

H1 FY2025 Analysis

# Digital Transformation and Suncorp Integration Driving Strategic Growth

KEY HIGHLIGHTS

- Record half-year revenue of \$11.2 billion, up 10% year-on-year, driven by net interest income growth of 12%
- Statutory profit increased 7% to \$3.64 billion, though cash profit remained flat at \$3.57 billion
- Digital strategy gaining traction with ANZ Plus reaching 1 million customers and over \$20 billion in deposits
- Suncorp Bank acquisition contributing \$286 million to cash profit with synergies materializing ahead of schedule
- Credit quality showing normalization with impaired assets up 48% to \$2.25 billion (0.27% of gross loans)
- CET1 ratio at 11.8%, down 170bps year-on-year but remaining well above regulatory minimums

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GLOSSARY OF KEY TERMS

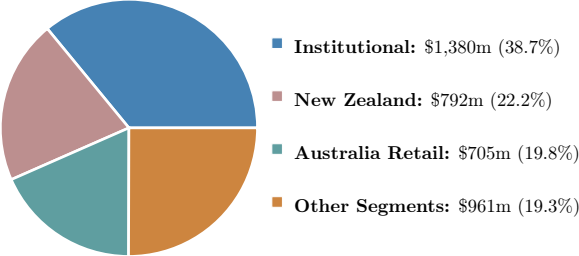
NIM		Net Interest Margin - difference between interest earned on loans and interest paid on deposits, expressed as a percentage of interest-earning assets
CET1 Ratio		Common Equity Tier 1 Ratio - core measure of bank's financial strength, calculated as CET1 capital divided by risk-weighted assets
Dual form	Plat-	ANZ's technology strategy with ANZ Plus (retail) and Transactive Global (institutional) as separate digital platforms
Cash Profit		Measure of underlying business performance, excluding non-recurring items that aren't part of normal business operations
ECL		Expected Credit Loss - forward-looking estimate of potential loan losses used for provisioning under accounting standards
Cost-to-Income		Operating expenses divided by operating income, key efficiency metric for banking institutions

1 Executive Summary

ANZ Group delivered record half-year revenue of \$11.2 billion in H1 2025, representing a 10% increase year-on-year. This growth was primarily driven by net interest income expansion of 12% to \$8.87 billion, while other operating income increased modestly by 3% to \$2.31 billion. Statutory profit rose 7% to \$3.64 billion, though cash profit remained flat at \$3.57 billion as higher expenses (+12%) and increased credit charges (+107%) offset revenue growth. Notably, cash profit excluding Suncorp Bank declined 8% year-on-year, indicating challenges in the core business. The Group's net interest margin remained stable at 1.56%, masking segment-level compression in Australia Retail (-10bps) and Australia Commercial (-7bps).

Segment performance varied significantly, with Australia Retail profit declining 11% and Institutional profit falling 9%, while New Zealand maintained stable results. Suncorp Bank contributed \$286 million in its first full half under ANZ ownership. The balance sheet expanded considerably, with total assets increasing 20% to \$1.3 trillion, though this growth was largely attributable to the Suncorp acquisition. Credit quality showed signs of normalization, with impaired assets increasing 48% year-on-year, though still at historically low levels (0.27% of gross loans). ANZ's strategic initiatives are gaining momentum, with the digital transformation advancing as ANZ Plus reached one million customers and over \$20 billion in deposits, while Suncorp integration is proceeding with synergies materializing ahead of schedule.

1.1 Cash Earnings by Segment Distribution (H1 2025, \$m)



Other Segments includes Australia Commercial (\$655m), Suncorp Bank (\$286m), Pacific (\$20m), and Group Centre (-\$270m).

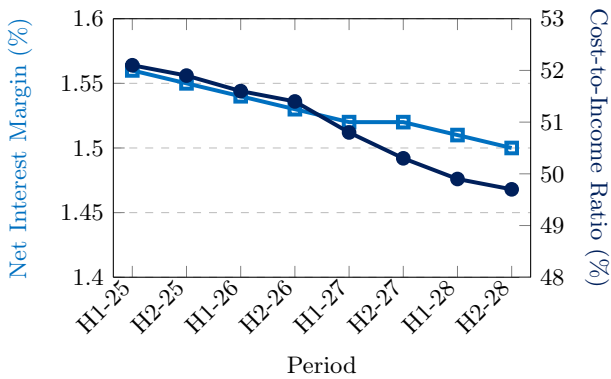
2 Outlook

ANZ's outlook reflects a balance of strategic opportunities and macroeconomic challenges. The full integration of Suncorp Bank is expected to deliver additional synergies beyond the early realizations already observed, supporting revenue growth of 4.0-4.5% over the next two years. The dual platform strategy will continue gaining momentum, with ANZ Plus customer acquisition projected to add 0.8-1.0 million customers annually, driving deposit growth and progressively improving the cost-to-income ratio toward a target of approximately 49.5% by FY29 from the current 52.2%.

Credit quality normalization represents a key dynamic, with impairment charges expected to increase gradually from the current historically low 0.04% of gross loans to 0.15% by FY29, reflecting a return to mid-cycle levels without assuming severe stress. Net interest margin is projected to compress moderately from 1.56% to 1.49% over five years due to competitive pressures, partially offset by portfolio mix shifts and funding benefits. Capital management will prioritize dividend sustainability (65-70% payout ratio) while maintaining CET1 ratios above 11.3%.

The scheduled CEO transition from Shayne Elliott to Nuno Matos in May 2025 introduces execution uncertainty but also brings fresh perspective and international experience. Critical catalysts include APRA remediation progress, Suncorp integration milestones, and acceleration of customer migration to ANZ Plus. The macroeconomic environment presents mixed signals, with subdued growth forecasts (Australia: 1.1% in 2024, 2.1% in 2025) but potential interest rate relief that could mitigate borrower stress while creating margin challenges.

