2022

Annual U.S. Disclosure Document

for the fiscal year ended 30 September 2022

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

The date of this 2022 Annual U.S. Disclosure Document is 16 November 2022.

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All references in this document to the "U.S. Disclosure Document" refer to the 2022 Annual U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal year ended 30 September 2022 (the "2022 fiscal year" or "2022"), including the Annex attached hereto, and we refer to prior fiscal years in a similar fashion. References to the "September 2022 half" refer to the fiscal half year ended 30 September 2022 and references to the "March 2022 half" refer to the fiscal half year ended 31 March 2022. References in this document to the "2021 Annual U.S. Disclosure Document" refer to the 2021 Annual U.S. Disclosure Document for the fiscal year ended 30 September 2021 (the "2021 fiscal year" or "2021").

Where information for the comparative periods has not been restated, as identified by footnotes or commentaries, the financial information presented for those periods is not comparable to the financial information presented in the 2022 fiscal year, and where relevant, the 2021 fiscal year.

This U.S. Disclosure Document is dated 16 November 2022. All references in this document to "the date of this U.S. Disclosure Document" are to 16 November 2022.

All references in this U.S. Disclosure Document to the "Group", "we", "us" and "our" are to Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) together with its subsidiaries. All references in this U.S. Disclosure Document to "ANZBGL" or "the Company" are to Australia and New Zealand Banking Group Limited only.

Information contained in or accessible through any website referred to in this U.S. Disclosure Document does not form part of this document unless we specifically state that it is incorporated by reference and forms part of this U.S. Disclosure Document. All references in this document to websites are inactive textual references and are not active links.

This U.S. Disclosure Document has been prepared in order to provide U.S. investors with certain information regarding the Group's business and operations, as well as its financial position, as at 30 September 2022, and the results of operations for the fiscal year then ended. All financial information disclosed in this U.S. Disclosure Document relates to the Group.

Attached to this U.S. Disclosure Document as Annex A are the following extracts of the Group's 2022 Annual Report, as prepared by the Company and filed with the Australian Securities Exchange ("ASX") in accordance with its rules:

- The 2022 Remuneration Report of the Group;
- The 2022 Financial Report of the Group and the Company (comprising the financial statements, notes to the financial statements and directors' declaration) (hereafter referred to as the "2022 Financial Report"); and
- The Independent Auditor's Report on the audit of the 2022 Financial Report.

Attached to this U.S. Disclosure Document as Annex B are the following extracts of the Group's 2021 Annual Report, as prepared by the Company and filed with the ASX in accordance with its rules:

- The 2021 Remuneration Report of the Group;
- The 2021 Financial Report of the Group and the Company (comprising the financial statements, notes to the financial statements and directors' declaration) (hereafter referred to as the "2021 Financial Report"); and
- The Independent Auditor's Report on the audit of the 2021 Financial Report.

FORWARD-LOOKING STATEMENTS

This U.S. Disclosure Document contains various forward-looking statements or opinions including statements and opinions regarding the Group's intent, belief or current expectations with respect to the Company's or the Group's business operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and management practices and transactions that the Group is undertaking or may undertake, including the proposed restructure described in "Section 2: Information on the Group – Non-Operating Holding Company" in this U.S. Disclosure Document. Those matters are subject to risks and uncertainties that could cause the actual results and financial position of the Company or the Group to differ materially from the information presented herein. When used in this U.S. Disclosure Document, the words "forecast", "estimate", "project", "intend", "anticipate", "believe", "expect", "may", "probability", "risk", "will", "seek", "would", "could", "should" and similar expressions, as they relate to the Company or the Group and its management, are intended to identify such forward-looking statements or opinions. Those statements and opinions: may be predictive in character; or may be affected by inaccurate assumptions or unknown risks and uncertainties; or may differ materially from results ultimately achieved. As such, those statements and opinions should not be relied upon when making investment decisions. There can be no assurance that actual outcomes will not differ materially from any forward-looking statements or opinions contained herein. For further discussion, including regarding certain factors that will affect the forward-looking statements or opinions contained herein, refer to "Risk Factors Summary" below and "Risk Factors" in "Section 2: Information on the Group".

Such statements and opinions constitute "forward-looking statements" for the purposes of the *United States ("U.S.") Private Securities Litigation Reform Act of 1995*. Any forward-looking statements or opinions made in this U.S. Disclosure Document speak only as at the date on which such statements are made and the Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date of this U.S. Disclosure Document or to reflect the occurrence of unanticipated events.

