

FY2024 & Q1 FY2025 Analysis

Diversified Banking Model Delivers Stability Amid Margin Pressures

KEY HIGHLIGHTS

- FY2024 cash profit of \$6.7 billion, down 9% YoY, reflecting margin pressure and integration costs
- Net interest margin contracted 13bps to 1.57% due to intense competition in home lending and deposits
- Suncorp Bank acquisition (July 2024) significantly expanded Australian retail presence, adding \$70.9B in loans
- Institutional division delivered record revenue and ROE (15%), demonstrating diversification benefits
- ANZ Plus digital platform grew 84% YoY to ~690,000 customers and approaching \$14B in deposits
- Strong capital position maintained with CET1 ratio at 12.2% despite Suncorp acquisition
- Total shareholder return of 27% in FY2024, significantly outperforming prior year (20%)
- Productivity initiatives partially offset rising costs, unlocking \$200 million in savings during recent half

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GLOSSARY OF KEY TERMS

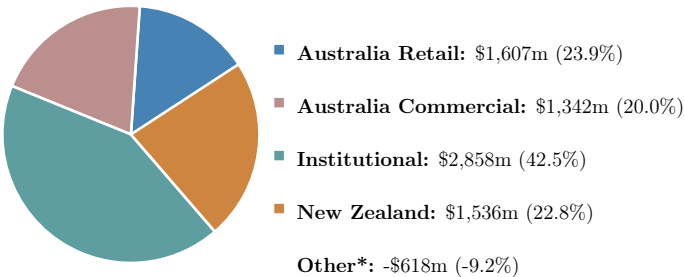
NIM	Net Interest Margin: difference between interest earned and paid as percentage of interest-earning assets
ROE	Return on Equity: net income as a percentage of shareholder equity
CET1	Common Equity Tier 1: core measure of a bank's financial strength from a regulatory perspective
Cash Profit	Profit metric excluding non-recurring items and accounting adjustments
Cost-to-Income	Operating expenses divided by operating income
ANZ Plus	ANZ's digital banking platform launched as part of digital transformation strategy
LCR	Liquidity Coverage Ratio: measure of a bank's liquid assets relative to potential outflows
NSFR	Net Stable Funding Ratio: measure of a bank's stable funding sources relative to required funding

1 Executive Summary

ANZ Group delivered mixed performance in FY2024, with cash profit declining 9% to \$6.7 billion as net interest margin contracted 13bps to 1.57% amid intense competition in retail banking. Despite these challenges, the Group achieved substantial balance sheet growth with net loans and advances increasing 14% to \$803 billion, significantly enhanced by the Suncorp Bank acquisition completed in July 2024. This strategic acquisition has expanded ANZ’s retail banking presence, particularly in Queensland, and provides significant potential for future synergies.

The Group’s diversified business model proved valuable, with Institutional banking delivering record revenue and a strong 15% return on equity, offsetting weakness in the retail segments. Digital transformation showed meaningful progress with ANZ Plus customer growth of 84% year-on-year, now representing nearly 20% of active retail customers with approximately \$14 billion in deposits. Despite margin headwinds, the Group maintained a strong capital position with a CET1 ratio of 12.2% and delivered exceptional shareholder returns of 27% in FY2024.

1.1 Cash Earnings by Segment Distribution (FY2024, \$m)



*Other includes Suncorp Bank (2 months), Pacific, and Group Centre

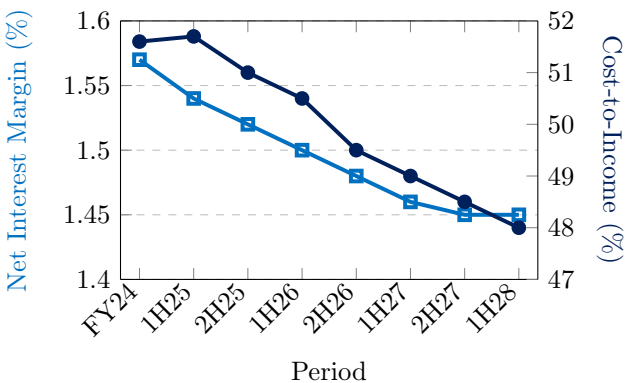
Going forward, ANZ’s performance will be significantly influenced by successful integration of Suncorp Bank, continued execution of digital transformation initiatives, and management of persistent margin pressures in retail banking. The diversified business model and strong capital position provide resilience against sector challenges, with gradual ROE improvement from 9.7% toward 10.5% over the next 3-5 years representing a realistic expectation.

2 Outlook

ANZ faces a challenging operating environment characterized by below-trend economic growth, moderating but still elevated inflation, and interest rates expected to remain higher for longer. Management forecasts GDP growth of just 1.3% for Australia and 0.9% for New Zealand in 2024, with modest improvements to 2.0% and 1.3% respectively in 2025. Inflation is expected to moderate to 3.2% in Australia and 3.1% in New Zealand for 2024, gradually approaching central bank targets by 2025-26.