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



The projection illustrates two critical performance metrics for ANZ over the next four years. Net interest margin faces gradual compression from 1.56% to 1.50% due to competitive pressures in retail and commercial segments, though the decline is moderated by portfolio mix shifts and the higher-margin Suncorp business. Simultaneously, the cost-to-income ratio is expected to improve substantially from 52.1% to 49.7% as digital transformation and Suncorp integration deliver efficiency benefits. The divergent trends reflect ANZ's strategy of offsetting margin pressure through operational effectiveness.

These projections align with management's balanced outlook, acknowledging "uncertain global conditions" while emphasizing preparation through "conservative settings around capital position and risk settings." The declining NIM reflects industry-wide competitive dynamics, while the improving efficiency ratio represents ANZ-specific opportunities through its dual platform strategy and acquisition synergies. The combined effect supports a trajectory of modest but sustainable earnings growth, with efficiency gains progressively compensating for margin headwinds.

### 3 Valuations

Our valuation approach for ANZ employs multiple methodologies to reflect the bank's mature but evolving business model. The primary approach (60% weighting) is a Dividend Discount Model (DDM), which best captures ANZ's capital return focus while appropriately incorporating regulatory capital constraints. This model discounts projected dividends and share buybacks using a 10.9% cost of equity, reflecting the risk-free rate (3.25%), equity risk premium (5.75%), beta (1.15), and company-specific risk factors (1.0%) including regulatory challenges and CEO transition.

Supporting methodologies include a forward P/E multiple approach (25% weighting), applying a 12.0x multiple to FY26E EPS of \$2.57, aligned with mid-cycle banking valuations. Our P/B-ROE regression model (15% weighting) values ANZ at 1.3x book value based on its projected 10.8% ROE, reflecting a moderate premium to sector averages given its diversified business model. Banking-specific factors considered include the explicit focus on sustainable capital returns, regulatory capital requirements that constrain growth, and the mature but improving business model following the Suncorp acquisition and digital investments.

Key assumptions include revenue growth of 4.0% CAGR over five years, NIM compression from 1.56% to 1.49%, gradual credit normalization to 0.15% of gross loans, and cost-to-income improvement to 49.5%. These factors are supported by management's explicit guidance on strategic initiatives and conservative positioning in an uncertain environment.

Methodology	Per Share
DDM - Base Case	\$28.54
DDM - Bull Case	\$33.11
DDM - Bear Case	\$23.99
52-Week Trading Range	\$27.89 - \$32.80
Consensus Price Target Range	\$30.00 - \$33.50
Forward P/E Multiple (12.0x FY26E EPS)	\$30.84
P/B-ROE Regression Model	\$31.79
Historical P/E Range (5-Year)	\$26.75 - \$33.25
<b>Implied Valuation Range</b>	<b>\$24.00 - \$33.00</b>
<b>Current Share Price</b>	<b>\$30.00</b>

The valuation methodologies yield a relatively wide range, reflecting the uncertainty in ANZ's operating environment and strategic execution. The DDM base case of \$28.54 captures the sustainable dividend stream and moderate growth potential, while the bull case (\$33.11) incorporates stronger execution on strategic initiatives and the bear case (\$23.99) reflects credit deterioration and margin challenges. The market-based approaches (P/E, P/B) yield somewhat higher values, suggesting confidence in ANZ's ability to deliver on strategic initiatives. The historical trading range and consensus targets provide additional context for the valuation framework.

### 3.1 Sensitivity Analysis

The valuation exhibits significant sensitivity to several key variables, with terminal NIM, credit impairment charges, and cost of equity assumptions having the most pronounced impact. A  $\pm 5$  basis point change in terminal NIM affects our valuation by  $\pm \$1.75$  per share, highlighting the critical importance of ANZ's ability to manage pricing discipline amid competitive pressures. Similarly, a  $\pm 5$  basis point change in terminal credit impairment charges impacts valuation by  $\pm \$1.50$  per share, underscoring the sensitivity to credit quality outcomes as the cycle normalizes from historically benign conditions.

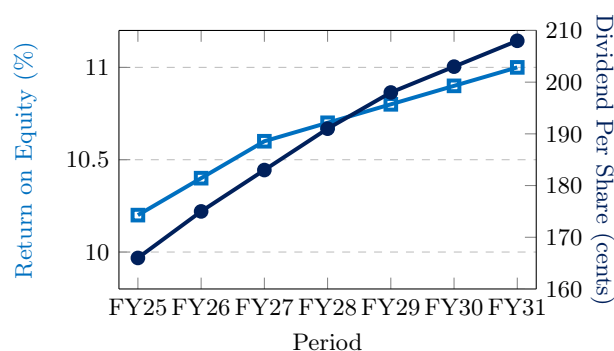
The cost of equity assumption significantly influences the valuation, with a  $\pm 50$  basis point change affecting the result by  $\pm \$3.25$  per share. This sensitivity reflects the DDM-focused valuation approach, where discount rate changes have outsized impacts on terminal value calculations. Operational factors also significantly influence valuation outcomes, with the cost-to-income ratio improvement trajectory ( $\pm 100$  basis points change impacting valuation by  $\pm \$2.25$  per share) and Suncorp synergy realization ( $\pm 25\%$  affecting valuation by  $\pm \$0.75$  per share) representing key execution variables.

Factor	Change	Impact
Terminal NIM	$\pm 5$ bps	$\pm \$1.75$ per share
Credit Impairment/GLA	$\pm 5$ bps	$\pm \$1.50$ per share
Cost of Equity	$\pm 50$ bps	$\pm \$3.25$ per share
Cost-to-Income Ratio	$\pm 100$ bps	$\pm \$2.25$ per share
Suncorp Synergy Realization	$\pm 25\%$	$\pm \$0.75$ per share

These sensitivities highlight the significant variability in valuation outcomes under different scenarios. The bull case (\$33.11) materializes if ANZ successfully accelerates digital transformation benefits while extracting greater-than-expected Suncorp synergies, with favorable credit quality limiting normalization to 0.10% of gross loans versus 0.15% in the base case. Conversely, the bear case (\$23.99) incorporates execution challenges during the CEO transition, deeper margin compression, and faster credit normalization to 0.25% of gross loans.