RISK FACTORS SUMMARY

Risks to the Group's activities that can adversely impact its business, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition (together, the "Group's Position"), which the Group believes are material are summarised below and described under "Risk Factors" in "Section 2: Information on the Group" of this U.S. Disclosure Document. These risks include, but are not limited to, the following:

- changes in political and general business and economic conditions, including disruption in regional or global, credit and capital markets;
- the COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics;
- competition in the markets in which the Group operates;
- the proposed restructure of the Group to establish a non-operating holding company;
- changes in the real estate markets in Australia, New Zealand or other markets where the Group does business;
- sovereign risk events that may destabilise global financial markets;
- market risk events;
- changes in exchange rates;
- the ongoing discontinuation of the London Interbank Offered Rate ("LIBOR") and developments affecting other benchmark rates;
- our ability to complete, integrate or separate and process acquisitions and divestments;
- credit risk;
- challenges in managing the Group's capital base;
- changes to our credit ratings;
- liquidity and funding risk events;
- changes in the valuation of some of the Group's assets and liabilities;
- changes to the Group's accounting policies;
- regulatory changes or a failure to comply with laws, regulations or policies;
- litigation and contingent liabilities;
- significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions;
- changes in monetary policies;
- the impact of ongoing significant compliance costs with respect to the evolving and extensive Automatic Exchange of Information obligations imposed by global customer tax transparency regimes;
- unexpected changes to the Group's license to operate in any jurisdiction;
- operational risk events, including internal, external fraud and theft, business continuity, physical security and safety, people, transaction processing and execution, legal, third party and statutory reporting and tax;
- human capital risk, relating to the inability to attract, develop, motivate and retain the Group's people to meet current and future business needs;
- reputational risk events, including as a result of operational failures and regulatory compliance failures;
- conduct risk events;
- disruption of information technology systems or failure to successfully implement new technology systems;
- risk associated with the Group's information security including from cyber-attacks;
- risk associated with data management;
- risk associated with the models that the Group relies on for material business decisions;
- the impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events;
- the effectiveness of our risk management framework;
- risks associated with lending to customers that could be directly or indirectly impacted by climate risk; and
- various other factors beyond our control.

BASIS OF PREPARATION

The summary of condensed consolidated income statements and selected ratios for the fiscal years ended 30 September 2022, 2021, 2020, 2019 and 2018, and the summary of condensed consolidated balance sheets and selected ratios as of 30 September 2022, 2021, 2020, 2019 and 2018, have been derived from the Group's financial statements. The 2022 Financial Report is contained within the Group's 2022 Annual Report (extracts of which, including the 2022 Financial Report, are attached to this U.S. Disclosure Document as part of Annex A). The 2021 Financial Report is contained within the Group's 2021 Annual Report (extracts of which, including the 2021 Financial Report, are attached to this U.S. Disclosure Document as part of Annex B).

The Group's financial statements and the financial information included herein, except where otherwise noted, have been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards ("AASs"), issued by the Australian Accounting Standards Board ("AASB"), and the *Corporations Act 2001(Cth)* (the "Corporations Act"). International Financial Reporting Standards ("IFRS") are standards and interpretations issued by the International Accounting Standards Board ("IASB"). IFRS forms the basis of AASs. The Group's financial statements and the financial information included herein comply with the recognition and measurement requirements of IFRS.

Amounts in this U.S. Disclosure Document are presented in Australian Dollars ("$", "AUD" or "A$") unless otherwise stated. Amounts reported in United States Dollars ("USD", "US$" or "U.S. dollars") have been translated at the 30 September 2022 noon buying rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"), which was US$0.6437 = A$1.00. For further information on the currency of presentation in this U.S. Disclosure Document, refer to "Currency of presentation and exchange rates" in "Section 2: Information on the Group". References to "NZD", "EUR" and "JPY" in this U.S. Disclosure Document are to New Zealand dollars, Euros and Japanese Yen respectively. References throughout this U.S. Disclosure Document to "$B" and "$M" are to billions and millions of Australian Dollars (or, if specified, such other currency), respectively.

DISCONTINUED OPERATIONS

The Group completed the sale of its aligned dealer groups business and its OnePath pensions and investments business to IOOF Holdings Limited ("IOOF", now known as Insignia Financial Limited), and its life insurance business to Zurich Financial Services Australia ("Zurich") across the 2020 and 2019 fiscal years.

The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective. The financial results after transaction completion primarily relate to residual operational costs on separation and partial recovery of certain costs based on the respective Transition Service Agreements. The separation of the business sold to Zurich completed in early April 2022 and the business sold to IOOF completed in early October 2022.

There were no material financial impacts from the discontinued operations in the 2022, 2021 or 2020 fiscal years.

The information presented in the summary of condensed consolidated income statements set forth in Section 1 and otherwise disclosed in this U.S. Disclosure Document and selected ratios for the fiscal years ended 30 September 2022, 2021, 2020, 2019, and 2018 show discontinued operations separately from continuing operations in the "Profit/(Loss) after income tax from discontinued operations" line item.

DIVISIONAL PERFORMANCE

On 1 March 2022, the Group announced a structural change to the existing Australia Retail and Commercial division, and the digital businesses in the Group Centre division (formerly known as the Technology, Services & Operations (TSO) and Group Centre division). This involved the integration of the Australian retail and digital businesses, and the separation of the Australian commercial business into a new division to improve productivity and accountability within the organisation. As a result of these changes there are now six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific and Group Centre, aligned to distinct strategies and opportunities within the Group.