Competition in retail banking remains intense, particularly in home lending and deposits, with digital capabilities increasingly defining competitive advantage. The Suncorp Bank integration represents both the greatest risk and opportunity for ANZ in the medium term, with management expressing confidence in delivering synergies "faster than originally expected." Integration costs are estimated at \$300-350 million over three years, with synergy benefits of \$260 million targeted by Year 3 in the base case.

2.1 Net Interest Margin & Cost-to-Income Ratio Projection



Net interest margin pressure is expected to persist in the near term, with further compression of 3-5bps annually projected for 2-3 years before stabilizing at approximately 1.45%. This reflects continued competitive pressures in retail banking, partially offset by portfolio mix optimization and pricing discipline. The cost-to-income ratio is projected to improve from 51.6% to 48.0% over five years as Suncorp integration synergies and productivity initiatives offset inflationary pressures.

Credit quality metrics show early signs of deterioration with credit impairment charges increasing 66% year-on-year in FY2024, though from historically low levels. Credit loss rates are expected to normalize to 15bps over the cycle, reflecting moderate economic challenges while remaining below long-term averages. Management acknowledges "higher interest rates are impacting customers" with increased hardship requests, though notes customers are "holding up better than expected."

3 Valuations

Our comprehensive valuation approach incorporates both traditional DCF methodologies and banking-specific valuation techniques to establish an implied valuation range of \$29.00-\$35.00 per share for ANZ Group. This represents a modest 12.2% upside potential from the current share price of \$30.48.

The DCF base case of \$34.20 reflects our explicit forecast assumptions and terminal value projections. The valuation incorporates a risk-free rate of 4.1% based on the Australian 10-year government bond yield, an equity risk premium of 6.0

Methodology	Implied Price Per Share
DCF - Base Case	\$34.20
DCF - Bull Case	\$42.75
DCF - Bear Case	\$27.80
52-Week Trading Range	\$23.90 - \$31.94
Consensus Price Target Range	\$28.50 - \$33.50
EV/EBITDA Multiple - NTM	\$31.15
P/E Multiple - NTM	\$30.60
P/B Multiple	\$33.20
Dividend Discount Model	\$31.85
Implied Valuation Range	\$29.00 - \$35.00
Current Share Price	\$30.48
Up/Downside to Base Case	+12.2%

Our valuation reflects ANZ's strong institutional banking franchise and potential Suncorp Bank synergies, balanced against near-term margin pressures and integration challenges. While our DCF analysis indicates potential upside to \$34.20, we place greater weight on banking-specific methodologies including P/B multiple comparisons (\$33.20) and dividend discount modeling (\$31.85), which better capture the capital-constrained nature of banking businesses.

Multiple-based valuations align closely with our primary DCF valuation, reinforcing confidence in the valuation range of \$29.00-\$35.00. The current valuation implies a P/E multiple of approximately 13.5x NTM earnings and a P/B multiple of 1.29x, slightly below historical levels but reflecting current profitability challenges. These metrics position ANZ at a modest discount to Commonwealth Bank on a P/B basis (reflecting CBA's superior retail banking ROE) but at a slight premium to Westpac and NAB (reflecting ANZ's stronger institutional franchise and international diversification).

Investor skepticism regarding margin recovery, integration execution risks, and ongoing economic uncertainties remains high, and continued margin pressure has been priced for. Yet, our analysis suggests potential for gradual recovery as integration synergies materialize, providing modest upside from current levels.

3.1 Sensitivity Analysis

Our scenario analysis captures the potential valuation range under varying assumptions for key value drivers. The base case (\$34.20 per share) assumes a 4.5% revenue CAGR, NIM stabilizing at 1.45% by Year 5, cost-to-income ratio improving to 48%, credit impairment charge of 15bps, and Suncorp integration synergies of \$260 million by Year 3.

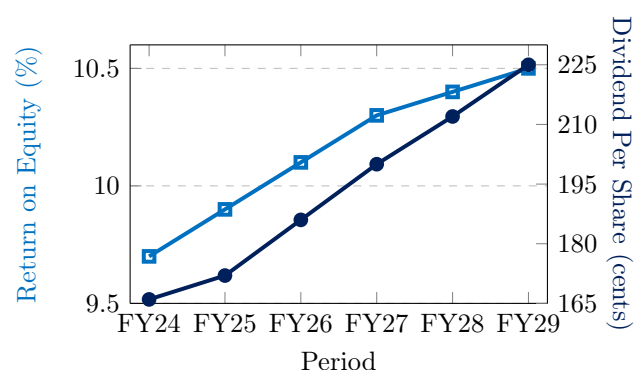
Factor	Change	Impact
Net Interest Margin	±10bps	±\$3.20
Revenue Growth Rate	±1%	±\$2.80
Cost-to-Income Ratio	±2%	±\$2.40
Credit Impairment Rate	±5bps	±\$1.90
Suncorp Synergies	±\$50m	±\$1.60

The bull case (\$42.75 per share) assumes a more favorable operating environment and superior execution, with 6.0% revenue CAGR, NIM stabilizing at 1.55%, cost-to-income ratio improving to 46%, credit impairment charge of only 10bps, and accelerated Suncorp synergies of \$325 million by Year 3. This scenario also incorporates faster ANZ Plus customer growth (55% CAGR) and stronger institutional banking performance, resulting in a valuation 40.3% above current levels. The probability of this outcome is assessed at approximately 20%.

