously the cycle is here to test us. With that, Farhan, would you like to add some additional elements?

Farhan Furuqui: Yes, look, I think, Andrew, I mean I think Nuno's covered it quite well. I mean, you know, we talked about some of the statistics and I think it's worth just repeating them just to make sure that we are all consistent. But as Nuno said, over 90% of our international exposure is investment grade and is largely driven by high-grade corporates as well as large financial institutions and sovereign exposures.

So it's a very well-secured portfolio from that perspective and has shown resilience, as Nuno pointed out, over the years. 92% of all of institutional is investment-grade, if you look at it from an ex-market's perspective.

Our loss rate has been very low, and if you look at some of the exposures that we've had to our multiple companies, including energy, these energy companies are generally very

high-grade companies who are operating in the global space and have not shown signs of stress.

So of course this is an area which we continue to watch. But given the level of coverage that we have from a provisioning point of view in institutional as well as overall for the Group, and the high quality of the portfolio that we carry in institutional, we feel pretty comfortable with where we are in terms of our provisioning level.

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

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

Brian Johnson: (MST, Analyst) Thank you very much, and just congratulations on the cultural reset that we've seen at ANZ. There's a lot to be admired. Against the backdrop of that, I just had two questions, if I may.

The first one is just on the New Zealand dollar hedge. When I have a look at page 70 of the 4D, it seems to be declining. When does it basically run out? When would you be calling out if the New Zealand dollar continues to be where it is, when would you be specifically thinking that this would cause a negative delta in the reported earnings? Is it FY27 or is it the second half of FY27?

Farhan Faruqi: Thanks, Brian. As you can see in the hedge balances that we have right now in New Zealand dollars, we have just over \$2.5 billion of existing hedges at about \$1.10.

Assuming the FX rate stays exactly where it is today, we expect to see continued benefits coming through in '27 as well, slightly less than what we've seen in '26 or what we will see in '26, but they will continue through '27 and we would expect that all things held equal, if rates don't change, then if there is any headwind, that would happen closer to the second half of '28.

Brian Johnson: (MST, Analyst) So [unclear] Farhan, if I'm just having a look at page 70 of the release, we can see that it looks like you're actually reducing the size of that hedge. Like a year ago it was 3.2 - it was 3.1 at September '25. Total hedges were 3.2, it's now down to 2.5. You're hedging the statutory earnings. Doesn't - just the quantum of it, doesn't that actually imply that it starts to bite in the second half of '27?

Farhan Faruqi: We have modestly reduced New Zealand dollar hedges at these levels right now, Brian, but our estimation is that we are in good shape for the next 12 to 18

months, which should take us closer to the end of '27. Then we will start to see some headwinds coming in '28, a function of what the rates are at the time. But we expect closer to the second half of '28 for any material headwind.

Nuno Matos: What is important to say, Brian, is that our strategy to hedge our FX exposure of New Zealand dollars and US dollars has not changed. So we continue to hedge. We obviously have a dynamic approach to, depending on the levels of New Zealand dollars, but the strategy to hedge continues. It has not changed.

Farhan Faruqi: As well as US dollars obviously, Brian. Yes.

Brian Johnson: (MST, Analyst) Okay, the second one is that if I have a look at the slides at the back on asset quality, for example, if I have a look at slide 83, from what I think - it's pretty small text - it says that you've got \$1.4 billion of commercial property lending in Asia outside of China.

That seems to me like quite a big number, particularly given that the disruption that we're seeing in the Middle East probably has a disproportionate impact in basically Asia as opposed, for example, to Europe.

When we have a look at the slide on the long-run loss rate, it seems to me that basically COVID - the GFC wasn't a big event in Australia. COVID we had massive government intervention. The last time we've really seen a cycle in Australia was 1992.

But I'm just wondering, with your downside scenarios and your severe downside scenarios, can we get a little bit more granularity on when you are assuming the Middle East Gulf opens up?

For example, there's reports that it may not be open until the end of August, and that's one of the more optimistic assessments. There are ones that are much longer. Could you just give us a little bit more granularity?