In addition to the structural change as discussed above, the presentation of divisional results has also been impacted by the following changes during the period. Prior period comparatives have been restated:

- Institutional division - a number of small operations were transferred from Markets to Central Functions within the division; and
- the completion of the transfer of Banking Services operations from the Group Centre division to the Institutional division. As the associated costs were previously recharged, there is no change to the previously reported divisional profits, however divisional balance sheets and FTEs have been restated to reflect this change.

The information for the 2021 fiscal year has been restated in the 2022 Financial Report as required by AASB 8 *Operating Segments,* unless noted otherwise, and is derived from those financial statements or the underlying accounting records. The information for the 2020 fiscal year has been restated on the same basis throughout this document, unless noted otherwise, and is derived from the underlying accounting records.

SUMMARY OF CONDENSED CONSOLIDATED INCOME STATEMENTS AND SELECTED RATIOS - INCLUDING DISCONTINUED OPERATIONS

Condensed Consolidated Income Statement	Years ended 30 September					
	2022 USD M[1]	2022 $M	2021 $M	2020 $M	2019 $M	2018 $M
Interest income	**15,197**	**23,609**	19,529	24,426	31,077	30,327
Interest expense	**(5,623)**	**(8,735)**	(5,368)	(10,377)	(16,738)	(15,813)
Net interest income	**9,574**	**14,874**	14,161	14,049	14,339	14,514
Other operating income	**2,930**	**4,552**	3,259	3,588	4,446	5,470
Operating income	**12,504**	**19,426**	17,420	17,637	18,785	19,984
Operating expenses	**(6,166)**	**(9,579)**	(9,051)	(9,383)	(9,071)	(9,401)
Profit before credit impairment and income tax	**6,338**	**9,847**	8,369	8,254	9,714	10,583
Credit impairment (charge)/release[2]	**149**	**232**	567	(2,738)	(794)	(688)
Profit before income tax	**6,487**	**10,079**	8,936	5,516	8,920	9,895
Income tax expense	**(1,892)**	**(2,940)**	(2,756)	(1,840)	(2,609)	(2,784)
Profit after income tax from continuing operations	**4,595**	**7,139**	6,180	3,676	6,311	7,111
Profit/(Loss) after income tax from discontinued operations	**(12)**	**(19)**	(17)	(98)	(343)	(695)
Profit for the period	**4,583**	**7,120**	6,163	3,578	5,968	6,416
Profit attributable to non-controlling interests	**(1)**	**(1)**	(1)	(1)	(15)	(16)
Profit attributable to shareholders of the Company	**4,582**	**7,119**	6,162	3,577	5,953	6,400

1. The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 30 September 2022 Noon Buying Rate applied in this U.S. Disclosure Document.

2. The credit impairment charge represents the aggregation of the individually and collectively assessed credit impairment charges.

	Years ended 30 September					
	2022 USD[1]	2022	2021	2020	2019	2018
Selected ratios						
Other operating income as a percentage of operating income - including discontinued operations	**23.8%**	**23.8%**	19.0%	20.1%	24.7%	27.7%
Net interest margin - including discontinued operations (%)	**1.63%**	**1.63%**	1.64%	1.63%	1.75%	1.87%
Operating expense to operating income ratio - including discontinued operations (%)	**49.7%**	**49.7%**	52.3%	54.5%	50.2%	49.6%
Dividends on ordinary shares ($M)[2]	**2,552**	**3,965**	2,928	2,922	4,481	4,585
Earnings per fully paid ordinary share (cents) including discontinued operations[3]						
Basic	**160.9**	**250.0**	215.3	125.3	208.2	219.7
Diluted	**150.1**	**233.2**	203.2	116.7	200.2	210.3
Earnings per fully paid ordinary share (cents) from continuing operations[3]						
Basic	**161.4**	**250.7**	215.9	128.7	220.2	243.5
Diluted	**150.5**	**233.8**	203.7	119.8	211.2	232.2
Ordinary share dividend payout ratio including discontinued operations (%)[4]	**59.3%**	**59.3%**	65.3%	47.6%	76.2%	72.1%
Dividend per ordinary share (cents)	**94**	**146**	142	60	160	160

1. The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 30 September 2022 Noon Buying Rate applied in this U.S. Disclosure Document.

2. Dividends paid to ordinary equity holders of the Company during the corresponding fiscal year.

3. Earnings per share has been restated to reflect the bonus element of the share entitlement issue made in the 2022 fiscal year, in accordance with AASB 133 Earnings per Share.