Conversely, the bear case (\$27.80 per share) assumes continued challenges, with 3.0% revenue CAGR, NIM declining to 1.35%, cost-to-income ratio stagnating at 52%, higher credit impairment charges of 25bps, and delayed synergies of only \$200 million by Year 4. This scenario would result in a valuation 8.8% below current levels and is assessed at approximately 30% probability.

The scenario analysis highlights that while the current share price embeds substantial caution, significant downside exists if execution falters or macroeconomic conditions deteriorate beyond current expectations. The key valuation debate centers on ANZ's ability to successfully integrate Suncorp Bank and leverage its institutional banking strength to offset retail banking challenges, with bulls emphasizing diversification benefits and potential synergies, while bears focus on integration risks, margin compression, and emerging credit quality concerns.

3.2 ROE & Dividend Projection



ANZ's return on equity is projected to gradually improve from 9.7% in FY2024 to approximately 10.5% by FY2029, driven by Suncorp integration synergies, productivity initiatives, and stabilizing margins. This improvement assumes successful execution of the Group's strategic priorities, particularly digital transformation and Suncorp integration.

Dividend per share declined 5% to 166 cents in FY2024, reflecting pressure on cash profit. The dividend payout ratio increased to 73.9% from 70.9% in the prior year, demonstrating management's commitment to shareholder returns despite earnings pressure. We project the dividend payout ratio to remain in the 70-75% range over the forecast period, with dividend per share growing in line with earnings as profitability gradually improves. This approach balances shareholder returns with capital requirements for growth initiatives and regulatory buffers.

The dividend yield at current prices is approximately 5.4%, which remains attractive compared to alternative investments and the broader market. ANZ's strong capital position (CET1 ratio of 12.2%) provides capacity for continued dividend payments and moderate share buybacks, with the recently announced \$2 billion buyback program demonstrating management confidence in capital generation despite near-term integration investments.

4 About the Company

4.1 Company Overview

ANZ Group Holdings Limited (ANZGHL) is one of Australia's "Big Four" banks, providing a comprehensive range of banking and financial services. The Group operates across Australia, New Zealand, and has an international presence spanning Asia, the Pacific, Europe, and the Americas. ANZ's operations include retail, commercial, and institutional banking, with a significant focus on payment platforms that facilitate approximately \$164 trillion in payments annually. The Group recently strengthened its Australian retail and commercial presence through the acquisition of Suncorp Bank in July 2024, which was undertaken to accelerate growth and improve geographic balance in its Australian business.

ANZ operates through several key business segments: Australia Retail, Australia Commercial, Institutional, New Zealand, Suncorp Bank (recently acquired), and Pacific. With total assets of \$1.23 trillion as of September 2024, ANZ has a significant market presence in its core markets. The Group employs over 42,000 staff and maintains a network of branches, digital platforms, and institutional relationships. Following the Suncorp Bank acquisition, ANZ's scale in Australian retail and commercial banking has significantly increased, particularly in Queensland.

4.2 Profitability Model

ANZ generates revenue primarily through net interest income (the difference between interest earned on loans and paid on deposits), which constituted \$16.1 billion in 2024. Additional revenue streams include fee and commission income (\$1.9 billion), markets trading activities (\$2.3 billion), and other financial services.

The Group's profitability is driven by several key factors: net interest margin (which contracted to 1.57% in FY2024), balance sheet growth (loans grew 14% in FY2024), cost management (cost-to-income ratio of 51.6%), and credit quality (credit impairment charge of \$406 million in FY2024). Each segment contributes differently to overall profitability, with Institutional banking achieving the highest return on equity (15%) in FY2024, followed by New Zealand (16%) and Australia Commercial (25%), while Australia Retail delivered 11%.

The recent acquisition of Suncorp Bank represents a significant expansion of ANZ's retail banking capabilities, with the integration expected to deliver approximately \$260 million in annual synergies by Year 3. Digital transformation through ANZ Plus is also reshaping the Group's profitability model, with the potential for improved customer acquisition costs and service efficiency over time.