Because when we have a look at your ECL provisioning today, based on what we've seen from NAB and Westpac, it looks - that are pre-guided on this - that it looks to be a little bit light relative to peers. I just want to assess whether there's a risk when we're coming back at year-end that we see further top-ups to it.

Farhan Faruqi: There's a lot in that, Brian, so I'm going to try and see how best I can address that. I'm happy to have, obviously, a longer conversation later in the afternoon. But look, when we looked at - let me start first - let's step back and look at the broader collective provision levels.

As we consider that collective provision balance and the change and the shift to the downside - to the severe scenarios from downside by an additional 2.5%, we took a fair bit into context. We obviously wanted to - we took a balanced view in terms of where the Middle East conflict is going to take us.

Obviously, there is no ability to forecast when exactly it will end. But the shift from downside to severe of 2.5% was a reflection of the potential that this war could continue for a period of time.

The second part that we considered was that we are still 52.5% weighted to the downside, which reflects the fact that we have a cautious view of the next few months as this war situation plays out.

The third, of course, was the fact that we have a strong coverage, as I mentioned, even in high-stress periods. I mentioned the last one year and the last three years where we've had 13 and 20 times coverage on individual provision losses, but even if you were to go back to all the way back to GFC, even in the high stress years, we've had close to five times coverage.

So it has - we've had - our portfolio de-risking has actually stood the test of time over the years where our individual provision losses have been well and truly covered by our collective provision balance.

So as we took all of those things into account, we felt that the shift and the change that we made, which by the way is equivalent to the percentage shift that our peer banks have done in terms of four basis points of collective provision coverage is consistent with what the others have done.

But that having been said, I think it's important, Brian, that we not - this is a - obviously this scenario will continue to play out and we are obviously very closely monitoring how this situation evolves.

We'll continue to ensure that our provisions are appropriate in the settings based on - and the settings are appropriate based on how the situation evolves. So I think at this point our view, as we said earlier, even on a 100% downside scenario, as I mentioned, we have \$65 million higher collective provision levels if you go to 100% downside, and we'll continue to monitor that as well.

Our portfolio quality, we've talked about. The lowest loss rates for the last few years relative to our peers, very stable loss rates over the last three halves, and a very different

portfolio, if you like, relative to our peers. So it's very hard to make that peer comparison given our portfolio and given the de-risking that we've done over the years.

Brian Johnson: (MST, Analyst) I suppose the issue is, though, Farhan, it wasn't that long ago that you used to disclose the long-run loss rate. It's less than a year ago, it was 18 basis points.

Farhan Faruqui: Sure. Brian, we did update that...

Brian Johnson: (MST, Analyst) It's kind of disappeared now.

Farhan Faruqui: Well, it's not disappeared. What we've done is we've basically tried to reflect the current portfolio that we have and applied the loss rate to that portfolio mix. So when we apply that - when we apply long run loss rates to our current portfolio mix, our long run loss rate would be about 11 basis points. We're currently at four.

Brian Johnson: (MST, Analyst) Okay, thank you.

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

Carlos Cacho: (Macquarie, Analyst) Hi, thanks for the opportunity to ask a question. First, I just wanted to ask about mortgage growth. You talked about targeted growth in certain segments. Can you give us a bit more detail at where you're targeting?

If I look on slide 90, it does look like at the moment, pretty much all your recent growth has been driven by investors. In particular, IO, where, from what we hear from brokers, you're well below peers in that pricing. Is that the primary segment you're going after, the investor segment? Just given, I guess, slightly higher margins, and so it's maybe a little bit more accretive to compete aggressively on price there?

Nuno Matos: We are going to segments in general. Obviously, we are targeting the whole market. But we price tactically, as we said at the beginning, to segments that we believe are more profitable, when you take into account returns and risk, obviously.

That's enabled us to avoid a previous stance where we were at discount for the whole market. So yes, we have been much more considerate at the time of choosing where we apply some additional, if you want, relaxation in pricing. But in general, especially in the bigger segments, talking about the owner-occupied LTVs below 80%, we are either the second or the third among the five, and we feel comfortable to be in that position.