4. The ordinary dividend payout ratio calculation is based on the following dividend payments:

	2022 $M	2021 $M	2020 $M	2019 $M	2018 $M
Interim	2,012	1,992	709	2,267	2,317
Final	2,213*	2,030	994	2,268	2,295
Total	4,224*	4,022	1,703	4,535	4,612

** Based on the proposed final dividend announced on 27 October 2022 and on the forecast number of ordinary shares to be on issue at the dividend record date.*

SUMMARY OF CONDENSED CONSOLIDATED BALANCE SHEETS AND SELECTED RATIOS - INCLUDING DISCONTINUED OPERATIONS[1]

	As at 30 September					
	2022 USD M[2]	2022 $M	2021 $M	2020 $M	2019 $M	2018 $M
Shareholders' equity excluding non-controlling interests	**42,424**	**65,907**	63,665	61,287	60,783	59,265
Subordinated debt[3]	**17,591**	**27,328**	25,279	21,061	16,586	15,908
Unsubordinated debt	**42,746**	**66,406**	75,775	98,607	113,105	105,271
Deposits and other borrowings	**513,210**	**797,281**	743,056	682,333	637,677	618,150
Gross loans and advances	**435,134**	**675,989**	633,764	622,074	618,767	608,380
Less: Individually assessed provision for credit impairment	**(343)**	**(533)**	(666)	(851)	(790)	(894)
Less: Collectively assessed provision for credit impairment	**(1,963)**	**(3,049)**	(3,379)	(4,130)	(2,719)	(2,023)
Less: Loans and advances held for sale	**-**	**-**	-	-	-	(999)
Net loans and advances	**432,828**	**672,407**	629,719	617,093	615,258	604,464
Total assets	**698,884**	**1,085,729**	978,857	1,042,286	981,137	943,182
Net assets	**42,742**	**66,401**	63,676	61,297	60,794	59,405
Risk weighted assets[4]	**292,702**	**454,718**	416,086	429,384	416,961	390,820
Capital adequacy ratios[4]:						
Common Equity Tier 1	**12.3%**	**12.3%**	12.3%	11.3%	11.4%	11.4%
Tier 1	**14.0%**	**14.0%**	14.3%	13.2%	13.2%	13.4%
Tier 2	**4.2%**	**4.2%**	4.1%	3.3%	2.1%	1.9%
Total capital ratio	**18.2%**	**18.2%**	18.4%	16.4%	15.3%	15.2%
Number of ordinary shares on issue (millions)	**2,989.9**	**2,989.9**	2,823.6	2,840.4	2,834.6	2,873.6

	Years ended 30 September					
	2022 USD[2]	2022	2021	2020	2019	2018
Selected ratios						
Profit attributable to the shareholders of the Company as a percentage of:						
Average total assets[5]	**0.69%**	**0.69%**	0.59%	0.34%	0.61%	0.68%
Average ordinary shareholders' equity excluding non-controlling interests[5]	**11.4%**	**11.4%**	9.9%	5.9%	10.0%	10.9%
Average ordinary shareholders' equity excluding non-controlling interests as a percentage of average total assets[5]	**6.1%**	**6.1%**	6.0%	5.7%	6.1%	6.3%

1. *Balance sheet amounts and ratios include assets and liabilities reclassified as held for sale from continuing and discontinued operations in the 2019 and 2018 fiscal years.*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 30 September 2022 Noon Buying Rate applied in this U.S. Disclosure Document.*
3. *For the composition of subordinated debt, refer to Note 17 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and Note 16 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex B) for further details.*
4. *Risk weighted assets and capital adequacy ratios are calculated using the Australian Prudential Regulation Authority ("APRA") Basel 3 methodology (refer to pages 19 and 83).*
5. *Averages are calculated using predominantly daily averages.*

SUMMARY OF CREDIT RISK DATA

	As at 30 September			
	2022 USD M[1]	2022 $M	2021 $M	2020 $M
Gross impaired assets				
Impaired loans[2]	671	1,043	1,549	2,001
Restructured items[3]	242	376	355	254
Non-performing commitments, contingencies and derivatives[2]	17	26	61	204
Total gross impaired assets	**930**	**1,445**	**1,965**	**2,459**
Allowance for expected credit losses[4]				
Individually assessed provision - impaired loans	343	533	666	851
Individually assessed provision - non-performing commitments, contingencies and derivatives	6	9	21	40
Collectively assessed provision	2,480	3,853	4,195	5,008
Total allowance for expected credit losses	**2,829**	**4,395**	**4,882**	**5,899**
Total gross loans and advances[5]	**435,134**	**675,989**	**633,764**	**622,074**
Credit risk weighted assets[6]	231,373	359,442	342,498	360,037
Collectively assessed provision as a percentage of credit risk weighted assets[6]	1.07%	1.07%	1.22%	1.39%
Gross impaired assets as a percentage of gross loans and advances	0.21%	0.21%	0.31%	0.40%
Individually assessed provision as a percentage of gross impaired assets	37.5%	37.5%	35.0%	36.2%
Individually assessed provision for impaired loans as a percentage of impaired loans	51.1%	51.1%	43.0%	42.5%
Total allowance for expected credit losses as a percentage of:				
Gross loans and advances[5]	0.7%	0.7%	0.8%	0.9%
Credit risk weighted assets[6]	1.2%	1.2%	1.4%	1.6%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 30 September 2022 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Impaired loans and non-performing commitments, contingencies and derivatives do not include exposures that are collectively assessed for Stage 3 Expected credit losses ("ECL"), which comprise unsecured retail exposures that are 90+ days past due and defaulted but well secured exposures.*
3. *Restructured items are facilities where the original contractual terms have been modified for reasons related to the financial difficulties of the customer and are collectively assessed for Stage 3 ECL. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.*
4. *Includes allowance for ECL for Net loans and advances - at amortised cost, Investment securities - debt securities at amortised cost and Off-balance sheet commitments - undrawn and contingent facilities. For Investment securities - debt securities at fair value through other comprehensive income ("FVOCI"), the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.*
5. *Consists of loans and advances and capitalised brokerage and other origination costs less unearned income.*
6. *Credit risk weighted assets are calculated using APRA Basel 3 methodology (refer to pages 19 and 83).*

