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Operator: Thank you for standing by and welcome to the ANZ 3Q26 trading update. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Kylie Bundrock, GGM, Investor Relations and M&A. Please go ahead.

Kylie Bundrock: Thank you, Harmony and good morning everyone, and thank you for joining ANZ's third quarter 2026 update. I'm Kylie Bundrock, ANZ's Group General Manager.

On behalf of the ANZ team, I would like to acknowledge the Traditional Custodians of the land on which we lead this meeting today, the Wiradjuri people, and recognise their continuing connection to land, waters, and community. I pay my respects to Elders past and present and to the Aboriginal and Torres Strait Islander people joining us today.

Our CFO, Farhan Faruqui, is having a call this quarter to give you some additional context and provide you with an opportunity to ask questions. We will limit it to one question per person in the interest of time. I'll now hand over to Farhan.

Farhan Faruqui: Thank you, Kylie, and good morning everyone, and thank you for joining. Our third quarter performance reflects momentum building across our businesses and continued execution against our five immediate priorities. Our new leadership team is driving our cultural reset. We are continuing to progress the integration of Suncorp Bank and delivery of the ANZ single customer front end and are on track to meet our completion timelines.

Our work to reduce duplication and simplify the Bank is on track, and we remain focused on improving non-financial risk management and are on track to deliver the activities in our Root Cause Remediation Plan.

With that, in the quarter, our cash profit increased 1% on the quarterly average of the first half 2026. The Quarter 3 return on tangible equity of 11.54% and cost-to-income ratio of 49.66% continue to track to our ANZ 2030 targets.

The quarter was impacted by an expense provision of NZ$125 million relating to a High Court ruling in New Zealand. We had flagged this in May and have since appealed the decision. Excluding this impact, cash profit increased 5% versus the first half quarterly average.

FX translation continued to impact this quarter, but at a profit before provision level, the net FX impact was largely neutralised by our FX hedging strategy. My comments this morning on the quarter will be on a constant currency basis to better reflect underlying performance versus the first half quarterly average.

During the quarter, revenue increased 1% with net interest income ex Markets up 3%, reflecting growth in business volume and an increase in net interest margin. This more than offset reductions in markets income and other operating income.

Business & Private Bank and Australian Retail both delivered strong net interest income outcomes with higher net interest margins and volumes. Net interest income in New Zealand division and Institutional ex Markets were both down slightly, reflecting a disciplined approach to growth in competitive pricing environments.

Markets delivered another quarter of income above $500 million. The reduction versus first half quarterly average was driven primarily by reduced client activity in commodities. Other operating income excluding markets was down, driven by timing, seasonality, and pricing related impacts.

This quarter-on-quarter variability is not unusual. However, compared to the third quarter last year, other operating income ex Markets increased 2%. Group NIM increased one basis point in the quarter, but notably NIM ex Markets increased four basis points.

Key factors driving the increase in Group NIM included higher replicating portfolio earnings and improved deposit margins in a higher interest rate environment. At the first half results, we had indicated a seven basis points tailwind in our replicating portfolio over the next 12 to 18 months. We realised four basis points in this quarter, and we expect our replicating portfolio to continue to be a tailwind over the next 12 months or so.

Now these benefits were partially offset by competition impacting asset margins and asset and funding mix. We expect some of these headwinds to continue in the fourth quarter.

On the balance sheet, customer deposits increased 2% with growth in Business and Private Bank, New Zealand and Institutional. Deposits were stable in Australia retail with June seasonality. Lending increased 3%. Business and Private Bank delivered strong loan growth of 4% with June marking a record month. Institutional lending ex Markets grew 2% in the quarter, and Australia Retail lending also grew 2% with housing lending returning to system growth in the quarter.

Now, there has been a lot of recent market commentary around home lending. In that context, ANZ's mortgage application value in the third quarter was flat quarter on quarter, supported by our participation in the First Home Buyer's Guarantee Scheme from late March. Excluding the impact of the scheme, application value declined 5% quarter on quarter and 12% since the changes in May.