Carlos Cacho: (Macquarie, Analyst) Thank you. Then just following up on Tom's question about aligning products with the Sun migration and specifically looking at potential margin

impacts. At the moment, your ANZ Progress Saver pays a rate that's 130 bps below the equivalent Suncorp product.

If you were to align the rates on that, it would appear like it's a pretty significant margin headwind, potentially as high as four or five basis points. How do you think about that? Are we looking at potentially having another deposit product to avoid that margin headwind?

Is that a gradual process or does that kick in when the Suncorp customers migrate? It just would be good to understand how you're thinking about aligning those products where there are pretty material differences in the rates or the types of products that's on offer.

Nuno Matos: Sure. An important question, undoubtedly. As I said, we will have - and we can talk about Suncorp, we can talk about Plus. We will have one set of products under one single brand, a simple set of products. But that does not mean that we have only one product on each family.

We will have several savings products and several potential TD products, obviously, and so on and so forth. So the way we are going to migrate those products into our family, we'll have to apply to this principle.

We don't expect to have material impact due to the fact that, at this point in time, we have three different platforms with three different products, because we feel that they represent different customer needs and different customer profiles.

Carlos Cacho: (Macquarie, Analyst) So essentially there will be three bonus saver products, three online saver products once we have the new single customer front end is what it sounds like.

Nuno Matos: We will manage that accordingly and again, customers choose the products they want, right? We are obviously going to simplify and harmonise with time. But that does not mean that will have one single offer for everybody from the start.

Carlos Cacho: (Macquarie, Analyst) Thank you.

Operator: Thank you. Your next question comes from Jonathan Mott with Barrenjoey. Please go ahead.

Jonathan Mott: (Barrenjoey, Analyst) Thank you. I just have one question. I was sitting back and thinking about the 2030 strategy since it was announced back in September to where we are today. It's pretty clear that the costs are going really well. You're doing a great job on simplifying the business.

But the one thing that's really changed has been the cash rate environment and the bond yield environment and obviously been very beneficial to industry margins. The industry revenue, seeing the other bank results and updates and pre-announcements coming out, looks like it's the strongest revenue environment we've seen in a very, very long time.

Yet, when we look at ANZ, the revenue this half was flat. So I understand the need to get productivity, you need to get the phase 1 right before we get to phase 2, and you will see the revenue benefit then. But your revenue share is really suffering through this process.

So the question is, if you look back and think about it, was that something of a mistake, that you've lost out on so much revenue relative to your peers? Do you really need to use some of the higher interest rate benefit coming through to get that revenue moving again?

Nuno Matos: I think I already answered that question very clearly. So I'm not so sure if I should repeat it or not, but I will, with pleasure.

Jonathan Mott: (Barrenjoey, Analyst) Yes. It's just the revenue environment is very different to when you made these decisions. We can understand the process that you're going through, but really the opportunity for revenue is very, very large at the moment. The longer it takes to get there, it's costing more money.

Nuno Mato: Yes, I couldn't agree more with you. So I'm going to repeat what I said. We have read the situation of the Company six months ago, or if you want, 12 months ago. We did a very clear review of where we were as a Company. We looked into the business capabilities we had, especially where we were [lagging] the markets in retail and business banking.

At the same time, we are making sure we take advantage of our engines that are already in good shape, talking about institutional and New Zealand. We also read our stance in terms of risk management and our regulatory obligations. If you recall, we were returning very close to cost of capital. Our capital was below 12% and there was debates about our dividend sustainability, right?

So we have to face reality. We have to face a starting point. Then we draw a strategy. Hopefully, we execute it with precision. We were absolutely clear on that strategy. We said, at the beginning, the levers will be productivity, cost management, structure, margin management, capital management, risk management, return management. I think we have been delivering on it.

In parallel, we also said that we are building the capabilities in order to be able to compete in a profitable manner. This is very important. We are not here to write tickets to our balance sheet if they are not profitable, if they are not accretive. Shareholders don't pay us for that.

