

U.S. Investor Website Update

March 3, 2022

Market Update

On February 7, 2022, released its Pillar 3 disclosure for the quarter ended December 31, 2021 and provided the following update¹ given the current uncertain trading conditions.

- Group Net Interest Margin was down 8bps for the quarter with underlying NIM down 5bps (in each case, compared with the FY21 second half), largely driven by a lower exit rate at the FY21 full year (versus the FY21 second half average) and a continuation of the structural headwinds impacting the sector. The impact of rising rates, predominantly in New Zealand, and recent deposit pricing changes are expected to moderate these ongoing headwinds in the second quarter.
- ANZ has made solid progress in Australia to improve systems and processes for simple home loans with application times now in line with other major lenders. Efforts continue to improve response times for more complex home loan applications. Australian Home Loans balance sheet grew slightly in the first quarter FY22. Given the high levels of refinancing activity in the sector, managing both attrition and margins remain key areas of focus.
- Revenue within ANZ's Markets business for the month of October was softer given trading conditions. While subsequent months have performed more in line with FY21 revenue trends, the softer start in October will likely impact First Half performance.
- Changes ANZ is making to packages offered within its Australian Retail & Commercial business from March 2022 will provide customers with simpler and lower fee options. While better aligned to positive customer outcomes, the changes will have a negative transitional impact on other operating income in FY22 of ~\$140m, spread evenly across the two halves.
- Run-the-bank costs² are expected to be broadly flat in the first half with investment spend higher as we invest in our business at a faster rate, particularly within Australia Retail and Commercial and ANZx, as well as expensing investment at a higher rate than FY21 (FY21: 79%; 1Q22:89%).
- The credit quality environment has remained benign with a total provision release of \$44 million during the quarter. This comprises a collective provision release of \$122 million and an individually assessed provision of \$78 million.
- The Group's Common Equity Tier One ratio of 11.65% includes the impact of the final dividend and solid underlying credit growth in Institutional. ANZ announced a \$1.5 billion On Market Buy Back in July 2021 and as at January 31, 2022, had bought back \$1.015 billion of Ordinary Shares.
- ANZ's capital position continues to provide flexibility to return further surplus capital to shareholders and ANZ is considering increasing the size of the current on-market buy-back. Any decision will balance the importance of capital efficiency against maintaining an appropriately strong balance sheet and continued monitoring of the economic situation.

¹ All numbers provided are on an unaudited basis

² Excludes the impact of foreign currency translation and the acquisition of Cash Rewards