The weighted probability distribution (60% base case, 20% each for bull and bear scenarios) yields a probability-weighted valuation of \$28.54, identical to our base case. The key valuation debates center on the pace of credit normalization, the sustainability of NIM in a competitive environment, and the extent to which the dual platform strategy can deliver transformative rather than incremental benefits.

## 3.2 ROE & Dividend Projection



For ANZ, return on equity (ROE) and dividend per share represent particularly relevant metrics given the bank's focus on capital efficiency and shareholder returns. The projected gradual improvement in ROE from 10.2% to 11.0% over the forecast period reflects the expected benefits from digital transformation and Suncorp integration, partially offset by the impact of credit normalization and ongoing margin pressure. This trajectory remains be-

low Commonwealth Bank's sector-leading 13.8% but approaches NAB's 11.7%, reflecting ANZ's improved competitive position.

The dividend projection shows sustainable growth from 166 cents in FY25 to 208 cents by FY31, representing a 3.8% CAGR while maintaining a payout ratio of 65-70%. This supports an attractive dividend yield of 5.7% based on the current share price, compared to CBA's 3.5% and the sector average of approximately 5.0%. The combination of gradually improving returns with strong dividend growth reflects ANZ's balanced approach to capital management, prioritizing sustainable shareholder returns while investing in strategic initiatives.

These metrics demonstrate ANZ's positioning as an income-oriented investment with moderate growth potential, underpinned by its diversified business model and strategic transformation. The gradual nature of the improvement reflects both the time required for strategic initiatives to deliver full benefits and the conservative approach to credit provisioning and capital management in an uncertain macroeconomic environment.

## 4 About the Company

### 4.1 Company Overview

ANZ Group Holdings Limited is one of Australia's largest financial institutions, operating as a diversified banking group primarily across Australia, New Zealand, and the Asia-Pacific region. The bank serves approximately 10 million customers through seven divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Suncorp Bank, Pacific, and Group Centre. ANZ operates across 29 markets globally, with a stronger presence in Asia than many of its Australian peers, positioning it to support customers navigating complex cross-border trade environments.

The Group significantly expanded its Australian market presence in July 2024 with the acquisition of Suncorp Bank for \$4.9 billion, enhancing its footprint particularly in Queensland. ANZ's current scale includes total assets of \$1.3 trillion, net loans and advances of \$820 billion, and customer deposits of \$757 billion. The bank holds approximately 15-20% market share in the Australian banking sector, with particularly strong positioning in institutional banking.

ANZ is undergoing a leadership transition, with Shayne Elliott concluding his 9.5-year tenure as CEO, to be succeeded by Nuno Matos in May 2025. Under Elliott's leadership, the bank has focused on simplifying operations, strengthening the balance sheet, and improving capital efficiency while pursuing a "dual platform strategy" for technological transformation.

### 4.2 Profitability Model

ANZ generates revenue primarily through traditional banking activities, with net interest income accounting for 79% of total income (\$8,869 million for H1 2025). This is derived from the spread between interest earned on loans (home loans, business lending, credit cards) and interest paid on deposits. The bank's net interest margin stands at 1.56% at the Group level, with significant variation across segments ranging from 0.76% in Institutional to 2.60% in New Zealand and 2.12% in Suncorp Bank.

Other revenue streams include fee and commission income (\$904 million), markets income from trading activities (\$1,073 million), and other financial services. The bank's Institutional division represents the largest profit contributor at 38.7% of Group cash profit, followed by New Zealand at 22.2% and Australia Retail at 19.8%.

The cost structure is dominated by personnel expenses and technology investments, with a current cost-to-income ratio of 52.2%, above the industry-leading 38.5% achieved in the New Zealand division. Key profitability drivers include balance sheet growth (currently 15% year-on-year for loans), net interest margin management amid competitive pressure, operational efficiency through digital transformation, and credit quality (credit impairment charges currently at 0.04% of gross loans).

The bank's "dual platform strategy" focuses on two key technological platforms: ANZ Plus for retail customers (which has reached 1 million customers and over \$20 billion in deposits) and Transactive Global for institutional clients. These platforms are expected to drive long-term cost efficiency improvements and enhance customer acquisition capabilities.



### 4.3 Tailwinds

**Suncorp Bank Integration Synergies:** The \$4.9 billion acquisition of Suncorp Bank provides significant scale benefits and Queensland market penetration, with early results exceeding expectations. Suncorp delivered record half-year profit of \$286 million in its first full period under ANZ ownership, with management reporting that "cost synergies have now started to be realized earlier than anticipated." The 2.12% NIM of Suncorp Bank exceeds ANZ Group's average of 1.56%, providing positive mix benefits as integration progresses. This acquisition enhances ANZ's competitive position against major peers in the Australian market and creates additional growth potential beyond organic expansion.

**Digital Platform Transformation Momentum:** ANZ's dual platform strategy is showing tangible progress, with ANZ Plus reaching one million customers and over \$20 billion in deposits. Approximately 50% of ANZ Plus customers consider ANZ their main bank, indicating strong engagement versus traditional banking relationships. This comprehensive platform rebuild offers more transformative potential than competitors' incremental digital enhancements, with projected cost-to-income improvements from 52.2% currently to approximately 49.5% by FY29. The platform approach facilitates more agile product development and personalization, creating opportunity to differentiate beyond price in the competitive Australian retail banking market.

**Geographic Diversification Advantage:** ANZ's presence across 29 markets provides both earnings diversification and strategic optionality as global trade patterns evolve amid increasing tariff changes and trade disruption. The Institutional division, which consistently delivers ROE above 13% despite challenging market conditions, benefits from ANZ's ability to "support customers as they adjust their strategy and seek to move capital." This international connectivity represents a distinctive advantage relative to more domestically-focused peers, particularly in an environment where management notes "the future of global conditions is uncertain and there will continue to be periods of increased volatility."