While system credit growth is moderating, we continue to expect to grow at or around system in second half '26 as previously signalled. Having said this, I want to be clear, our ANZ 2030 strategy is not over-indexed on mortgages. While mortgages remain an important relationship product, ANZ 2030 is focused on growing everyday banking to deepen customer relationships supported by ANZ's distinctive and well-diversified portfolio.

On expenses, as noted, the New Zealand provision impacted expenses this quarter. Excluding the New Zealand provision, third quarter expenses were down 1%, demonstrating continued progress against our productivity agenda and keeping us on track to deliver $875 million in gross cost savings in FY26.

At the first half results, we provided FY26 expense guidance of approximately 5% lower than our full year '25 cost base of $11.85 billion, excluding significant items. We are maintaining this guidance while absorbing both the New Zealand provision and the impact of full ownership of our merchant acquiring business.

Now turning to credit quality, on an annualised basis, our CIC charge for the quarter was five basis points. This included an IP charge of three basis points, reflecting the continued strength of our portfolio. A two basis points collective provision charge of $37 million increased our collective provision balance to $4.48 billion, approximately $2 billion above our base case ECL scenario, and providing a collective provision coverage ratio of 1.2%.

Greater than 90 days past due housing loan exposures increased slightly in both Australia and New Zealand, but remained below levels seen this time last year. Group non-performing exposures remained stable at 55 basis points of total committed exposure and Group watch and control list exposures reduced over the quarter, while industry sector composition in that portfolio remained broadly stable.

Overall, portfolio performance remains in line with the experience of the past five years, and we continue to be well provided. We remain in an uncertain environment and continue to closely monitor geopolitical and macroeconomic conditions, particularly their impact on our domestic markets of Australia and New Zealand.

Turning to capital, our Level Two CET1 ratio increased 12 basis points to 12.51%. Forty basis points of capital was generated from cash profit, partially offset, primarily by three items; growth in underlying credit RWA, data and methodology changes, and IRRBB RWA predominantly due to additional hedging of the replicating portfolio. Capital flow adjustment provided a small benefit in the quarter. We maintain a resilient balance sheet with a strong capital funding and liquidity position.

To conclude, the momentum we have built in the first half continues to strengthen. We are becoming a simpler, more efficient organisation with disciplined execution. We are investing in our segment propositions, channels, customer experience, and transaction banking in line with our ANZ 2030 strategy. I'll now turn to your questions.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Ed Henning from CLSA. Please go ahead.

Ed Henning: (CLSA, Analyst) Hi, thanks for taking my question, Farhan. Just on the New Zealand cost of the class action, you said you've absorbed it in guidance this year. Have you stopped any spend this year that it will then go forward that you'll need to spend next year, or should we think about the second half number of costs that's where it's going to grow for next year and you haven't held anything back to hit your guidance this year for the 5%?

Farhan Faruqui: No, thanks Ed, for that question. No, we haven't held back anything. One of the reasons why we were able to absorb that cost is because we've had some additional FX benefits in our expenses, which partially offset the NZ$125 million impact from the class action.

There's also continued cost control that is helping us just in terms of managing our costs well and managing third party spend, managing any uplift. So we haven't actually stopped doing anything. We are simply managing within our current envelope and ensuring that we absorb this cost.

Ed Henning: (CLSA, Analyst) Right. Thank you. I'll pass it on to the next person.

Operator: Thank you. Your next question comes from Tom Strong from Citi. Please go ahead.

Tom Strong: (Citi, Analyst) Good morning and thanks for taking my question. Farhan just had a question on the balances at Suncorp. I mean they were down 1% in the quarter, despite that channel has been quite price competitive. Can you just talk to what you're seeing behaviourally in terms of your Suncorp customers as we approach the migration over the next 12 months?