Shareholders pay if we write good business, profitable, that allow us then to share with them the benefits of that business. That comes with time and with patience, with a long-term view, really thinking about shareholders and not trying to impress in the short term. That's what we are doing, with a lot of conviction, with a lot of discipline but with a lot of patience.

So, yes, we could discount and go back to our old model of competition and get more tickets. That wouldn't help shareholders. Frankly, it might not even help customers, because it would distract us of the most important thing. We want to compete on our merits. Better experience to customers, better propositions to customers, better channels that are able to do their job more effectively, and a bank that is not a lender, a bank that is with customers every single day and does fantastic service on their accounts, on their payments, on their FX, on capital-light products, and also lends with confidence.

That takes its own time. We will not deviate from that. I think that's for the best interest of the shareholders, as I think is obvious already. Thank you.

Operator: Thank you. Your next question comes from Richard Wiles with Morgan Stanley. Please go ahead.

Richard Wiles: (Morgan Stanley, Analyst) Good morning. I just have one question as well. Farhan, you talked about the Group margin being biased to the upside in the second half of '26. Could you talk about the outlook for margins in the institutional division and also in New Zealand, please?

Farhan Faruqui: Sure. Thanks, Richard, for that question. I think it is going to be slightly different outcomes for different divisions. I think that the potential beneficiary of the tailwinds that we have are probably more business and private bank. I think New Zealand, we expect, would start to stabilise in the second half. Obviously, it had the impact of the significant negative - sorry, significant rate reductions - sorry, significant rate changes over the course of the last half, but we expect to start to see them stabilise.

I think institutional will remain under pressure in terms of the US dollar rates that we talked about, as well as potentially competition, both in lending and in deposits. We think that business banking would improve, the New Zealand business will stabilise, and I think

overall, with the gives and takes, the retail business probably has more tailwind, as well, versus headwinds.

That's the divisional view, but overall, from a Group perspective, Richard, we expect that it will be on the upside. As Nuno said, there are other factors which move things around a little bit, but it's a bias to the upside.

Richard Wiles: (Morgan Stanley, Analyst) Okay. Could I just follow up on the institutional? I think in the half just gone, the margin ex-markets in institutional was broadly flat, despite the headwind that you would have had from the falling US dollar rates. The US is on hold at the moment. It's unclear what they'll do on rates, but certainly, after this week's announcement, it looks like the prospect of rate cuts has been pushed out. Given the stable margin in the last quarter, why aren't you more positive on the outlook for the institutional margin?

Farhan Faruqi: No, I'm always very confident of the fact that Mark and his team manage the institutional margins very well. I was just pointing out the fact that, should there be any US dollar rate reductions, then that would obviously put pressure on institutional margins. Of course, if that environment doesn't materialise, then we think there is very good possibility that institutional margins remain stable, maybe slightly up.

Richard Wiles: (Morgan Stanley, Analyst) Okay. Thank you.

Operator: Thank you. Your next question comes from Matt Dunger of Bank of America. Please go ahead.

Matt Dunger: (Bank of America, Analyst) Thank you for taking my questions. If I could ask on the institutional business, delivering the vast majority of Group deposit growth in the half, and you called out a strong result on operational [at call], it's clear you're not leading with balance sheet on the lending side, so what's happening at a customer level? Where are you winning new flows? Do you think you can sustain this momentum?

Nuno Matos: Good question. Undoubtedly, our performance has been, for quite some time, on the transactional banking side, has been, I would say, very remarkable for quite some years. We have been growing deposits, operational deposits, at double-digit rates for some time. That's on top of, on one hand, our focus on that type of business and on the consistent investments we have made on having leading platforms for payments, for effects and for markets. So, there is a clear strategic rationale for these results.

On the lending side, it's fair to say that we have been cautious and we have been very mindful of returns. We also know that transaction banking and capital finance, they go hand in hand. We know that very well. So, we stand very much ready to support our customers, and we are absolutely willing to put more capital into work in this segment, undoubtedly. It is also fair to say the following. One of our major sources of growth in institutional has been with financial institutional customers, which, as you know, are customers that are less demanding on finance, they are much more demanding on markets, business and then on transactional banking.