**Balance Sheet Strength and Capital Flexibility:** ANZ maintains robust capital and liquidity metrics despite the Suncorp acquisition, with a CET1 ratio of 11.8%, Liquidity Coverage Ratio of 132%, and Net Stable Funding Ratio of 117%. This conservative positioning provides both defensive resilience in an uncertain environment and flexibility for strategic initiatives. Management has emphasized that "our strong balance sheet, including capital, provisions and liquidity, is critical" in the current environment. ANZ has consistently returned capital to shareholders through dividends (current yield 5.7%) and share buybacks (ongoing \$2 billion program), while funding substantial technological investments and a major acquisition, demonstrating effective capital allocation discipline.

### 4.4 Headwinds

**Credit Normalization Trajectory:** ANZ is experiencing clear signs of credit quality normalization, with credit impairment charges doubling year-on-year (+107%) to \$145 million and gross impaired assets increasing 48% to \$2.25 billion (0.27% of gross loans). Australia Commercial has shown the most significant stress (impaired assets at 0.58% of loans), particularly in SME Banking and Agri portfolios. While current levels remain historically low (impairment charges at just 0.04% of gross loans), this trend is expected to continue as economic growth remains subdued in Australia (1.1% projected for 2024) and New Zealand faces recessionary conditions (-0.5% in 2024). Management has built substantial buffers through conservative provisioning (\$4.64 billion in ECL allowances, up 6% year-on-year) and years of portfolio de-risking, but normalization will likely constrain earnings growth.

**Competitive Margin Pressure:** ANZ faces intense competitive pressure, particularly in retail banking where Australia Retail net interest margin contracted 10 basis points year-on-year to 1.84%, contributing to the division's 11% profit decline. The Group NIM stability at 1.56% masks segment-level compression, with Australia Commercial also experiencing margin contraction (-7bps). Core cash profit excluding Suncorp declined 8% year-on-year, highlighting underlying challenges in the core business. Digital channels have intensified competitive dynamics, especially in home lending where Commonwealth Bank's superior digital capabilities have created mortgage market share pressure for ANZ. Management's mitigation approach focuses on portfolio mix optimization toward higher-margin segments, relationship-based pricing, and funding cost management.

**Regulatory and Non-Financial Risk Challenges:** ANZ faces significant regulatory challenges following its enforceable undertaking with APRA regarding non-financial risk management practices and risk culture. The immediate financial impact includes a \$250 million operational risk capital overlay that increased RWA by \$3.1 billion from April 2025. CEO Shayne Elliott acknowledged this issue as "pretty serious" and noted "we've got a lot of work to do" in this area. The CEO transition adds complexity to addressing these challenges, though it may also bring fresh perspective. While primarily an operational issue, these concerns could constrain growth initiatives and increase costs in the medium term, potentially offsetting some expected efficiency gains from digital transformation.

**CEO Transition Execution Risk:** The scheduled CEO transition from Shayne Elliott to Nuno Matos in May 2025 introduces execution uncertainty during a critical period of strategic implementation. This transition coincides with Suncorp Bank integration, digital transformation acceleration, and APRA remediation requirements, creating potential for disruption to ongoing initiatives. Matos brings valuable retail banking expertise from his role at HSBC, but lacks specific experience in the Australian/New Zealand regulatory environment. The announced transition timeframe provides opportunity for knowledge transfer, though Elliott's accumulated institutional knowledge inevitably represents transition risk. Management's emphasis on strategic continuity mitigates this concern, but the leadership change remains a near-term uncertainty factor.

**Transformational Execution Complexity:** ANZ's "dual platform strategy" (ANZ Plus for retail and Transactive Global for institutional customers) represents a fundamental transformation of its technological foundation, while simultaneously integrating Suncorp Bank. Execution risk is substantial given the complexity and scale of these initiatives. Customer migration represents a critical bottleneck, with the current one million ANZ Plus

customers representing just 12-15% of the retail customer base. Accelerating migration without compromising service quality requires careful balance during the leadership transition. Cost overruns on technology projects represent an industry-wide challenge, with ANZ's approach potentially creating higher near-term investment requirements before delivering the projected efficiency benefits.

## 4.5 Competitive Landscape

Competitor	Competitive Positioning
<b>ANZ Group</b>	Diversified banking group with stronger institutional and regional capabilities than domestic peers, operating across 29 markets. Strategic position strengthened by Suncorp Bank acquisition, enhancing retail presence particularly in Queensland. Digital transformation underway through dual platform strategy (ANZ Plus and Transactive Global), with early momentum but implementation still in progress. ROE of 10.2% lags some peers, though showing gradual improvement. Particularly strong in institutional banking, consistently delivering 13%+ ROE in this segment. Relatively weaker in retail banking compared to CBA, though improving through strategic initiatives.
<b>Commonwealth Bank</b>	Market leader in Australian retail banking with dominant digital capabilities and superior customer satisfaction ratings. Commands significant valuation premium (18.5x forward P/E, 2.2x P/B) justified by sector-leading ROE of 13.8%. Strongest deposit franchise and mortgage market share, with advanced technology platform setting industry benchmarks for digital engagement and customer experience. Less diversified internationally than ANZ, but stronger domestic consumer franchise offers resilience. Innovation leader in Australian banking, consistently delivering superior organic growth and profitability metrics through operational excellence and customer focus.
<b>Westpac</b>	Traditional major competitor facing similar transformation challenges but with less international exposure than ANZ. Trading at a slight discount to ANZ (11.0x forward P/E, 1.2x P/B) despite comparable returns (10.5% ROE). Stronger mortgage book but greater exposure to the competitive Australian market with more limited diversification benefits. Recent regulatory issues and remediation costs have created performance headwinds, though cost efficiency initiatives gaining momentum. Digital capabilities improving but still playing catch-up to market leaders, with transformation timeline extending beyond near-term forecasts.
<b>National Australia Bank</b>	Strong competitor in business and institutional segments with a focused strategy that has delivered improving returns (11.7% ROE). Trades at a modest premium to ANZ (12.4x forward P/E, 1.5x P/B) supported by its leading business banking franchise. Relatively weaker retail presence compared to CBA and improving technology position. Recent acquisitions have created integration challenges but enhanced scale in target segments. Balance sheet strength and capital position comparable to ANZ, supporting sustainable dividends and strategic investments in capability development.
<b>Regional Banks</b>	Niche competitors facing increasing pressure but maintaining loyal customer bases through community focus and specialized service models. Trade at significant discounts to major banks (average 9.3x forward P/E, 1.0x P/B) reflecting scale disadvantages, limited international presence, higher funding costs, and technology investment constraints. Combined market share of 10-15%, gradually declining due to competitive pressure from larger institutions with greater investment capacity. Higher customer satisfaction metrics partially offset structural disadvantages, though consolidation pressure intensifying as evidenced by ANZ's Suncorp acquisition.