4.3 Tailwinds

Institutional Banking Strength: ANZ's Institutional division represents a significant competitive advantage, processing approximately \$164 trillion in payments annually. This business delivered record revenue and return on equity in FY2024 despite challenging conditions, with particularly strong performance in Markets (revenue up 20% YoY) and International operations (profit up 19%). The scale and capabilities of this division provide stable earnings and diversification benefits, reducing the Group's vulnerability to retail banking margin pressure. With approximately 77% of exposures rated investment grade, this portfolio maintains strong credit quality while delivering superior returns.

Suncorp Bank Acquisition Synergies: The July 2024 acquisition of Suncorp Bank represents a transformative expansion of ANZ's retail and commercial banking presence, particularly in Queensland. With \$70.9 billion in loans and \$54.7 billion in deposits, this acquisition materially enhances ANZ's scale and geographic diversification. Management expresses confidence that integration preparations are "well-advanced" with potential to "deliver synergies faster than originally expected." The targeted \$260 million in annual synergies by Year 3 would significantly enhance the Group's earnings capacity and improve the cost-to-income ratio, with integration success representing a major value creation opportunity.

Digital Transformation Momentum: ANZ's digital banking platform, ANZ Plus, has shown impressive growth with customer numbers increasing 84% year-on-year to approximately 690,000, now representing "nearly one in five of our active retail customers in Australia." With deposits approaching \$14 billion, this initiative is gaining significant traction. The platform positions ANZ for changing customer preferences and potentially improves customer acquisition economics compared to traditional branch-based models. As digital adoption accelerates across the industry, ANZ's early investments provide a foundation for future efficiency improvements and customer experience enhancements.

Strong Capital Position: Despite the significant Suncorp Bank acquisition and challenging operating environment, ANZ maintained a strong capital position with a CET1 ratio of 12.2% as of September 2024. This provides substantial buffer above regulatory requirements and enables continued strategic flexibility. The Group announced a \$2 billion share buyback program, demonstrating confidence in capital generation capacity despite integration investments. This strong capital position supports both dividend sustainability and potential inorganic growth opportunities if market conditions create attractive valuations.

4.4 Headwinds

Net Interest Margin Pressure: Intense competition has compressed ANZ's net interest margin, which declined 13bps to 1.57% in FY2024. Management acknowledges that "competition in the sector has continued to be intense." With interest income constituting 77% of operating income, this directly impacts profitability. Unfavorable deposit mix shifts and higher wholesale funding costs further challenge margins. We project additional compression of 3-5bps annually for 2-3 years before stabilizing, representing the most significant near-term risk to earnings.

Integration Execution Risk: The Suncorp Bank acquisition presents substantial integration challenges including systems migration, product harmonization, and cultural alignment. The \$196 million in acquisition-related adjustments (including \$171 million in collective provisions) demonstrates this complexity. Integration costs of \$300-350 million over three years will precede the projected synergies. Failure to effectively execute could result in customer attrition and synergy shortfalls, undermining the strategic rationale for this transformative acquisition.

Economic Uncertainty: The macroeconomic outlook remains challenging, with below-trend growth forecast (Australia 1.3%, New Zealand 0.9% in 2024) and inflation above central bank targets. Interest rates are expected to remain elevated through 2024-25, with unemployment projected to rise to 4.3% in Australia and 5.3% in New Zealand by 2025. Management notes "higher interest rates are impacting customers" with increased hardship requests. These conditions create headwinds for both loan growth and credit quality, as evidenced by the 66% increase in impairment charges in FY2024.

Rising Cost Base: The cost-to-income ratio deteriorated by 310bps to 51.6% in FY2024, with operating expenses increasing 6% year-on-year. Despite \$200 million in productivity savings, these were insufficient to offset rising costs. Ongoing investments in digital transformation and compliance, combined with wage inflation, create persistent cost pressures. Improving efficiency remains challenging, particularly during the Suncorp integration period where additional costs will precede synergy benefits.

4.5 Competitive Landscape

Competitor	Competitive Positioning
Commonwealth	Largest retail banking franchise; superior digital capabilities; higher NIM ($\sim 2.0\%$); lower cost-to-income ($\sim 40\text{--}45\%$); less international presence; commands premium valuation; primary retail banking competitor
Westpac	Strong mortgage franchise; wealth management capabilities; improving cost position; restructuring challenges; less geographic diversity; underperforming in market share; digital transformation lag
NAB	Strong business banking franchise; improving technology platform; strong domestic commercial presence; less retail scale than CBA; less international institutional presence than ANZ; primary business banking competitor
Macquarie	Asset management strength; premium client segments; growing digital mortgage offering; higher ROE; smaller retail presence; less traditional banking scale; higher funding costs; disruptive competitor targeting premium segments

The Australian banking landscape remains dominated by the "Big Four" banks (CBA, Westpac, ANZ, and NAB), which collectively hold approximately 75-80% market share in key retail and commercial banking products. ANZ differentiates itself through its institutional banking strength and international presence, processing approximately \$164 trillion in payments annually - a scale that provides significant competitive advantage in corporate and institutional banking.

