

For Release: 1 May 2026

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## ANZ Chief Financial Officer Farhan Faruqui speaks with Alicia Muling, Senior Journalist of bluenotes

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**Alicia Muling:** Farhan, thank you so much for joining us this morning.

**Farhan Faruqui:** Thank you. Thank you, for having me, Alicia.

**Alicia Muling:** Firstly, what has been the bank's performance in the first half and what does this tell us about early execution under phase one of ANZ 2030?

**Farhan Faruqui:** I'm actually quite pleased with how we progressed, noting the fact that we are a quarter of the way through the two years of phase one of the ANZ 2030 strategy. And the phase one of the 2030 strategy was focused on simplifying the bank, becoming more resilient and delivering real value for our shareholders. We've done well on all counts.

From a simplification point of view, we've decomplexified the bank in many ways, we've removed layers, we've created faster and more nimble decision making. And we've reduced cost. And as a result of that, we've delivered a significant improvement in the cost to income ratio for the bank, down about over 500 basis points just in the half to about 49 per cent.

And the third, which is delivering value for our shareholders, we've delivered in return on tangible equity of 11.6 per cent, up 161 basis points over the last half.

And not only that, but from a value perspective for our shareholders, we've delivered a total shareholder return in the half of approximately 11 per cent. We've stabilised the dividend at 83 cents per share, again, for this interim dividend, and we've increased the franking rate from 70 per cent to 75 per cent because of the outperformance of the Australian geography.

It is a very positive outcome for our shareholders, and we are delivering on and progressing on the three critical pillars of our phase one of the strategy.

**Alicia Muling:** At last year's full year result, you outlined actions to remove duplication and simplify the business, how has the bank made progress there?

**Farhan Faruqui:** So again, I think we've progressed on the simplification agenda, and I'll give you two or three key proof points.

We talked about the fact that we're going to exit 3,500 FTE. Now that was designed to simplify the organisation and remove duplication. We were very conscious, as we said at the end of last year, that we wanted to act quickly because we didn't want to have uncertainty for our people.

At the end of April, we have exited 78 per cent of the 3,500 people that we had sought to exit. So, we are well ahead of what our schedule was in terms of exiting. We've also stood down over a thousand managed service consultants who we had, right at the start of the year. So that actually happened more than six months ago.

In addition to that, we've also focused on our third party spend. And we've done that this half, we've reduced and rationalised the number of vendors that we have, and we have created much better-quality discipline around demand management. So those have helped in terms of reducing cost.

And finally, we talked about the fact that we would exit some of our non-bank investments, which are not core to our strategy for 2030. And we've done that. We completed that exercise towards the end of the calendar year, and that has delivered benefits as well in the half.

So all taken together, we have delivered \$392 million of an \$800 million full year target of productivity that we had committed to investors, so 49 per cent, at the end of the half. And because we think we're progressing faster than we had anticipated we are actually increasing the guidance that we're going to make that \$800 million closer to delivering \$875 million for the full year, and that will help us overall, together with other factors, reduce our cost base from last year's cost base by 5 per cent instead of the 3 per cent guidance that we had given. This is relative to the second half cost base, ex the significant items that we had taken in the second half.

All of these are very positive progress. We're not done. There's a lot of work to do around simplifying our business, improving our vendors, continuing to improve our processes, automation, and various other things that we're doing to make sure that we are a much better and more efficient organisation.

**Alicia Muling:** Finally, Farhan, like many people, you're watching global events very closely. How is the bank's portfolio positioned in what is an increasingly complex world?

**Farhan Faruqui:** Well, I think that's a really good question. And look, I don't think that any of us should become oblivious of the fact that this conflict, if prolonged, can have a significant impact both on the global economy but equally on the domestic economy and will hurt our people, will hurt our customers. So, we need to be very conscious of that as we think forward.

However, having said that, today that transmission of that has been very limited, so we have to continue to watch this space as this conflict evolves or hopefully stops as time goes on. We have a portfolio which is strong, and that has been demonstrated by the fact that our individual provision loss rates have been low for a period of time, particularly relative to our peers.

And even in this half, we had a four-basis point IP loss rate, which has been steady for the last three halves. So, actually, our portfolio is performing really well, despite the various stresses that we've been through.

In addition to that, we have also added another \$126 million collective provision charge to our collective provision balance this half, which has increased our collective provision coverage ratio by four basis points to 1.22 per cent.

Why is that relevant? It's relevant because we want to make sure that when we think of our portfolio and our resilience as an organisation, we think of collective provisions as one of the pillars.

It's also capital, which is much stronger, 12.39 per cent as I said this half. Earnings, which are up, we're delivering 11.6 per cent return on tangible equity.

All of those together create resilience and create the ability to withstand stress as we go through this period of time, which is definitely going to be higher volatility.

**Alicia Muling:** Absolutely. Farhan, as always, we appreciate your time. Thank you so much.

**Farhan Faruqui:** Thank you very much, Alicia.

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