U.S. Investor Website Update

For Release: 29 July 2022

Trading Update – Third Quarter FY22

On 18 July 2022, ANZ released its Pillar 3 disclosures for the quarter ended 30 June 2022 and provided the following update on trading conditions.[1]

ANZ Chief Executive Officer Shayne Elliott said: "This was a pleasing quarter where all our businesses performed, particularly our home loan business in Australia. While rising inflation and interest rates are starting to impact some customers, household and business balance sheets remain strong and with a collective provision balance of $3.8 billion we are well-placed to continue to support economic growth into the future."

- Strong lending and margin momentum was evident across all our major businesses in the quarter, with revenue up 5% (6% FX-adjusted).[2] Deposits were flat excluding FX impacts.
- Adding operational capacity and processing resilience in our Australian Home Loan business has helped deliver consistently faster turnaround times across all channels, and we are in line with major peers for our key customer segments. Lending volumes grew $2.0 billion (3% annualised) in the third quarter, with particularly strong growth in June. We believe we remain on track to grow in line with the Australian major banks before the end of the financial year and are delivering growth with an eye to maintaining margin performance and credit quality.
- Our Commercial business is already benefiting from an increased focus following the recent restructure, with good lending growth in the quarter (up 11% annualised).
- In New Zealand, we have delivered disciplined growth across core products.
- The Institutional business performed well with customer lending growth focussed on delivering sustainable, high quality and well diversified balance sheet growth.
- Markets revenue was $435 million for the quarter, up 7% however we note that conditions remain volatile and challenging.
- The Group Net Interest Margin (NIM) increased 3bps for the quarter and underlying NIM was up 6bps to 164bps (1H22: 158bps) with margins improving across all businesses. This was largely driven by the impact of rising rates, partly offset by intense price competition in the home lending portfolios in Australia and New Zealand. With interest rates projected to increase further in coming months, this is expected to be supportive for margins in the fourth quarter.
- Costs across the Group remain tightly managed, with 'run-the-bank' costs[3] expected to be broadly flat for the second half despite inflationary pressures. We continue to invest in the business at record levels, with investment expense expected to be slightly higher in the second half as we finalise our compliance with BS11 in New Zealand.

- The continued low level of Individual Provisions led to a $14m credit provision charge for the third quarter (IP $14m, CP $0m). The Collective Provision balance was flat for the quarter (before FX), with portfolio credit quality improvements offset by a modest increase in overlays to accommodate the uncertain economic outlook.

- We are conscious of risks to the domestic and global economic outlook from factors such as higher inflation and interest rates over the quarter, and in line with that the Group has maintained a Collective Provision balance at 30 June 2022 of $3.78 billion, which is $403 million higher than pre-COVID levels at 30 September 2019.

- The Group's Common Equity Tier One ratio (Level 2) of 11.1% (Level 1: 10.4%) includes the impact of the interim dividend (-41bps), broad-based lending growth across the portfolio (-17bps) and IRRBB RWA including associated DTA impacts (-14 bps). We note that much of IRRBB RWA does, all else being equal, unwind over time.

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1. All numbers provided are on an unaudited cash profit basis and exclude large/notable items.
2. All comparisons are relative to the average of the first and second quarters of Financial Year 2022 unless otherwise stated.
3. Excludes the impact of foreign currency translation and the acquisition of Cashrewards.