The fact that we have been growing a lot in financial institutions allows us to be less dependent on capital deployment. This is also a strategic direction that we took. On one hand, the type of customers we have been banking are more capital light, and where we've been growing. On the other hand, we are return conscious. But above all, we are absolutely, absolutely ready to deploy more capital.

Certainly, now that our capital levels are at the healthiest level in this segment, we want to, but what we will not do is to go into a capital deployment spree just to, if you want, to show up in our balance sheet. That has limited value, as I think we know. Thank you.

Matt Dunger: (Bank of America, Analyst) Great, thank you. Could I just follow up with, the franking rising to 75%. Your lending growth has been targeted towards Australia, so just wondering how important it is to sustain this, obviously, raising the franking positive for your retail shareholder base?

Nuno Matos: I can talk about that and then, Farhan, if you want to add something. Our strategy, as we announced it six months ago, our strategy is naturally franking accretive. Remember, we clearly said, we have two divisions that are performing well, institutional and New Zealand. Those divisions, one is, New Zealand is outside, obviously, Australia, and in institutional, there is a part outside of Australia. Then, we said, our biggest opportunity, our biggest gap in terms of capabilities and obviously in terms of results, is retail Australia, business banking Australia.

So, as we close the gap in these two businesses, which is, again, fair to say, initial phase, more on the productivity side, second phase, more on the revenue side, those two businesses will become more important in the mix of business of ANZ, which is accretive to franking.

This is to say, this 70% to 75%, we expect to absolutely be sustainable, and obviously, this is in the best interests of shareholders. If you want, when we announce an \$0.83

dividend and we upgrade franking from 70% to 75%, that actually equates to a \$0.02 increase on the net dividend for those type of shareholders.

Farhan, do you want to add something else?

Farhan Faruqi: I think you've covered it really well, Nuno. I would just say, as you know well, Matt, obviously, franking is an outcome of our strategy, not the other way round, and as Nuno said, our strategy is very franking accretive by definition, because it is very much focused on the Australian geography. In fact, our entire 2030 strategy is predicated on the fact that not only will we continue to extend the lead in our businesses in New Zealand and institutional, but we will have a substantial uplift in our businesses in Australia retail and Australia business and private banks.

Therefore, we obviously are expecting to see franking to continue to increase. As I said, it's aligned with our strategy. The other point, which we've said before several times, as you know well, is that we have no incentive to keep any franking benefits on our balance sheet. Our intention is to try and distribute as much of the franking as possible, because it doesn't benefit us, but it is a significant benefit in the hands of our shareholders, and we want to make sure that we continue to enhance that value for them as we go forward.

Matt Dunger: (Bank of America, Analyst) Brilliant, thank you.

Operator: Thank you. Your next question comes from Brendan Sproules with Goldman Sachs. Please go ahead.

Brendan Sproules: (Goldman Sachs, Analyst) Good morning. Brendan from Goldman Sachs. Thank you for taking my questions. I just wanted to follow on, on slide 54 around the revenue momentum within the institutional division. Obviously, over the last four halves, you've had pretty flat revenue growth from a customer franchise perspective, particularly in the non-lending space, despite the fact your operational deposits are up 20%, I think, since September 2024.

To what extent is rate rises important to really get the revenue growing in this business, particularly now that you're not as focused on lending as you may have been in the past? Then, I have a second question.

Nuno Matos: Thanks, Brendan. Obviously, for a transactional banking business, not surprisingly, rate levels are important. That's very clear, and it is what it is. Having said that, this is a very capital-light business, and the fact that we have been growing volumes

at a very good pace above market, it means that the sustainability of that flow, that capital-light flow, is very strong, and it's on top of great capabilities.

On the lending side, we don't target lending in institutional, but again, it is very much part of our offer. We just don't deploy capital without a clear rationale for deploying capital. It's within a customer relationship, which means it's within a symmetrical and mutual benefit relationship with our customers.