Farhan Faruqui: No, thank you for that, Tom. Look, there's nothing particularly to call out from the Suncorp Bank perspective. Obviously, Suncorp Bank is being thoughtful around managing volume and returns in terms of the home loan portfolio. We haven't seen any customer attrition of note that we should call out. Of course, there's been a slight reduction in deposits over the quarter, but that's largely been on the back of Treasury term deposits being repaid and being replaced by cheaper wholesale funding, but not particularly any underlying client activity that led to that. So we feel pretty comfortable with where we are right now. Of course, we continue to monitor that as we get closer to year end.

Tom Strong: (Citi, Analyst) Thanks Farhan.

Operator: Thank you. Your next question comes from Andrew Triggs from JP Morgan. Please go ahead.

Andrew Triggs: (JP Morgan, Analyst) Thank you. Hi Farhan. Just a question on the underlying NIM. So just to clarify that it doesn't include any liquids tailwind in that plus four. Also just related to the underlying NIM, deposit growth really just came from Markets.

The Markets franchise in the period, Australian retail deposits were flat quarter on quarter. Can you just talk to that, whether that's, I guess, a sustainable strategy in the longer term and when would you expect to pick up your growth within the Australian retail and business deposit framework?

Farhan Faruqui: So I just want to clarify, the Australia retail third quarter flatness in deposits is actually reasonably seasonal. Typically what we see is that Australian household deposits remain reasonably stable to slightly down and there's a shift towards business and private bank deposits, which did see growth in the quarter.

If you look at Institutional, the Institutional ex Markets deposits decreased on an end of period basis on a quarter on quarter, but from an average perspective, they continue to grow. Average operational volumes were up quarter on quarter by about 1%. Over the quarter are up 8% versus the first half average and about 13% versus the prior comparable quarterly average.

So the deposit trends are actually pretty positive. The average deposit trends in institutional ex Markets are positive. End of period, there were some deposit movements that influenced the outcome, but overall we feel pretty good in terms of the direction of our PCM business in institutional.

Markets really didn't have a NIM drag, so to speak, because the Market's denominator, the underlying volumes grew pretty much in line with the rest of the Group. It's just that the Market's income was much more reflected in other operating income versus NII. So overall that had a bit of a drag, but not because of market volumes. Liquids, to your point, had no impact in this quarter.

Andrew Triggs: (JP Morgan, Analyst) Thank you.

Operator: Thank you. Your next question comes from Jonathan Mott from Barrenjoey. Please go ahead.

Jonathan Mott: (Barrenjoey, Analyst) Thank you, Farhan. I just wanted to clarify one of the comments I think you made. You said that at the half, you thought the replicating portfolio was going to give you about seven basis points tailwind. I think you mentioned about four of that was achieved.

Just clarifying that was correct, I got that right. Does that also apply there's only three basis points left to go and effectively most of the benefit of the replicating portfolio to the NIM is already embedded in the number?

Farhan Faruqui: Yeah, so look, I think you're right in general, Jon. I think the replicating portfolio did deliver the four basis points of the seven basis points we had called out. The reason, of course, for that is just the fact that we had a concentration of low rate hedges effectively rolling off in this particular quarter and therefore getting invested at a higher rate that delivered a higher NIM outcome.

That impact will moderate and the remaining three basis points or thereabouts will be delivered more progressively over the course of the next 12 months. So we still believe that there's an underlying tailwind in replicating, but not to the extent that we've seen certainly in this quarter and what we've seen over the last 12 to 18 months.

Jonathan Mott: (Barrenjoey, Analyst) Thank you.

Operator: Thank you. Your next question comes from Brian Johnson from MST. Please go ahead.

Brian Johnson: (MST Marquee, Analyst) Thanks Farhan. Just if we have a look at it, we're sitting mid-August. We can see that you're growing at system probably a little bit above if your applications are down 12%. I'm just wondering, growing back at housing system in a market environment where we see crazy competition with the replicating portfolio to fade, is this suggesting that the NIM actually falls from this point? That it's already starting…

Farhan Faruqui: Hi, Brian.

Brian Johnson: (MST Marquee, Analyst) Hi Farhan.