OVERVIEW

Australia and New Zealand Banking Group Limited ("ANZBGL") and its subsidiaries (together, the "Group"), which began its Australian operations in 1835 and its New Zealand operations in 1840, is one of the four major banking groups headquartered in Australia. ANZBGL is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on 14 July 1977. ANZBGL's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia, and the telephone number is +61 3 9683 9999. ANZBGL's Australian Business Number is ABN 11 005 357 522.

The Group provides a broad range of banking and financial products and services to retail, small business, corporate and institutional customers. Geographically, operations span Australia, New Zealand, a number of countries in the Asia Pacific region, the United Kingdom, France, Germany and the United States.

As at 30 September 2022, the Group had total assets of $1,085.7 billion and shareholders' equity excluding non-controlling interests of $65.9 billion. In terms of total assets among banking groups, the Group ranked second in Australia[1] as at 30 September 2022 and first in New Zealand[2] as at 30 September 2022.

ANZBGL's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange (the "NZX"). At the close of trading on 30 September 2022, ANZBGL had a market capitalisation of $68.2 billion, which ranked sixth among the largest companies listed on the ASX[3].

ANZBGL proposes to establish a non-operating holding company. For more information on the proposed restructure, including on its impact of the Group's listings, see "Non-Operating Holding Company" beginning on page 11.

On 18 July 2022, ANZBGL announced an agreement to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The acquisition is subject to a minimum completion period of 12 months and to certain conditions. For more information, see "Suncorp Bank Acquisition" on page 17.

1. *Source: Commonwealth Bank of Australia results announcement for the fiscal year ended 30 June 2022; National Australia Bank results announcement for the fiscal year ended 30 September 2022; Westpac Banking Corporation results announcement for the fiscal year ended 30 September 2022.*
2. *Source: Reserve Bank of New Zealand Bank Financial Strength Dashboard (https://bankdashboard.rbnz.govt.nz/summary) for the quarter ending 30 June 2022.*
3. *Source: IRESS as at 30 September 2022.*

BUSINESS MODEL

The Group's business model primarily consists of raising funds through customer deposits and the wholesale debt markets and lending those funds to customers. In addition, the Group operates a Markets business which earns revenue from sales, trading and risk management activities. The Group also provides payments and clearing solutions.

Our primary lending activities are personal lending covering residential home loans, credit cards and overdrafts, and lending to corporate and institutional customers.

Our income is derived from a number of sources, primarily:

- Net interest income - represents the difference between the interest income the Group earns on its lending activities and the interest paid on customer deposits and wholesale funding;
- Net fee and commission income - represents fee income earned on lending and non-lending related financial products and services. It includes net funds management income;
- Share of associates' profits - represents the Group's share of the profit of an entity over which the Group has significant influence but not control; and
- Other income - includes insurance commission, revenue generated from sales, trading and risk management activities in the Markets business, net foreign exchange earnings, gains and losses from economic and revenue and expense hedges, and gains or losses from divestments and business closures.

STRATEGY

Our strategy is focused on improving the financial wellbeing and sustainability of our customers; by providing excellent services, tools and insights that engage and retain customers and positively change their behaviour.

In particular, we want to help customers:

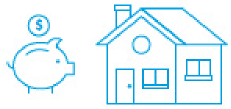
- save for, buy and own a liveable home;
- start or buy and sustainably grow their business; and
- move capital and goods around the region and sustainably grow their business.

We will achieve our strategy through:

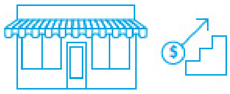
- **Propositions** our customers love – with easy to use services that evolve to meet their changing needs. Through better use of data we will be able to provide valuable insights about our customers and how they can improve their financial wellbeing and sustainability over their lifetime, enabling us to create superior propositions.
- Flexible and resilient digital banking **Platforms** – powering our customers and made available for others to power the industry. Platforms underpin our own propositions and will increasingly underpin those of our customers, notably other banks or institutional corporations.
- **Partnerships** that unlock new value – with ecosystems that help customers further improve their financial wellbeing and sustainability. We recognise that no one institution can do everything or innovate at the pace necessary to satisfy customers' needs – strong relationships with partners is therefore vital.
- **Purpose** and values-led people – who drive value by caring about our customers and the outcomes we create. Our people listen, learn and adapt and do the right thing the first time, delivering the outcomes that address financial and sustainability challenges.