The Australian banking landscape remains dominated by the "Big Four" banks (CBA, Westpac, ANZ, and NAB), which together control approximately 75-80% of the domestic market. Within this oligopolistic structure, ANZ differentiates itself through stronger institutional banking capabilities and more extensive regional presence across Asia-Pacific. The acquisition of Suncorp Bank has strengthened ANZ's competitive position in retail banking, particularly in Queensland, addressing one of its historical weaknesses relative to peers.

ANZ's competitive advantages include its diversified business model, with the institutional division delivering consistent returns above 13% ROE despite challenging market conditions. Its presence across 29 markets provides unique cross-border capabilities to support clients through trade disruption and supply chain reconfiguration. The dual platform strategy with ANZ Plus (retail) and Transactive Global (institutional) represents a distinctive technological approach with encouraging early results.

Primary competitive disadvantages include ANZ's historically weaker position in Australian retail banking compared to CBA's dominant franchise and superior digital capabilities. This is reflected in the substantial valuation premium commanded by CBA (18.5x forward P/E vs. ANZ's 11.3x). Strategic initiatives including the Suncorp acquisition and ANZ Plus platform aim to address this gap, though execution will be critical to success. ANZ's greater international exposure provides both opportunities and additional complexity relative to more domestically-focused peers, particularly in a volatile global environment.

## 5 Latest Results & Updates

ANZ Group delivered record half-year revenue of \$11.2 billion in H1 2025, representing a 10% increase year-on-year. This growth was primarily driven by net interest income, which expanded 12% to \$8.87 billion, while other operating income increased more modestly by 3% to \$2.31 billion. The Group's net interest margin remained stable at 1.56%, masking segment-level compression in Australia Retail (-10bps) and Australia Commercial (-7bps), offset by improvement in New Zealand (+4bps).

Operating expenses increased 12% to \$5.82 billion, resulting in cost-to-income ratio deterioration of 70 basis points to 52.1%. This expense growth reflected both the inclusion of Suncorp Bank costs and ongoing investments in digital transformation. Credit impairment charges more than doubled from \$70 million to \$145 million (+107%), though still representing a historically low 0.04% of gross loans. These factors resulted in statutory profit of \$3.64 billion, up 7% year-on-year, while cash profit remained flat at \$3.57 billion. Excluding Suncorp Bank's contribution, underlying cash profit declined 8% to \$3.28 billion, indicating challenges in the core business.

The results demonstrated minimal operating leverage, with expense growth matching revenue expansion on a percentage basis. Notable one-time items included acquisition-related expenses for Suncorp Bank and costs associated with the APRA remediation program. Return on equity improved marginally to 10.2% (+10bps), driven primarily by the impact of Suncorp acquisition earnings on a relatively stable capital base. Basic earnings per share increased 8% to 122.5 cents, supporting the maintained interim dividend of 83 cents per share.

Key Metrics	H1 2025	Chg%
Net interest income	\$8,869M	+12%
Other operating income	\$2,310M	+3%
Total operating income	\$11,179M	+10%
Operating expenses	\$5,824M	+12%
Profit before credit impairment	\$5,355M	+9%
Credit impairment charge	\$145M	+107%
Statutory profit	\$3,642M	+7%
Cash profit	\$3,568M	0%
Cash profit (excl. Suncorp)	\$3,282M	-8%
Basic EPS (cents)	122.5c	+8%
Dividend per share (cents)	83c	0%
Net interest margin	1.56%	0bps
Cost-to-income ratio	52.1%	+70bps
Return on equity (cash)	10.2%	+10bps

The H1 2025 results reveal a complex picture of ANZ's performance. While headline revenue and statutory profit growth appear strong, the flat cash profit and declining underlying result excluding Suncorp indicate challenges in the core business. Segment-level margin compression in Australia Retail and Australia Commercial, combined with early signs of credit normalization, suggest emerging headwinds despite the currently benign operating environment.

Revenue growth has been primarily balance sheet-driven, with the Suncorp acquisition contributing substantially to the 15% expansion in net loans and advances. Expense growth at 12% exceeding the 10% revenue increase

demonstrates negative jaws, though this partly reflects investment in digital transformation expected to deliver future efficiency benefits. The divergence between flat Group NIM and segment-level compression highlights the positive mix impact of the higher-margin Suncorp Bank business (2.12% NIM) offsetting underlying pressure.

Management commentary emphasized both the record revenue achievement and the importance of conservative positioning given global uncertainty. The results set the stage for ANZ's outlook, with full Suncorp integration benefits still to materialize and digital transformation momentum building, balanced against credit normalization and competitive pressure.

### 5.1 Performance by Segment

Segment performance varied significantly, demonstrating the diverse dynamics across ANZ's business units. Australia Retail profitability declined 11% year-on-year to \$705 million, despite home loan growth of 6%, reflecting significant margin compression (-10bps to 1.84%), increased remediation costs, and higher credit impairment charges. The division's cost-to-income ratio deteriorated 270bps to 62.3%. The strategic bright spot is ANZ Plus, which reached one million customers and \$20+ billion in deposits, with 40% of customers engaging with financial wellbeing tools and approximately half considering ANZ their main bank.

Australia Commercial delivered cash profit of \$655 million, down 2% year-on-year, demonstrating relative resilience with solid deposit growth of 3% and modest lending growth of 2%. NIM declined 7bps to 2.53% due to asset margin contraction from pricing competition. Portfolio quality remains strong with 82% of exposures fully secured, though gross impaired assets increased 48% to \$386 million (0.58% of loans), primarily in SME Banking and Agri portfolios.