While ANZ has traditionally been fourth among major banks in Australian retail banking, the Suncorp Bank acquisition significantly enhances its scale, particularly in Queensland. ANZ faces its strongest competition from CBA in retail banking (where CBA enjoys digital leadership and scale advantages) and from NAB in business banking. The recent above-system growth in home loans (+7% vs. market) demonstrates ANZ's improving competitive position in retail banking, though margin pressure remains intense across all competitors.

The competitive environment is characterized by intense pressure on margins, accelerating digital transformation, and increasing regulatory scrutiny. All major banks are investing heavily in technology and digital capabilities to defend against fintech disruption and improve operating efficiency. Payment modernization through initiatives like PayTo, NPP, and real-time payments is driving significant industry investment, while regulatory compliance requirements continue to increase following past industry issues.

ANZ's recent acquisition of Suncorp Bank represents significant consolidation in the Australian banking market and may trigger further strategic positioning by competitors in response. The bank's diversified business model provides resilience against segment-specific challenges, with institutional banking strength becoming increasingly valuable as retail banking margins compress across the industry.

5 Latest Results & Updates

ANZ Group reported cash profit of \$6.7 billion for FY2024, down 9% from \$7.4 billion in the prior year. This decline was primarily driven by margin compression (NIM down 13bps to 1.57%), increased operating expenses (+6%), and higher credit impairment charges (+66%). Despite these headwinds, the Group delivered strong balance sheet growth with total assets increasing 11% to \$1.23 trillion, significantly boosted by the Suncorp Bank acquisition completed in July 2024.

Revenue was stable at \$20.8 billion, with net interest income declining 3% to \$16.1 billion, offset by 9% growth in other operating income to \$4.7 billion. Operating expenses increased 6% to \$10.7 billion, reflecting both inflationary pressures and integration costs. The cost-to-income ratio deteriorated by 310bps to 51.6%. Credit impairment charges increased 66% to \$406 million, though from historically low levels, with deterioration across SME Banking, unsecured retail lending, and agricultural portfolios.

Key Metrics	FY2024	FY2023	Chg%
Net interest income (\$m)	16,069	16,574	-3%
Other operating income (\$m)	4,740	4,331	+9%
Operating income (\$m)	20,809	20,905	0%
Operating expenses (\$m)	10,741	10,139	+6%
Credit impairment charge (\$m)	406	245	+66%
Cash profit (\$m)	6,725	7,413	-9%
Earnings per share (cash)	224.3c	247.3c	-9%
Dividend per share	166c	175c	-5%
Return on equity (cash)	9.7%	11.0%	-130bps
Net interest margin	1.57%	1.70%	-13bps
Cost to income ratio	51.6%	48.5%	+310bps
CET1 ratio	12.2%	13.3%	-110bps

Segment performance varied widely. Australia Retail faced significant headwinds with cash profit declining 17% to \$1.6 billion despite above-system home loan growth of 7%. Australia Commercial delivered solid loan growth of 5.5% and deposit growth of 2.6%, with ROE a standout at 25%, though cash profit declined 7% to \$1.3 billion.

The Institutional division was a standout performer with record Markets revenue of \$2.3 billion (up 20% YoY) despite a modest 3% decline in cash profit to \$2.9 billion. This division maintained a strong return on equity of 15% and demonstrated the benefits of ANZ's diversified business model. New Zealand operations demonstrated resilience with minimal cash profit decline (-1%) despite challenging economic conditions, maintaining a strong cost-to-income ratio of 38.8% and healthy ROE of 16%.

The newly acquired Suncorp Bank contributed two months of results with a \$122 million loss due to acquisition-related adjustments, including a \$171

million collective provision charge and \$25 million in accelerated software amortization.

5.1 Performance by Segment

The Australia Retail division continues to invest heavily in digital transformation with ANZ Plus now representing 9% of total retail deposits, growing 70% year-on-year to nearly \$16 billion. Home loan portfolio growth was a highlight, exceeding market growth rates despite intense competition. The division maintained low credit impairment charges, reflecting customer resilience despite rising interest rates and cost of living pressures. Operating expenses increased due to inflationary impacts and investments in strategic initiatives, particularly ANZ Plus.