Farhan Faruqui: Hi, Brian. No, thanks for that question. Look, I think the fourth quarter housing drawdowns are largely locked in because they were originated in the third quarter. So they're not being impacted. Now, we have also seen rising competition, to be fair, to your point, on mortgage lending over the last couple of months. So yes, there would be some impact that will flow through, but we think we have offsetting tailwinds as well.

So we'll have to see ultimately where it lands. Overall, as I have said in the first half guidance, our second half NIM has a bias to the upside and we continue to maintain that position.

Brian Johnson: (MST Marquee, Analyst) So can I just go back on that Farhan. In the month of July, is that core NIM, because you've got the data now, is it up or down now that you're growing back at system housing?

Farhan Faruqui: So core NIM is, well, depends on which segment. In certain segments, it's flat and stable and in housing, I would argue that it is down a little bit. As I said, we also have the compensating tailwinds on the deposits and replicating. So hard to give you a sense of where we will land, particularly in the fourth quarter, but overall, we still expect second half to be supportive to margins.

Brian Johnson: (MST Marquee, Analyst) Thank you.

Operator: Thank you. Your next question comes from Richard Wiles from Morgan Stanley. Please go ahead.

Richard Wiles: (Morgan Stanley, Analyst) Good morning, Farhan. Could you please comment on the key considerations when thinking about the competitive environment and the outlook for margins in your New Zealand and Institutional businesses, please?

Farhan Faruqui: Thanks, Richard. Look, I think from a New Zealand point of view, let me come to that first. So New Zealand had a first quarter impact because of the OCR reductions in New Zealand. That largely flew through between the first and the second quarter in New Zealand. If I look at New Zealand overall margins, partly I think the first was OCR, the other aspect was also the fact that we probably saw a higher proportion of fixed home loans, probably one of the highest in recent times in New Zealand, as people tried to lock in the lower rates, but that also had an impact on margin.

The housing market competition obviously impacted us as well, but this was offset to some extent by TD margins and deposits. It's been a balancing act in New Zealand, as we've always done, to make sure that we maintain, return discipline in that business.

Overall, if I look at the trend, I would argue that the first quarter to second quarter transition reduced margins. But if I look at February to now, we actually have had pretty stable margins in New Zealand overall. We haven't really seen a deterioration since February on margins, and we expect that likely continue, and we'll have to see where the rate environment takes us going forward, which certainly looks like it's starting to turn back up again.

On institutional NIM, they're trending modestly lower, partly driven by competition that you can see in peers as well, and both on the lending book as well as on the deposit book. But again, we continue to monitor and manage our institutional business on returns and ensure that we are looking at the whole of customer relationships rather than a pure lending basis.

Operator: Thank you. Your next question comes from Victor German from Macquarie. Please go ahead.

Victor German: (Macquarie, Analyst) Thank you, Farhan, Kylie. Looking at the individual building blocks, the revenue trends appear pretty solid. Your margins, excluding markets, were up four basis points, loans, excluding markets, grew by about 1.5%, and while markets income declined, the reduction was only around $50 million. When you take it all together, it just makes it quite difficult to reconcile broadly flat income outcomes for the half.

Farhan, could you perhaps help us bridge that gap? Specifically, does this imply that non-interest income ex markets declined meaningfully, and if there were any one-offs, either this half or the previous half that we should be considering, it would be very helpful.

Also, just to clarify your earlier comment about liquid, because it's somewhat difficult to assess, given that markets business actually manages liquids portfolio. Can you maybe confirm that the net impact of liquids to Group margins is zero, including markets?

Farhan Faruqui: Let me answer the last one first. The answer is yes. The liquid assets including markets is zero in the third quarter. On the other questions - and there was a lot in there, so I'm going to try and see if I can get to all your questions, Victor. But overall, no, there wasn't anything in particular to call out in revenue in the third quarter which stands out. There was no big one-offs.