Institutional remains ANZ's largest profit contributor at \$1.38 billion (38.7% of Group profit), though results declined 9% year-on-year due to challenging market conditions affecting Markets revenue, which fell 11% to \$1.07 billion with particular weakness in commodities (-53%) and foreign exchange (-6%). The division maintained its position as Australia's leading institutional bank, delivering five consecutive halves with ROE above 13%.

New Zealand delivered stable performance with cash profit of \$792 million (unchanged year-on-year) despite a challenging economic environment, with NIM improving 4bps to 2.60% due to favorable lending margins. The division demonstrated cost discipline with expenses down 2% half-on-half, resulting in industry-leading cost-to-income ratio of 38.5%.

<b>Australia Retail</b>	<b>H1 2025</b>	<b>H1 2024</b>	<b>Chg%</b>
Cash profit	\$705M	\$795M	-11%
Operating income	\$2,861M	\$2,910M	-2%
Net interest margin	1.84%	1.94%	-10bps
Cost-to-income ratio	62.3%	59.6%	+270bps
Net loans	\$341.0B	\$320.6B	+6%
Customer deposits	\$183.4B	\$177.8B	+3%
Credit impairment/GLA	0.04%	0.02%	+2bps
Gross impaired assets/GLA	0.35%	0.30%	+5bps
Return on assets	1.19%	1.40%	-21bps
<b>Institutional</b>	<b>H1 2025</b>	<b>H1 2024</b>	<b>Chg%</b>
Cash profit	\$1,380M	\$1,515M	-9%
Operating income	\$3,419M	\$3,571M	-4%
Net interest margin	0.76%	0.76%	0bps
Markets revenue	\$1,073M	\$1,206M	-11%
Cost-to-income ratio	42.7%	40.5%	+220bps
Net loans	\$216.6B	\$206.9B	+5%
Customer deposits	\$292.5B	\$278.5B	+5%
Credit impairment/GLA	0.02%	0.01%	+1bps
Return on assets	1.55%	1.70%	-15bps
<b>Suncorp Bank</b>	<b>H1 2025</b>	<b>H1 2024</b>	<b>Chg%</b>
Cash profit	\$286M	n/a	n/a
Operating income	\$853M	n/a	n/a
Net interest margin	2.12%	n/a	n/a
Cost-to-income ratio	50.8%	n/a	n/a
Net loans	\$71.5B	n/a	n/a
Customer deposits	\$55.6B	n/a	n/a
Credit impairment/GLA	0.03%	n/a	n/a
Gross impaired assets/GLA	0.17%	n/a	n/a
Return on assets	1.72%	n/a	n/a

The segment results reveal important insights into ANZ's performance drivers. Australia Retail's significant profit decline despite loan growth highlights the challenges of margin compression in a competitive environment, while the positive early indicators from ANZ Plus suggest potential for future recovery. Australia Commercial's relative resilience demonstrates the value of diversification, though rising impairments in this segment bear monitoring as potential early indicators of broader credit stress.

Institutional's performance shows the volatility inherent in markets businesses, with the 11% decline in Markets revenue driving much of the segment's profit reduction. However, the consistent delivery of ROE above 13% demonstrates the fundamental strength of this franchise. New Zealand's industry-leading cost-to-income ratio of 38.5% represents a benchmark that other divisions aspire to achieve, highlighting the potential for significant efficiency improvements across the Group.

Suncorp Bank's contribution has been immediately accretive, with its higher NIM (2.12%) and return on assets (1.72%) exceeding Group averages. Management's comment that "cost synergies have started to be realized earlier than anticipated" suggests potential for further improvement as integration progresses, though the reported 50.8% cost-to-income ratio indicates continuing efficiency opportunity.

## 5.2 Balance Sheet & Financial Position

<b>Balance Sheet (\$m)</b>	<b>Mar 2025</b>	<b>Chg%</b>
Total assets	\$1,302,600	+20%
Net loans and advances	\$820,200	+15%
Customer deposits	\$756,600	+18%
Total liabilities	\$1,230,300	+21%
Total shareholders' equity	\$72,300	+2%
Common Equity Tier 1 ratio (APRA)	11.8%	-170bps
Common Equity Tier 1 ratio (Basel)	17.0%	-270bps
Total capital ratio (APRA)	20.4%	-150bps
Total risk weighted assets	\$469,000	+8%
APRA Leverage ratio	4.4%	-100bps
Net tangible assets per share	\$22.14	0%
Gross impaired assets	\$2,252	+48%
Gross impaired assets as % of loans	0.27%	+6bps
Total allowance for ECL	\$4,644	+6%
Liquidity Coverage Ratio	132%	-2%
Net Stable Funding Ratio	117%	-1%

ANZ's balance sheet expanded significantly during H1 2025, with total assets increasing 20% year-on-year to \$1.3 trillion. This growth was primarily driven by the Suncorp Bank acquisition, though organic expansion also contributed. Net loans and advances grew 15% to \$820.2 billion, while customer deposits increased 18% to \$756.6 billion, maintaining a favorable loan-to-deposit ratio that supports self-funded balance sheet growth.

Capital metrics remain solid but declined from the previous year, with the CET1 ratio falling 170 basis points to 11.8.

Liquidity metrics remain strong with a Liquidity Coverage Ratio of 132% (versus regulatory minimum of 100%) and Net Stable Funding Ratio of 117%, ensuring resilience against funding stresses. Cash flow generation improved dramatically, with net cash provided by operating activities shifting from -\$15.6 billion in the prior year to +\$47.7 billion, primarily due to strong deposit growth and securities portfolio movements.

Asset quality metrics show early signs of normalization, with gross impaired assets increasing 48% to \$2.25 billion (0.27% of gross loans, up 6bps year-on-year). Expected Credit Loss (ECL) provisions increased 6% to \$4.64 billion, reflecting management's conservative approach to provisioning despite the currently benign credit environment. Management has emphasized that "our strong balance sheet, including capital, provisions and liquidity, is critical" in the current uncertain global environment.