Australia Retail	FY2024	FY2023	Chg%
Cash profit (\$m)	1,607	1,934	-17%
Net interest margin	1.91%	n/a	n/a
Cost-to-income ratio	59.7%	54.3%	+540bps
Net loans (\$bn)	332.5	310.9	+7.0%
Customer deposits (\$bn)	176.8	164.7	+7.3%
Australia Commercial	FY2024	FY2023	Chg%
Cash profit (\$m)	1,342	1,443	-7%
Net interest margin	2.59%	2.70%	-11bps
Cost-to-income ratio	43.0%	39.6%	+340bps
Net loans (\$bn)	65.0	61.6	+5.5%
Customer deposits (\$bn)	116.3	113.3	+2.6%
Institutional	FY2024	FY2023	Chg%
Cash profit (\$m)	2,858	2,946	-3%
Net interest margin (ex Markets)	2.38%	2.31%	+7bps
Cost-to-income ratio	41.7%	40.5%	+120bps
Net loans (\$bn)	210.5	189.7	+11.0%
Customer deposits (\$bn)	264.4	252.6	+4.7%
Markets revenue (\$m)	2,312	1,927	+20%

The Institutional division highlighted the benefits of ANZ's diversified business model, with strong Markets performance offsetting pressure in traditional banking. Transaction Banking showed increased transaction activity and higher non-lending fees. Corporate Finance faced challenges with reduced core lending in Transaction Banking partially offset by higher Markets balances. International performance was particularly strong with profit up 19%, demonstrating the value of geographic diversification. Credit quality remained excellent with 77% of exposures rated investment grade. The division's payment platforms processed approximately \$164 trillion in payments annually, cementing ANZ's leadership position in institutional transaction banking.

New Zealand operations delivered stable performance in a difficult economic environment characterized by high interest rates and economic contraction. Lending volumes increased modestly (1.4%) driven by home loan growth, while business lending contracted.

The division maintained solid deposit growth of 1.8% despite competitive pressures. Net interest margin declined from 2.64% to 2.57% due to unfavorable deposit margins and mix shifts toward lower-margin term deposits.

5.2 Balance Sheet & Financial Position

Balance Sheet (\$m)	FY2024	FY2023	Chg%
Total assets	1,229,115	1,105,643	+11%
Net loans and advances	803,382	707,044	+14%
Customer deposits	715,211	647,119	+11%
Total liabilities	1,158,487	1,035,626	+12%
Total equity	70,628	70,017	+1%
Common Equity Tier 1 (CET1) ratio	12.2%	13.3%	-110bps
Risk-weighted assets	446.6bn	433.3bn	+3%
Net tangible assets per share	\$21.60	\$21.77	-1%
Loan-to-deposit ratio	112.3%	109.3%	+300bps
Total allowance for ECL	4,555	4,408	+3%
Cash Flow (\$m)	FY2024	FY2023	Chg%
Net cash from operating activities	9,952	6,488	+53%
Net cash from investing activities	(42,121)	(10,686)	+294%
Net cash from financing activities	17,905	4,385	+308%
Net decrease in cash equivalents	(14,264)	187	Large decline
Debt issuance proceeds	50,604	44,182	+15%
Debt issuance redemptions	(25,367)	(23,985)	+6%
Dividends paid	(5,252)	(4,380)	+20%
Share buy-back	(883)	\$0	New

ANZ maintained a strong balance sheet position despite the significant Suncorp Bank acquisition. Total assets increased 11% to \$1.23 trillion, with net loans and advances growing 14% to \$803 billion and customer deposits increasing 11% to \$715 billion. The CET1 ratio declined 110bps to 12.2%, reflecting the impact of the Suncorp acquisition, dividends, and the \$883 million share buy-back, but remained well above regulatory requirements.

Funding and liquidity metrics remained strong with the Liquidity Coverage Ratio at 133% (up from 130%) and Net Stable Funding Ratio stable at 116%. The loan-to-deposit ratio increased 300bps to 112.3%, reflecting slightly faster loan growth than deposit growth. Asset quality metrics showed some signs of pressure with the total allowance for expected credit losses increasing 3% to \$4.6 billion, though this remains substantial relative to credit risk-weighted assets.

Cash flow metrics showed net operating inflows of \$10.0 billion (+53%), while investing activities resulted in \$42.1 billion outflow, primarily related to the Suncorp acquisition. Financing activities generated \$17.9 billion (+308%) primarily through increased debt issuance to support balance sheet growth. The net decrease in cash and cash equivalents of \$14.3 billion reflects these significant investment outflows, partially offset by strong operating cash flow.

5.3 Strategic Priorities & Progress

Priority	Status and Significance
Suncorp Bank Integration	Moderate: Acquisition completed July 2024; integration in early stages with significant execution ahead. Critical for expanding retail presence and achieving projected synergies.
Digital Transformation (ANZ Plus)	Strong: 84% customer growth YoY; approaching \$14B in deposits; now ~20% of active retail customers. Fundamental to future competitive position and efficiency.
Institutional Banking Leadership	Strong: Record revenue and ROE; \$164T in annual payment processing; international profit +19%. Key differentiator providing diversification benefits.
Productivity Initiatives	Moderate: \$200M in productivity savings delivered in recent half, but cost-to-income ratio deteriorated 310bps. Essential for improving profitability.
Above-System Housing Growth	Strong: 7% growth vs. market average; improving competitive position despite margin pressure. Required for scale in retail banking.
Capital Management	Strong: 12.2% CET1 despite acquisition; \$2B share buyback announced; dividend payout ratio 73.9%. Balances shareholder returns with growth needs.