Building the financial wellbeing and sustainability of our customers creates a positive cycle of benefits. It directly benefits customers and also grows shareholder returns; it leads to a strong and positive reputation; it ultimately means it costs less to acquire customers; and it grows loyalty, which in turn generates better returns – delivering more capital so we can invest in building a better bank and continue to improve the lives of our customers.

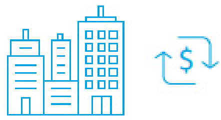
In particular, we want to help customers:



Save for, buy and own a liveable home



Start or buy and sustainably grow their business



Move capital and goods around the region and sustainably grow their business

PRINCIPAL ACTIVITIES

As a result of the structural changes outlined in “Section 1: Key Information – Divisional Performance”, the Group operates on a divisional structure with six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific, and Group Centre.

The divisions reported below are consistent with operating segments as defined in AASB 8 *Operating Segments* and with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

As at 30 September 2022, the principal activities of the six divisions were:

Australia Retail

The Australia Retail division provides a full range of banking services to Australian consumers. This includes Home Loans, Deposits, Credit Cards and Personal Loans. Products and services are provided via the branch network, home loan specialists, contact centres, a variety of self-service channels (digital and internet banking, website, ATMs and phone banking) and third-party brokers. It also includes the costs related to the development and operation of the ANZ Plus proposition for retail customers.

Australia Commercial

The Australia Commercial division provides a full range of banking products and financial services, including asset financing, across the following customer segments: small business owners and medium commercial customers (SME Banking) and large commercial customers, high net worth individuals and family groups (Specialist Business).

Institutional

The Institutional division services governments, global institutional and corporate customers across Australia, New Zealand and International via the following business units:

- Transaction Banking provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Corporate Finance provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- Markets provides customers with risk management services in foreign exchange, interest rates, credit, commodities and debt capital markets in addition to managing the Group's interest rate exposure and liquidity position.

New Zealand

The New Zealand division comprises the following business units:

- Personal provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.
- Business provides a full range of banking services including small business banking, through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately-owned small, medium and large enterprises, the agricultural business segment, government and government-related entities.

Pacific

The Pacific division provides products and services to retail customers, small to medium-sized enterprises, institutional customers and governments located in the Pacific Islands. Products and services include retail products provided to consumers, traditional relationship banking and sophisticated financial solutions provided to business customers through dedicated managers.

Group Centre

Group Centre division provides support to the operating divisions, including technology, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. It also includes residual components of Group divestments, Group Treasury, Shareholder Functions, minority investments in Asia, and digital businesses.

NON-OPERATING HOLDING COMPANY

In this section, defined terms have the meanings set out below in "Defined Terms", unless context otherwise requires.

Restructure

ANZBGL proposes to establish a non-operating holding company.

Should the proposed restructure proceed, ANZBGL will establish a non-operating holding company, ANZ NOHC, as the new listed parent holding company of the ANZ Group by a scheme of arrangement and to separate ANZ's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group. The ANZ Bank Group would comprise the current ANZBGL and the majority of its present-day subsidiaries. The ANZ Non-Bank Group would house banking-adjacent businesses developed or acquired by ANZ Group, as the ANZ Group continues to seek ways to bring new technology and banking-adjacent services to ANZ Group's customers. A separate service company will also be established.

As at the date of this U.S. Disclosure Document, the Scheme (and therefore the Business Restructure) remains subject to a number of conditions, including court, regulatory and shareholder approvals. ANZ shareholders will be asked to vote on the scheme on 15 December 2022. So long as all conditions are satisfied, the Scheme is expected to be implemented on 6 January 2023. As of the date of this U.S. Disclosure Document, ANZBGL is, and until the completion of the Restructure ANZBGL will be, a widely held, ASX-listed public company.

Regulatory Approvals Required for the Restructure

In order for the Restructure to be implemented, certain Regulatory Approvals are required from certain prudential and other regulators or agencies in jurisdictions where ANZ does business. As at the date of this U.S. Disclosure Document, all Regulatory Approvals (including those from APRA, the Treasurer and RBNZ in New Zealand) required for ANZ to implement the Restructure have been obtained, other than the approval from the US Federal Reserve. If there is any delay in obtaining the approval from the US Federal Reserve, the Scheme will not be implemented until the approval from the US Federal Reserve is obtained.

Overview of the Restructure

The proposed Restructure will be implemented by the Scheme and Business Restructure. The proposed composition of the ANZ Group after the Restructure is shown in the diagram below.