Capital management activities included continuation of the \$2 billion share buyback program, with \$285 million deployed during the half. The interim dividend was maintained at 83 cents per share, representing a cash payout ratio of 69.1.



### 5.3 Strategic Priorities & Progress

Priority	Status and Significance
<b>Dual Platform Strategy</b>	<b>Strong:</b> ANZ Plus reached one million customers with \$20+ billion in deposits. Approximately 50% of users consider ANZ their main bank, indicating strong engagement. Transactive Global continues to gain institutional customers. Migration of existing customers remains a key challenge with approximately 12-15% of retail base transitioned thus far.
<b>Suncorp Bank Integration</b>	<b>Strong:</b> Record profit of \$286 million in first full half under ANZ ownership. Management reports that "cost synergies have now started to be realized earlier than anticipated." Maintaining independent operations as required by regulatory undertakings while progressing integration planning. Enhanced Queensland market presence providing strategic growth platform.
<b>Non-Financial Risk Management</b>	<b>Mixed:</b> Entered enforceable undertaking with APRA regarding risk management practices and risk culture. Additional \$250 million operational risk capital overlay implemented. CEO acknowledged "we've got a lot of work to do" in this area. Remediation program underway but results not yet evident. Critical focus area during leadership transition.
<b>Capital Optimization</b>	<b>Moderate:</b> CET1 ratio of 11.8%, down 170bps year-on-year but remaining well above regulatory minimums. Balanced capital allocation between dividends (83 cents maintained), share buybacks (ongoing \$2 billion program), and strategic investments. Capital efficiency improving with ROE up 10bps to 10.2%, though still below some peers.
<b>CEO Transition</b>	<b>Moderate:</b> Structured transition plan with Shayne Elliott concluding 9.5-year tenure in May 2025, to be succeeded by Nuno Matos. Elliott describes bank as "simpler, stronger and better" as he prepares handover. Matos brings international experience and retail banking expertise from HSBC role. Critical to maintain strategic continuity while addressing regulatory remediation requirements.

ANZ's strategic initiatives demonstrate clear focus on transformational change while maintaining operational discipline. The dual platform strategy represents a fundamental technological rebuild rather than incremental improvement, with early success indicators supporting management's approach. Progress metrics including one million ANZ Plus customers and \$20+ billion in deposits provide tangible validation, though the challenge of migrating existing customers from legacy systems remains substantial.

The Suncorp Bank acquisition has delivered immediate benefits, with record first-half profit and early synergy realization. This strategic expansion significantly enhances ANZ's competitive position in retail banking, particularly in Queensland, addressing a historical weakness relative to peers. The integration process faces regulatory constraints requiring maintenance of separate operations for a period, though this necessity forces disciplined planning that may ultimately yield better long-term outcomes.

Addressing non-financial risk management deficiencies represents a critical priority following the APRA undertaking. Management's transparent acknowledgment of the challenge enhances credibility, though execution uncertainty remains. The CEO transition adds complexity but also potential for fresh perspective, with Nuno Matos bringing valuable international and retail banking experience to complement ANZ's institutional strength.

Capital management demonstrates balance between shareholder returns, strategic investments, and regulatory compliance. The maintained dividend and ongoing buy-back program reflect commitment to capital returns, while the robust CET1 ratio (11.8%) provides flexibility for continued strategic initiatives despite the Suncorp acquisition impact. These priorities collectively position ANZ for improved returns as integration and transformation benefits materialize, though execution risk during leadership transition represents a near-term uncertainty factor.

## 6 Financial Forecasts

ANZ GROUP FIVE-YEAR FINANCIAL FORECAST						
Key Metrics (\$m)	FY25	FY26	FY27	FY28	FY29	FY30
<b>Income Statement</b>						
Net Interest Income	17,911	18,721	19,477	20,214	20,825	21,454
Other Operating Income	4,658	4,838	5,034	5,199	5,356	5,517
Total Operating Income	22,569	23,559	24,511	25,413	26,181	26,971
Growth (%)	7.5%	4.4%	4.0%	3.7%	3.0%	3.0%
Operating Expenses	11,737	12,131	12,357	12,651	12,960	13,215
Cost-to-Income Ratio (%)	52.0%	51.5%	50.4%	49.8%	49.5%	49.0%
Credit Impairment Charge	600	900	1,100	1,200	1,300	1,361
Credit Impairment/GLA (%)	0.07%	0.10%	0.12%	0.13%	0.15%	0.15%
Profit Before Tax	10,232	10,528	11,054	11,562	11,921	12,395
Income Tax Expense	3,039	3,127	3,283	3,434	3,540	3,681
Cash Profit	7,193	7,401	7,771	8,128	8,381	8,714
Growth (%)	1.1%	2.9%	5.0%	4.6%	3.1%	4.0%
Basic EPS (cents)	243	257	270	283	296	308
Dividend Per Share (cents)	166	175	183	191	198	207
Payout Ratio (%)	68.3%	68.1%	67.8%	67.5%	66.9%	67.2%
<b>Segment Cash Earnings</b>						
Australia Retail	1,425	1,485	1,580	1,670	1,740	1,820
Australia Commercial	1,335	1,380	1,435	1,495	1,550	1,615
Institutional	2,775	2,870	3,025	3,160	3,250	3,350
New Zealand	1,585	1,620	1,685	1,750	1,800	1,875
Suncorp Bank	595	630	660	690	715	745
Pacific	45	50	55	60	65	70
Group Centre	(567)	(634)	(669)	(697)	(739)	(761)
Total Cash Profit	7,193	7,401	7,771	8,128	8,381	8,714
<b>Balance Sheet &amp; Metrics</b>						
Net Loans & Advances (\$B)	854	887	920	954	989	1,024
Growth (%)	4.1%	3.9%	3.7%	3.7%	3.7%	3.5%
Customer Deposits (\$B)	774	811	853	893	933	974
Net Interest Margin (%)	1.54%	1.52%	1.51%	1.50%	1.49%	1.49%
CET1 Ratio (%)	11.7%	11.6%	11.4%	11.3%	11.3%	11.3%
Return on Equity (%)	10.2%	10.4%	10.6%	10.7%	10.8%	10.9%
Gross Impaired Assets/GLA (%)	0.28%	0.29%	0.30%	0.31%	0.32%	0.32%
Risk Weighted Assets (\$B)	477	497	514	531	547	563
<b>Shareholder Returns</b>						
Dividend Per Share (cents)	166	175	183	191	198	207
Dividend Growth (%)	0.0%	5.4%	4.6%	4.4%	3.7%	4.5%
Dividend Yield (%)*	5.5%	5.8%	6.1%	6.4%	6.6%	6.9%
Share Buyback (\$M)	900	450	400	350	300	300
Buyback Yield (%)*	1.0%	0.5%	0.5%	0.4%	0.3%	0.3%
Total Shareholder Return (%)*	6.5%	6.3%	6.6%	6.8%	6.9%	7.2%

