

For Release: 8 November 2024

---

## ANZ 2024 Full Year Results – Chief Financial Officer Farhan Faruqui Speaking Notes

---

Thanks Shayne and good morning everyone.

As Shayne mentioned, 2024 has been a pivotal year in terms of progress on strategic goals.

Our financial performance this year showed resilience coming off a record year for the sector in FY23. When we look through what was in many ways a highly unusual year, our trends have been consistently strong.

Since FY21, Group Revenue has increased 19% with Profit Before Provisions up 20% and Cash Profit up 12%. This has been delivered in an environment characterised by inflation, heightened competition, and macro uncertainty.

In addition, we have taken steps in the year to optimise Group ROE including the divestment of our stake in AmBank, continuing the announced on-market share buyback and finally being able to deploy capital raised in FY22 towards Suncorp Bank.

This builds on the work we have done since 2016 to optimise capital allocation and productivity including:

- Exiting of non-core businesses such as Asia Retail, Partnerships, Wealth, Insurance, and Dealer Finance, and
- Reshaping Institutional to optimise ROE and reduce risk, with the business achieving a record RoE this year.
- And delivering over \$1.7 billion in cumulative cost savings. To put this in perspective this is equivalent to 16% of our current expense base.

Collectively, these initiatives have given us the capacity to invest in value accretive opportunities which have added capability and scale such as Transactive and ANZ Plus, and the acquisition of Suncorp Bank while returning capital to shareholders via buybacks and dividends.

### **Suncorp acquisition – Financial Impact**

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

Group Revenue for the year on a constant currency basis was broadly flat compared to a record FY23 driven by strong ANZ performance and with only 2 months of Suncorp Bank financials included in FY24 results.

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

It is important to mention that the second half of FY24 includes two months of Suncorp Bank expenses, affecting both half-on-half and year-on-year comparisons.

I realise that comparisons this year are somewhat complicated by the Suncorp Bank acquisition and the accounting adjustments required, and so to be clear the Group Cash Profit for FY24 excluding the Accounting Adjustments was \$6.92 billion.

Further details on Suncorp Bank will be provided later in my remarks, but I will now focus on the ANZ financial performance excluding the contribution from Suncorp Bank.

### **ANZ Group Overview**

I'll begin by discussing our business and this year's performance in a way that aligns with how we think about the Group. Essentially, ANZ consists of two main businesses – Banking and Markets.

Around 90% of our revenue comes from our Banking Business which offers lending, trade, deposits and payment services to 11 million Retail and Commercial customers in Australia and New Zealand and around 6,500 Institutional customers globally.

We manage this business to optimise net interest margin and return on equity.

Our Markets business comprises the remaining 10% of Group Revenue. This business acts as an intermediary to provide risk management solutions in areas such as rates, credit, foreign exchange, and commodities to our Retail and Corporate customers and is complementary to our Banking business, deepening relationships and lifting average customer returns.

We manage the Markets business to optimise revenue and ROE, and given the intermediary nature of this business, it produces a relatively stable and attractive RoE averaging around 11% over the last 5 years.

We also operate a Group Centre which is similar in size to the corporate centres of our domestic peers. It manages shared services which do not lend themselves to being allocated to operating divisions, such as costs related to Central Functions like Financial Policy and Control and Risk Modelling, and capital associated with our Asian Partnerships.

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

We remain focused on optimisation opportunities here including further asset disposals and completing the \$2b Share Buy Back.

### **Financial Performance excluding Suncorp Bank – Banking**

In aggregate our Banking business is producing attractive CTI and margin outcomes that are comparable to or better than our major domestic peers.

These returns are underpinned by a relatively high proportion of low risk, high return banking activity including liability led businesses.

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

And on the asset side, we have de-risked our portfolio over several years while lifting credit margins to improve our return on risk.

In addition to attractive returns, our Banking business has also delivered strong growth over time with a particular focus on higher marginal RoE areas. Over the last 5 years, for example 9% per annum deposit volume growth in Payments & Cash Management and 5% per annum growth in pre provision profit in New Zealand.

### **Banking Performance and Metrics**

Moving to our Banking Business performance.