We had improvement in net interest income, as we called out. Again, we have to think about whether we're talking constant currency or we're talking reported, but overall, I would say that the net interest income was in line. Of course, the month of June was particularly strong in terms of asset growth, so from an AIEA point of view, AIEA might be slightly lower than what the month of June represents in terms of asset growth, so that may not have fully come through in net interest income.

On the other hand, you saw the decline in markets and other operating income. The decline in other operating income wasn't substantial. It's just the combination of all of those things effectively led to a flat reported outcome on net income. Again, part of the reported outcome was impacted by the fact that it had a $91 million negative FX impact in those numbers as well for revenue. Part of that gets offset by hedges in OOI, but not in NII. Does that help, Victor?

Victor German: (Macquarie, Analyst) Yes, it does. It sounds like maybe the average interest earning asset growth was much lower, that 1.5% balance sheet growth] in the quarter, and that should be coming through in the fourth quarter. Is that clear?

Farhan Faruqui: That’s correct. The way to think about it is two, three things. Firstly, yes, you're right, on the month of June, but that gives us good exit momentum into fourth quarter. On the other hand, as I said, there wasn't anything in particular to call out from a margin or one-off perspective as well, so no, nothing unusual really, Victor, as I think through it.

Victor German: (Macquarie, Analyst) Okay. No, that's helpful. Thank you.

Operator: Thank you. Your next question comes from Matt Dunger from Bank of America. Please go ahead.

Matt Dunger: (Bank of America, Analyst) Thank you, Farhan. I just wondered if I could ask about the markets revenue, specifically the customer franchise revenue. You called out the commodities space. Coming into the fourth quarter, we've seen some risk-weighted asset growth. How should we be thinking about growth in the customer franchise markets revenue?

Farhan Faruqui: Thanks, Matt. As I said, commodities, gold prices being low impacted markets, commodities business, so that obviously was one big part of it. The other is that, when you're looking at very steep yield curves, both in Aussie dollars and in US dollars, customers tend to go to the shorter end of FX and rate hedging activity, and that obviously impacts revenue and profitability as well.

That returns to normal once the yield curves flatten out a bit more, but we did have particularly steep yield curves more recently, and that impacted FX and rates business, but not because of any other underlying reason from a customer activity perspective. So, I don't think there's anything - from a risk-weighted asset perspective in markets, no, there hasn't been any particularly strong growth in RWA in markets.

Operator: Thank you. Your next question comes from John Storey from UBS. Please go ahead.

John Storey: (UBS, Analyst) Good morning, Farhan. How are you doing? I've just got a question around the channels through which some of the growth is coming through. Obviously, very strong growth or back to system growth in mortgages and relatively robust growth in business banking. If you could comment on where that growth is coming from, from a channel perspective.

Farhan Faruqui: Can you just repeat the question again? Sorry, John, I missed that last bit.

John Storey: (UBS, Analyst) Yes, sure. Just thinking about the economics of some of the growth that's coming through, be interested to understand, is this broker driven or is it through your proprietary channels? Obviously, you've got a strategy to try and drive prop, particularly in mortgages.

Farhan Faruqui: Yes.

John Storey: (UBS, Analyst) But I'd be interested too, just around business banking, is that coming through brokers or is it coming through your own channels?

Farhan Faruqui: I think on the retail side, on home lending in particular, there hasn't been a particular shift in terms of our mix between broker and prop channels. Obviously, we are investing now in prop channels, in terms of our branches, in terms of bankers in branches, in terms of banker tools, in terms of branch refresh, et cetera, et cetera. All of that is underway, but that hasn't impacted immediately now on the split between broker versus proprietary, and we don't expect that to change very quickly. Of course, we hope that it will continue to improve progressively.

On the business bank side, I think it was probably more on our own channels rather than through broker that the growth came through in June.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Kylie Bundrock for closing remarks.

Kylie Bundrock: Thank you everyone for joining the call today. If you have any follow-up questions, please feel free to reach out to the investor relations team. Thank you.

Farhan Faruqui: Thank you.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

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