I believe the fact that we are by far the leading institutional bank in Australia and New Zealand tells you that customers really value the way we serve them and we operate with them. So, yes, rates are important. Taking into account that our replicating portfolio takes a lot of that volatility. So, the same way we were hurt when rates started to go down in the last half, it's fair to say that we will benefit going forward. But above all, what we are looking in this business, it's sustainability in a capital-light business.

That's one of the ways to make sure that an institutional business is profitable, and it's profitable in a sustained manner and is not dependent so much on cycles of credit, on credit spreads, on credit demands and potential losses.

We are much more comfortable in being the bank of the day-to-day of companies in a 360 manner, even though, as you said, we will have some fluctuation on rates. But I prefer a fluctuation on rates in a capital-light business than a fluctuation on credit cycles, to be honest.

Farhan Faruqi: If I can just add one other point, because Nuno is absolutely right, these businesses are by definition leveraged to the upside on rates. But there is the other element of the fact that, Nuno mentioned volumes, but we also very carefully manage and monitor the cost per dollar of FUM in this business. Effectively, at the end of the day, we're seeking returns, and those returns from the cash management business drive a number of things.

They drive what the cost of dollar per FUM is, even if rates aren't going up. We monitor volume, obviously, but also, it is a very important feeder product or very much of an integral product to the broader businesses that clients do, whether it's on trade, whether it's on markets flow business, including FX, et cetera, which are intricately linked to payments and cash management.

It is a very central part of the ecosystem of what we do with our customers, which is the point that Nuno has made around transaction banking and services being centre of [plate]

for our customers in institutional. It has a number of other value drivers, which don't necessarily always show up in just fees and commission, for example.

Brendan Sproules: (Goldman Sachs, Analyst) Maybe I could just follow on from that. I'm just trying to understand where institutional sits in the longer-term 2030 vision. Obviously, a 13% return on tangible equity is your Group target. Currently, institutional is your largest contributor from a revenue perspective. It's 30%, and its return on tangible equity is 14%. It's been pretty constant.

Just given what you outlined there, am I imagining that this will still be your biggest contributing division when you get to 2030, and because of the capital-light nature of how you want to run this business, that we can expect that return on tangible equity to grow and be a major contributor to the Group's overall target of 13%?

Nuno Matos: Important matter, which is the mix of business and how the mix of business will evolve with the strategy. As you know, we didn't guide on mix of business in that regard. Having said that, what I think is disclosable is the fact that institutional is a business where we are leader. We are leader in Australia, in New Zealand, and we are a highly competitive franchise, especially in Asia Pacific.

Leadership has a benefit. You always over-index in returns when you are the leader. So, this is a jewel we have. It's a significant part of our business. We want to make sure that that business continues to be the leader. In that regard, you should not expect a significant reduction in the mix of ANZ in institutional.

Also in that regard, we want to make sure that institutional remains a very profitable part of our franchise. We don't want to, again, depend on credit. But, and this is an important element for the cycle, the fact that we have good levels of capital in a cycle where credit spreads potentially will improve, we stand ready to benefit from the improvement of credit spreads, because again, we are a capital finance provider.

Institutional will remain very important. It'll remain a leader in the market we just mentioned. It will continue to be a capital-light business. We don't expect degradation of returns, but there will be obviously cycles. I think, with that, you have an idea of where we want to stay with this business by 2030.

Brendan Sproules: (Goldman Sachs, Analyst) Thanks, Nuno.

Nuno Matos: Thank you, so much.

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

Nuno Matos: Thank you, Darcy, and thank you, everyone, for joining us today. Before we wrap up, I would like to reiterate our three key messages. First, our transformation is running at pace, and we are making good progress in executing our five immediate priorities safely, sustainably and on time.

Second, in parallel, we are investing in line with our ANZ 2030 strategic initiatives to deliver to our customers, to accelerate growth, and to outperform the market beyond 2027. Very important, we are already delivering materially better returns for shareholders.

I look forward to consistently updating you on our progress. Thank you so much.

End of Transcript