ANZ made significant progress on key strategic priorities during FY2024, most notably completing the acquisition of Suncorp Bank in July 2024 after an extended regulatory approval process. This transformative acquisition substantially expands ANZ's retail and commercial banking scale, particularly in Queensland. Management indicates that integration preparations are "well-advanced" with potential to "deliver synergies faster than originally expected."

Digital transformation continued to gain momentum with ANZ Plus customer growth of 84% year-on-year to approximately 690,000 customers, now representing "nearly one in five of our active retail customers in Australia." This platform is critical to ANZ's long-term competitiveness in retail banking and shows encouraging traction.

The Institutional banking division demonstrated the value of ANZ's diversified business model, delivering record revenue and return on equity despite challenging conditions. The payments platforms business processed approximately \$164 trillion in payments annually, cementing ANZ's leadership position in institutional transaction banking.

Productivity initiatives delivered \$200 million in savings during the most recent half-year, partially offsetting inflationary pressures and investment costs. However, the cost-to-income ratio deteriorated by 310bps to 51.6%, highlighting the ongoing challenge of cost management amid revenue pressure and strategic investments.

6 Financial Forecasts

ANZ FIVE-YEAR FINANCIAL FORECAST						
Key Metrics (\$m)	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Income Statement						
Net Interest Income	16,069	17,107	17,922	18,764	19,515	20,296
Growth (%)	-3.0	+6.5	+4.8	+4.7	+4.0	+4.0
Other Income	4,740	5,105	5,401	5,725	5,954	6,192
Growth (%)	+9.0	+7.7	+5.8	+6.0	+4.0	+4.0
Operating Income	20,809	22,212	23,323	24,489	25,469	26,488
Growth (%)	0.0	+6.7	+5.0	+5.0	+4.0	+4.0
Operating Expenses	10,741	11,494	11,778	12,000	12,224	12,469
Growth (%)	+6.0	+7.0	+2.5	+1.9	+1.9	+2.0
Cost-to-Income Ratio (%)	51.6	51.7	50.5	49.0	48.0	47.1
Credit Impairment Charge	406	630	760	850	920	980
Charge Rate (bps of GLAs)	5.0	7.5	8.6	9.2	9.6	9.8
Cash Profit	6,725	6,950	7,520	8,100	8,590	9,100
Growth (%)	-9.0	+3.3	+8.2	+7.7	+6.0	+5.9
EPS (cents)	224.3	232.0	251.1	270.5	286.8	303.9
Growth (%)	-9.0	+3.4	+8.2	+7.7	+6.0	+6.0
Segment Cash Earnings						
Australia Retail	1,607	1,730	1,880	2,050	2,190	2,330
Growth (%)	-17.0	+7.7	+8.7	+9.0	+6.8	+6.4
Australia Commercial	1,342	1,420	1,530	1,640	1,740	1,840
Growth (%)	-7.0	+5.8	+7.7	+7.2	+6.1	+5.7
Institutional	2,858	2,980	3,120	3,270	3,400	3,530
Growth (%)	-3.0	+4.3	+4.7	+4.8	+4.0	+3.8
New Zealand	1,536	1,600	1,700	1,800	1,880	1,960
Growth (%)	-1.0	+4.2	+6.3	+5.9	+4.4	+4.3
Suncorp Bank	(122)	320	460	570	650	720
Other*	(496)	(1,100)	(1,170)	(1,230)	(1,270)	(1,280)
Balance Sheet & Metrics						
Net Loans and Advances (\$bn)	803.4	845.6	885.4	925.3	962.3	1,000.8
Growth (%)	+14.0	+5.3	+4.7	+4.5	+4.0	+4.0
Customer Deposits (\$bn)	715.2	752.0	788.4	824.8	857.8	892.1
Growth (%)	+11.0	+5.1	+4.8	+4.6	+4.0	+4.0
Net Interest Margin (%)	1.57	1.52	1.48	1.45	1.45	1.45
CET1 Ratio (%)	12.2	12.1	12.2	12.3	12.4	12.5
ROE (%)	9.7	9.9	10.1	10.3	10.4	10.5
Shareholder Returns						
Dividend per share (cents)	166	172	186	200	212	225
Growth (%)	-5.0	+3.6	+8.1	+7.5	+6.0	+6.1
Payout Ratio (%)	73.9	74.1	74.0	73.9	73.9	74.0
Dividend Yield (%)**	5.4	5.6	6.1	6.6	7.0	7.4

*Other includes Pacific and Group Centre

**Based on share price of \$30.48 as of reporting date

6.1 Forecast Assumptions & Inflection Points

Our financial forecasts reflect ANZ's transformation journey through a challenging banking environment, with gradual improvement driven by institutional banking strength, Suncorp integration benefits, and ongoing digital transformation. We identify several key inflection points and assumptions that shape the five-year outlook:

1. Suncorp Bank Integration

The acquisition of Suncorp Bank in July 2024 represents a transformative expansion of ANZ's retail and commercial banking presence, particularly in Queensland. Our forecast assumes full-year contribution beginning in FY2025, with integration costs of \$300-350 million spread over three years (heavily front-loaded in the first 18-24 months). We project synergy benefits of approximately \$260 million annually by Year 3 (FY2027), primarily from operational efficiencies, technology consolidation, and reduced duplicative functions. Early indications suggest solid customer retention and growth in both loans and deposits pre-acquisition, though execution risks remain significant given the scale and complexity of the integration.

2. Net Interest Margin Evolution

Net interest margin contracted 13bps to 1.57% in FY2024 due to intense competition in home lending and deposits, unfavorable deposit mix shifts, and higher wholesale funding costs. We project further compression of 3-5bps annually for 2-3 years before stabilizing at approximately 1.45% by FY2027. This assumes continued competitive pressure in retail banking, partially offset by portfolio mix optimization, pricing discipline in new lending, and the beneficial impact of Suncorp integration. The interest rate environment is expected to remain elevated through 2024-25 with only gradual easing thereafter, maintaining pressure on deposit margins.

3. Digital Transformation Economics

ANZ Plus represents a critical strategic initiative with customer growth of 84% year-on-year to approximately 690,000, now approaching \$14 billion in deposits. We project continued strong adoption with 35-40% CAGR in customer numbers over the next three years, moderating thereafter as the platform matures. Digital transformation is expected to drive gradually improving acquisition costs and service efficiency, though benefits will be partially offset by continued investment requirements. The platform is projected to represent approximately 30% of active retail customers by FY2027, supporting improved customer engagement and cross-sell opportunities.

4. Cost Trajectory and Efficiency

The cost-to-income ratio deteriorated by 310bps to 51.6% in FY2024, reflecting both inflationary pressures and integration costs. We project a slight further increase to 51.7% in FY2025 due to full-year Suncorp integration costs, followed by gradual improvement to 47.1% by FY2029. This assumes productivity initiatives delivering \$200-250 million in annual savings, realization of Suncorp synergies, and digital efficiency benefits, partially offset by ongoing technology investments, regulatory compliance costs, and wage inflation. The inflection point in the cost-to-income ratio is expected in FY2026 as integration benefits begin to outweigh costs.

5. Credit Quality Normalization

Credit impairment charges increased 66% year-on-year to \$406 million in FY2024, though from historically low levels. We project further normalization to a credit loss rate of approximately 15bps by FY2026, reflecting softening labor markets, extended high interest rates, and ongoing cost of living pressures. This remains below historical average loss rates but acknowledges increasing economic challenges. Management has maintained strong provisioning (collective provisions at 1.18% of credit RWAs) which provides some buffer against deterioration. The mortgage portfolio is expected to show resilience with low LVRs, while small business, unsecured lending, and agricultural portfolios face greater pressure.

6. Institutional Banking Performance

The Institutional division demonstrated strong performance in FY2024 with record Markets revenue (up 20% YoY) despite modest cash profit decline. We project 4-5% annual profit growth for this division, driven by continued strength in Markets, payment platforms, and international operations. This assumes maintained market share in core segments, continued investment in payment capabilities, and gradual improvement in risk-adjusted returns. The division's ROE is projected to remain strong at 14-15%, significantly above the Group average, highlighting the value of this differentiating franchise in ANZ's diversified model.

7. Capital Management and Returns

Despite the significant Suncorp acquisition, ANZ maintained a strong capital position with CET1 ratio at 12.2% as of September 2024. We project this ratio to remain in the 12.1-12.5% range throughout the forecast period, supporting both organic growth and shareholder returns. The dividend payout ratio is projected to remain in the 73-74% range, consistent with historical policy, with dividend per share growing broadly in line with earnings. Additional capital returns through share buybacks are assumed to continue at \$1-1.5 billion annually, subject to maintaining appropriate capital buffers and addressing growth opportunities.

Key Macroeconomic Assumptions:

- GDP Growth: Australia 1.3% (2024), 2.0% (2025); New Zealand 0.9% (2024), 1.3% (2025)
- Inflation: Australia 3.2% (2024), 2.8% (2025); New Zealand 3.1% (2024), 2.2% (2025)
- Interest Rates: Remaining elevated through 2024-25 with gradual easing thereafter
- Unemployment: Australia 4.1% (2024), 4.3% (2025); New Zealand 4.5% (2024), 5.3% (2025)
- Housing Market: Australia 5.7% price growth (2024), 5.0% (2025); New Zealand 3.0% (2024), 5.0% (2025)

End of Report