

News Release

For Release: 7 May 2024

Transcript of bluenotes video interview with ANZ Chief Financial Officer Farhan Faruqui

BRETT FOLEY: Farhan, thanks for joining bluenotes at the half year result. Now ANZ is coming off a record year in 2023 and the sector's had two years of high inflation and interest rates to deal with. How are you thinking about this result and what stands out to you?

FARHAN FARUQUI: Well, Brett, we're quite pleased with our result. Off the back of a strong year we've actually delivered stable outcomes, both in terms of revenue, as well as Net Profit After Tax (NPAT). And we've done that with all four of our businesses performing well, delivering returns above the cost of equity and actually exiting the half with strong momentum. At the Group level, we've grown both customer lending and customer deposits – so generally, quite pleasing in terms of the financial outcomes. But I think equally, strategically, we've made progress. ANZ Plus continues to do well, continues to grow, attracting new customers to the platform. On Suncorp Bank, while we've been waiting for all the approvals to come through – and there are still a couple to go – we've been readying ourselves for the integration and we feel equally confident as before in terms of our ability to deliver the financial benefits of that particular acquisition. And finally, in the simplification journey that we've been on for a few years, we've made yet more progress in this half with the sale of a large part of our AmBank equity position, and that has freed up about \$668 million of capital, which in turn has allowed us to announce a \$2 billion on-market share buy-back today. It's basically a story of delivering what we have promised and we continue to be pleased with that.

BRETT FOLEY: So speaking of capital and the buy-back you announced today, can you talk us through the decision making behind that process?

FARHAN FARUQUI: Yes Brett, so the Board continues to look at the best and most efficient use of capital at all times. And in the context of our performance, our strong balance sheet position today, the Board felt comfortable with announcing a \$2 billion on-market share buy-back. Now obviously that has an enduring benefit to our shareholders, because it reduces the share count and effectively over time improves our return on equity as well. This is a good outcome for our shareholders and a good outcome in terms of the best use of capital for us that was available today. But it's important to note, Brett, that even when you pro forma our capital position for the share buy-back, as well as the capital that we've set aside for the completion of the Suncorp Bank acquisition, our CET1 ratio – our capital ratio – is still 11.8%, which basically places us amongst the best capitalised banks in the world. And that's very important to us because it allows us to serve our customers. It allows us to access accretive growth opportunities, across our businesses, and therefore places us in a very strong position going into an uncertain environment.

BRETT FOLEY: So inflation is proving to be stubbornly high. How are you planning to continue to manage cost efficiently?

FARHAN FARUQUI: Well, we've actually had one of the strongest track records, I would argue, of major Australian banks in terms of managing our costs and our cost discipline. If you think about it, Brett, from 2018, we've actually produced about \$1.5 billion of effectively cumulative per annum benefits from productivity. And the productivity doesn't necessarily come from a restructuring perspective only, it comes from what work we do around automation, around improving and streamlining our processes, in terms of digitising our service propositions, et cetera. So it's actually an enduring amount of productivity and that gives us the confidence that there's more. And even in this half, we've delivered \$200 million of productivity. Our focus is to continue to make sure that we offset inflationary impacts as much as possible, thus effectively allowing us to continue to invest in productivity and growth initiatives and ensuring that our businesses are investing in technology where appropriate. So I feel pretty confident that we have the tools and the discipline to continue to manage our cost inflationary impacts. In fact, I would argue that it's sort of not a one-off exercise for us. It's pretty much how we work and it's part of our DNA and I think you should assume that that will continue.

BRETT FOLEY: So the external outlook remains incredibly uncertain. Where to from here and how are you thinking about the next 12 months?

FARHAN FARUQUI: Well the good news is that, Brett, in my 30 plus years career in banking, I don't think I've ever sat in any situation and said, well, everything is so clear and certain ahead. We're always in an uncertain environment, whether it's from an economic standpoint, from a competitive standpoint, from a technology standpoint, or from a geopolitical perspective. So the reality is that as a bank, our job is to deal into, effectively what are uncertain environments. And our job and our focus, as always, has to be to make sure that we have a set of diversified businesses, ideally those that are largely uncorrelated, which we do across our four businesses. And we have to make sure, in order to get the value of diversification, is to ensure that they are healthy businesses, all four of them. And in our case, as I mentioned earlier, all four are performing well and delivering above cost of capital return outcomes. So, we are in a good spot in terms of our diversification to deal into that uncertain environment. We feel that we have the risk settings, the balance sheet strength and the strategy to be able to cope with the uncertainty that lies ahead.

BRETT FOLEY: So finally, net interest margin (NIM) is always top of mind for Australian investors and analysts. As CFO, how are you managing margins?

FARHAN FARUQUI: Well, I think first to start with Brett, we've delivered a NIM outcome this half which actually underlines the stability in our net interest margins. So our underlying net interest margin, our business NIM, were down two basis points, half on half. But interestingly within that, there are some very interesting trends. So, for example, in the Institutional business, we've actually been able to manage our margins, half on half, to expand three basis points. And that's not been done by accident, it's very much a planned process in terms of how we want to look at the discipline around lending, as well as ensuring that we are very dynamic in terms of how we manage our deposit and deposit mix shifts. So that has been a great effort and we've ended up with an expansion of margin in the Institutional business. For Retail, where we have had an extreme competitive environment, we've actually been able to target profitable segments, continue to have a differentiated broker proposition – a very strong broker proposition – continue to improve our processes and our service levels, which has allowed us to effectively exit March – which is the end of the first half – one basis point higher on NIM, to where we exited in September last year. So it's been a strong period of management – now half on half, that impact doesn't show up in Australia Retail because there are impacts from second half that flow through to first half. So we think that we've actually managed margins very dynamically and it's a grind. We have to make sure that we are dynamic around how we manage margins. We have to be thoughtful around our customer

selection and segment targeting, et cetera – and we've done well. And I think the most important part of this, which I have said many, many times before, is that while NIM is important, risk adjusted NIM is even more important. And once again, in this half, we've continued to expand the premium between risk adjusted NIM and NIM.

BRETT FOLEY: Farhan, thanks so much for your time.

FARHAN FARUQUI: Thank you.

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