Revenue was higher half on half, underpinned by Average Interest Earning Asset growth across all Divisions, and continued margin discipline with the second half of FY24 seeing the highest Risk Adjusted Margin in a decade. On a constant currency basis, all our businesses grew revenue in the half.

PBP was flat with a continued focus on productivity resulting in a stable CTI outcome despite inflationary pressures.

### **Financial Performance – Net Interest Margin**

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

I will focus on Banking NIM trends in the future but for continuity today we have provided a waterfall explaining the changes in Group Headline NIM for the second half which was up 2 bps half on half.

I'll point out the key changes in the second half.

- Minimal impact from Home Loan growth across both the Australian and New Zealand mortgage books. Back book repricing in Australia continued to slow over the course of the half while in New Zealand front book margins improved.
- Continued competition in deposits across our businesses but the impact in the Half was largely felt in New Zealand. However, in New Zealand asset and deposit margin movements largely offset each other.
- Some residual wholesale funding impacts from retiring TFF funding, which in conjunction with a modest increase in short term basis spreads, drove 1bp of compression.
- Liability mix shifts, which have been a significant factor for the sector over several halves, has slowed substantially and our deposit mix was unchanged in the half.
- Increase of 4 bps from asset and funding mix partly due to lower cash balances in Group Treasury.
- And finally, completion of the Suncorp Transaction reduced capital volume in the second half. As a result, ITOC volumes were lower, but we benefitted from rolling maturities at higher rates on our Capital and Replicating hedges, which will continue to provide a benefit in FY25.

## **Group deposits**

Moving to Banking Deposits.

Customer deposits grew 3% organically YOY, with mix stable in the second half. Including Suncorp Bank our total Customer deposit base is now the second largest among the major banks.

We acknowledge that continued competition and rate cycle uncertainties represent a challenge for the banking sector.

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

In Payments and Cash Management, for example, the \$1.2 billion we invested in developing scale and capability has driven a 22% reduction in the unit cost of FUM over the last 5 years. During the same period, PCM deposits increased 51% and digital payments increased 129%.

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

Similar to our PCM business, the investment in developing the Plus platform has delivered a 45% lower cost to acquire and 35% lower cost to serve to-date relative to ANZ's Classic platform. These benefits will continue to improve with scaled migration to Plus starting in CY25.

By structurally reducing our unit cost of FUM, all else equal we can generate the same earnings and ROE in a lower interest rate environment making our business more resilient across the cycle.

## **Markets**

As I mentioned earlier in my remarks, we manage the Markets business for total revenue to optimise return on equity.

And on these measures, Markets delivered another strong result in FY24, with total customer revenue up circa 9% year on year supported by strong volume growth. We ended the year with strong momentum, with our fourth quarter one of the strongest ends to the year in a number of years.

Similar to the approach we have taken in our Banking business, we have invested at scale in Markets to create resilience against any spread and margin compression over time in order to maintain an attractive return on equity which has averaged ~11% over the last 5 years.

In our highly profitable FX business, the benefits of increased digitisation are clear. The business processes 7000 FX price updates per second and FX turnover is about 60% higher than it was 3 years ago with over 90% of flows now being digital.

## **Expenses**

We have maintained our strong track record of cost management, with a 3% underlying cost increase for the year, despite ongoing inflation, while sustaining our strategic investment spend.

The primary drivers of cost growth were increases in salary and third-party vendor costs, which moderated slightly compared to the prior year. Second half expenditure increased 2% driven by seasonality and acceleration of Suncorp Bank integration post completion.

We continued to support our strategic priorities, enhancing our technology capacity and capability to drive sustainable growth. To create capacity for these investments, we maintained a sharp focus on productivity achieving our highest ever full year benefit of nearly \$400m.

Outside of underlying cost movements, two areas of uplift were restructuring costs and Suncorp integration. This restructuring was in support of a net reduction of 800 FTE in FY24, which represents our largest annual organic FTE reduction since 2018.

## **Investment**

ANZ has had an investment spend of around \$2 billion per annum for the last 3 years. This included the build of the Transactive Platform, the technology stack powering ANZ+ and the BS11 regulatory program in New Zealand along with some other strategic programs like cloud migration.