(a) Scheme to establish ANZ NOHC as the new listed parent company of the ANZ Group

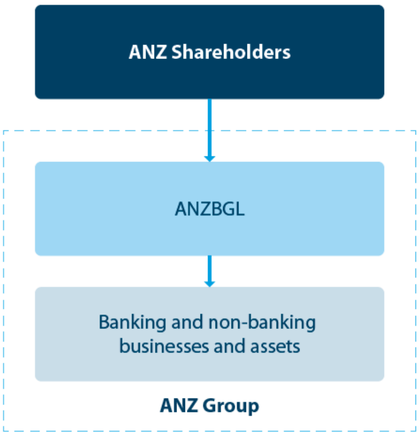
If the Scheme is approved and implemented, ANZ NOHC will become the new listed parent company of the ANZ Group. Under the Scheme, it is proposed that ANZ NOHC will acquire all of the ANZ Shares and will issue ANZ NOHC Shares to eligible ANZBGL shareholders on a one for one basis.

(b) Business Restructure

After the Scheme is implemented, the ANZ Group proposes to undertake the Business Restructure to separate certain businesses and assets to be effected by various internal share and asset transfers and other corporate actions. The key steps to be undertaken in the Business Restructure are:

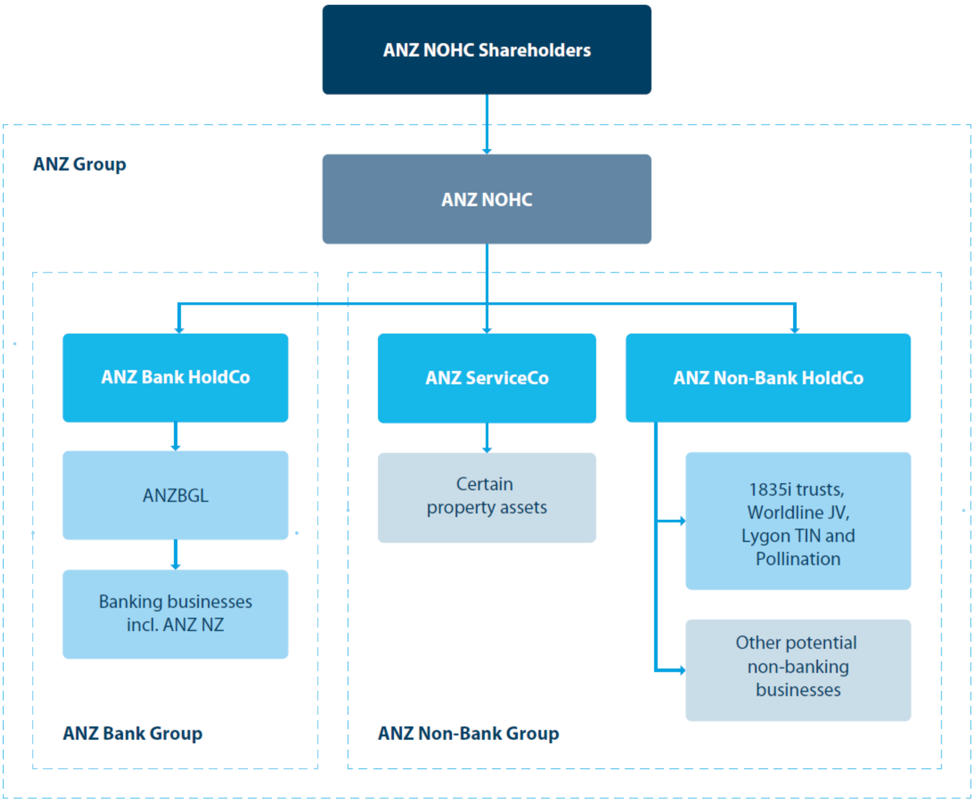
- ANZBGL transferring its beneficial interests in the 1835i trusts, its non-controlling interest in the Worldline merchant acquiring joint venture with Worldline, and its equity interests in Lygon, TIN and Pollination to ANZ Non-Bank HoldCo;
- ANZBGL transferring its interest in ANZ Centre Trust, ANZ Centre Chattels Trust, certain fixtures and fittings (including leasehold improvement assets) and ANZ Centre to ANZ ServiceCo;
- ANZBGL transferring all the shares in ANZ Bank HoldCo, ANZ Non-Bank HoldCo and ANZ ServiceCo to ANZ NOHC; and
- ANZ NOHC transferring all the shares in ANZBGL to ANZ Bank HoldCo.

(c) The organisation structure prior to the Restructure[1]



[1] This diagram has been simplified and does not show all subsidiaries of the ANZ Group and interests of ANZ. Note that references to ANZ Shareholders includes holders of ANZ ADSs representing ANZ Shares.