\*Based on share price of \$30.00 as of reporting date

## 6.1 Forecast Assumptions & Inflection Points

Our financial forecasts are built on assumptions derived from ANZ's current performance, management guidance, and industry trends. The projections balance the potential benefits from strategic initiatives against macroeconomic headwinds and competitive pressures, resulting in a moderate growth outlook. Several key inflection points are expected during the forecast period, particularly related to digital transformation benefits, Suncorp integration, and credit normalization.

### 1. Gradual Revenue Growth Moderation

We project revenue growth at 4.0% CAGR over the five-year forecast period, with stronger near-term performance (7.5% in FY25, 4.4% in FY26) moderating to 3.0% by FY29-30. This trajectory reflects full Suncorp Bank integration benefits front-loaded in years 1-2, followed by a normalization as competitive intensity and economic conditions constrain expansion. The initial growth rate is supported by management's reports of "record revenues" and "cost synergies realized earlier than anticipated." Key risks to this assumption include accelerated competitive pressure in retail banking and potential economic slowdown affecting lending demand.

### 2. Net Interest Margin Compression

The forecast incorporates NIM compression from 1.54% in FY25 to 1.49% by FY29, reflecting competitive pressures partially offset by funding benefits and favorable portfolio mix shifts from Suncorp. Current segment trends show pressure in Australia Retail (-10bps YoY) and Australia Commercial (-7bps), while New Zealand has demonstrated resilience (+4bps). This assumption is supported by industry-wide margin dynamics and management's acknowledgment of competitive challenges. The primary risk is faster-than-expected deterioration if rate competition intensifies, particularly in the mortgage market where Commonwealth Bank's digital capabilities create pricing pressure.

### 3. Credit Impairment Normalization

Credit costs are projected to normalize gradually from 0.07% of gross loans in FY25 to 0.15% by FY29, representing a return to mid-cycle levels without assuming severe stress. Current trends support this trajectory, with impairment charges doubling year-on-year but still at historically low 0.04% of gross loans. Management has acknowledged "extremely low credit losses" while emphasizing conservative provisioning and portfolio de-risking. The primary risks include faster deterioration if economic conditions worsen, particularly in Australia Commercial where early stress indicators are most pronounced (impaired assets at 0.58% of loans).

### 4. Cost-to-Income Ratio Improvement

We forecast significant cost-to-income improvement from 52.0% in FY25 to 49.5% by FY29, driven by digital initiatives (ANZ Plus scale benefits) and Suncorp synergies, partially offset by ongoing investment requirements and regulatory compliance costs. This trajectory assumes acceleration of customer migration to ANZ Plus and successful extraction of integration benefits. Current trends show cost growth matching revenue expansion, indicating limited operating leverage thus far. Primary risks include execution challenges during the CEO transition and potential cost overruns on technology investments.

### 5. Sustainable Shareholder Returns

The forecast maintains a dividend payout ratio of 65-70% throughout the period, with dividend per share growing from 166 cents in FY25 to 198 cents in FY29. Share buybacks are projected to continue but at a reduced pace (decreasing from \$900 million to \$300 million annually) as capital is prioritized for organic growth. These assumptions are supported by management's demonstrated commitment to capital returns and the strong current capital position (CET1 11.8%). Key risks include regulatory capital requirement changes and potential acceleration of credit deterioration requiring increased provisioning.

### 6. Digital Transformation Execution

The forecast assumes continued progress on ANZ's dual platform strategy, with ANZ Plus customer acquisition adding 0.8-1.0 million customers annually and Transactive Global maintaining ANZ's institutional leadership position. Current momentum supports this trajectory, with ANZ Plus reaching one million customers and \$20+ billion in deposits. The primary execution challenge is accelerating migration of existing customers from legacy systems without service disruption, particularly during the leadership transition. Successful execution drives the projected efficiency improvements, while delays would result in extended investment requirements with delayed benefits.

### 7. CEO Transition Continuity

Our forecast assumes successful leadership transition from Shayne Elliott to Nuno Matos in May 2025, with strategic continuity maintained while bringing fresh perspective to retail banking and digital transformation. The structured transition timeline and Matos's relevant background at HSBC support this assumption. However, any disruption during this critical period could impact multiple strategic initiatives, particularly Suncorp integration, ANZ Plus migration, and APRA remediation efforts.

### Key Macroeconomic Assumptions:

- Australian GDP growth of 1.1% in 2024 accelerating to 2.1% in 2025 and stabilizing at 2.0-2.5% thereafter, supporting moderate lending growth but limiting upside potential

- New Zealand economy recovering from -0.5% contraction in 2024 to 1.0% growth in 2025 and 1.5-2.0% thereafter, gradually improving conditions in ANZ's second-largest market
  - Interest rates remaining elevated in the near term but moderating from late 2025, creating competing impacts of improved affordability but potential margin pressure
  - Property markets maintaining stability with Australian residential prices projected at +4.4% (2024) and +0.9% (2025), supporting collateral values and mortgage activity
  - Competitive intensity in Australian banking remaining high but rational, with digital capabilities increasingly differentiating customer acquisition and retention
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**End of Report**