These programs have now met key milestones, or have been completed such as in the case of BS11. It is now appropriate for a portion of the associated expenditures to be allocated to BAU. Going forward we'll report against an annual baseline investment spend of around \$1.5 billion for ANZ ex Suncorp Bank.

Importantly, with an op-ex rate of over 80% we continue to pay for our spend up front and as a result depreciation and amortisation was unchanged year on year and we continue to have the lowest software capitalisation balance of our peers.

## Credit quality

For the third year in a row, we had a peer leading IP loss rate of 2bps with an IP charge of \$106 million in the half. That is less than a third of the peer average loss rate.

Our IP loss rate has remained lower than our peers for the past three years, in part reflecting a benign credit environment but moreso because of years of proactive derisking.

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

Moving to portfolio trends - consistent with the broader banking sector and following several years of historically low levels of home loan delinquency trends, we are seeing some pockets of weakness.

This uptick is off a low base and improved analytics of our customer data is allowing us to more proactively identify customers in hardship and engage with them to identify solutions.

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

Our collective provision balance was steady at ~\$4b for ANZ ex Suncorp Bank, but our coverage levels for the group moved up 5 bps to 1.21%, post new home loan PD and LGD models implemented during the half which now more appropriately reflect the underlying portfolio risk.

When looking at CP coverage, it is important to consider the split of the loan book between performing and non-performing. As you can see on the top right hand side, the CP coverage for our performing exposures, which comprise over 99% of our portfolio, is comparable to peers.

On the bottom right hand side, you can see that we have a lower proportion of our exposures in default relative to peers. Given the above and our lower risk intensity portfolio, we are confident that we remain appropriately provided.

## Capital

Moving to capital and capital management.

ANZ's capital position remains strong with a CET1 ratio of 12.2%.

This is net of the impact of the Suncorp acquisition and the full impact of the \$2 billion share buy-back which are captured in the 12.2%. At the end of the Financial Year, we had completed around half of the buyback and expect to complete the remaining portion by the end of 1H25.

## Capital efficiency

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

In aggregate, this generated \$9.2 billion of capital. This has been deployed into return accretive growth, the buy back on foot and dividends of \$5.3 billion.

The capital generation and usage shown does not include Suncorp Bank as this capital was already set aside at the start of the year.

## Suncorp Acquisition - Synergies and integration costs

Shayne spoke to the momentum in the SUN business which has led to a step up in pre-synergy shareholder value largely driven by Suncorp customer deposits up 14% and deposit revenue doubling since we announced the acquisition in July 2022. A dedicated team worked throughout the two year period from announcement to finalisation to prepare for the day one transition of the Suncorp Bank business including its people into ANZ. This work meant that the transition could be accomplished promptly once the final approvals came through and importantly this quite complex program of work went smoothly.

As we progress our work on integration we believe we will be able to derive more value from Suncorp Bank and sooner than we initially anticipated.

My remarks today have been largely on an ANZ Excluding Suncorp basis given the relatively brief period of ownership. While we are not providing a forecast, my second slide should help you to consider the end of Financial Year position for the consolidated group.

Based on ANZ's ex Suncorp Bank FY24 results and the annualised Suncorp Bank results based on two months of our ownership, the FY24 baseline would be approximately \$22.1 billion revenue and \$11.45 billion costs for the consolidated Group, equating to a broadly similar CTI outcome to that for the ANZ Group excluding Suncorp Bank in FY24.

We'll speak further about Suncorp Bank performance, investment spend and synergies at the First Half 2025 result.

### **Summary**

In closing, we are well positioned as we move into FY25 exiting FY24 with good momentum across our banking and markets businesses.

My key focus this year remains on continuing to deliver strong financial outcomes through a focus on productivity and profitability, driving value from the Suncorp Bank transaction and strong capital and balance sheet management.

Thank you, I'll hand back to Jill for Q&A.

### **For media enquiries contact:**

**Lachlan McNaughton**  
Head of Media Relations  
Tel: +61 457 494 414

**Amanda Schultz**  
Media & Public Relations Manager  
Tel: +61 401 532 325