(d) The proposed organisation structure after the Restructure[2]



APRA Regulatory Requirements

(a) APRA's regulation after the Restructure

As part of the Restructure, ANZ's prudential policy framework will be adjusted to reflect APRA's regulation of the ANZ Group after the Restructure. A summary of APRA's regulation of the ANZ Group after the Restructure is set out below.

- ANZ NOHC: will be a non-operating holding company that is authorised by APRA (an authorised NOHC). It will be required to comply with the conditions of its authorisation, which are summarised in sub-section (c) and include the specific capital requirements. As an authorised NOHC, it will also be subject to regulation under the *Banking Act 1959 (Cth)* (the "Banking Act") and certain APRA prudential standards. As the head of a Level 3 group, it will be required to ensure certain APRA prudential standards are applied appropriately throughout the ANZ Group (including the ANZ Bank Group and relevant members of the ANZ Non-Bank Group).
- ANZ Bank Group: includes the ANZ Group's entities that conduct banking business (including ANZBGL and ANZ New Zealand). The ANZ Bank Group will continue to be subject to the full suite of APRA prudential and reporting standards for ADIs, including standards in relation to capital adequacy and liquidity.
- ANZ Non-Bank Group: will comprise the ANZ Group's entities that are not within the ANZ Bank Group. Subject to those requirements relating to APRA's authorisation (see sub-section (b) and (c) for more information), these entities will not be subject to ADI-specific regulation, such as bank capital adequacy and liquidity requirements currently applied to ANZBGL. As noted above, ANZ NOHC will be required to apply certain APRA prudential standards appropriately throughout the ANZ Group, including to relevant members of the ANZ Non-Bank Group being those where the ANZ NOHC has considered it appropriate to do so to protect the ANZ Group or ANZ customers or where APRA has required ANZ NOHC to do so.

Initially, ANZ's risk management framework will apply to the ANZ Group following implementation of the Scheme in substantially the same form as the current risk management framework. However, over time, ANZ's risk management framework and risk appetite statement may be adjusted as the ANZ Non-Bank Group (including ANZ ServiceCo) develops.

(b) APRA capital requirements

After the Restructure, ANZ NOHC will be required to hold adequate capital to reflect the risks of the whole ANZ Group, including both the ANZ Bank Group and ANZ Non-Bank Group.

The capital requirements of the ANZ Group will be the sum of the capital requirements of the ANZ Bank Group and the ANZ Non-Bank Group. The ANZ Bank Group's capital requirements will continue to be determined by existing APRA requirements. The capital requirements of the ANZ Non-Bank Group will be assessed using an independently validated and ANZ NOHC Board approved economic capital framework and model, which will be subject to independent assurance.

[2] This diagram has been simplified and does not show all subsidiaries of the ANZ Group and interests of ANZ. Note that references to ANZ NOHC Shareholders includes holders of ADSs representing ANZ NOHC Shares.

(c) APRA conditions

ANZ NOHC will be an APRA-regulated entity, with obligations under the Banking Act and APRA prudential and reporting standards. APRA's authorisation of ANZ NOHC as a non-operating holding company under the Banking Act is subject to certain conditions, including the following:

- ANZ Bank HoldCo and ANZBGL must have an independent director who is not on the board of ANZ NOHC or any ANZ Non-Bank Group entity;
- ANZ NOHC itself must not undertake any activities other than for example, providing executive leadership across the ANZ Group, holding investments in subsidiaries, raising funds to invest in or support subsidiaries or to conduct its own activities or other activities required to achieve compliance with its prudential obligations, or other activities approved by APRA;
- ANZ NOHC must obtain APRA's no-objection confirmation prior to starting material activities in ANZ Non-Bank Group;
- ANZBGL must retain ownership of, or access to, all functions critical to its operations;
- non-regulated businesses of the ANZ Group must be financially and operationally separable from ANZBGL; and
- ANZ NOHC must ensure that the ANZ Non-Bank Group does not carry on any activities that pose excessive risk to the ADI (and ensure that the ANZ Bank Group transfers to the ANZ Non-Bank Group any activities that APRA notifies in writing to constitute an undue risk to the ADI).

APRA has the ability to review and modify these conditions at any time if it considers it appropriate to do so.

RBNZ Regulatory Requirements

ANZ NOHC and ANZ Bank HoldCo will not be RBNZ regulated entities. The Restructure is not expected to result in any material change to the regulation of ANZBGL and ANZ New Zealand (or ANZ New Zealand's subsidiaries) by RBNZ.

Other Regulatory Impacts

After the Restructure, a number of regulators will continue to maintain oversight and regulation of the ANZ Group (including both the ANZ Bank Group and ANZ Non-Bank Group). In Australia, these regulators include:

- Australian Securities and Investments Commission – in relation to corporations and securities matters;
- Australian Transaction Reports and Analysis Centre – in relation to anti-money laundering and counter-terrorism financing laws; and
- the Office of the Australia Information Commissioner – in relation to privacy and freedom of information law.

In the United States, these regulators include the United States Federal Reserve (see "Supervision and Regulation - United States" for more information).

As discussed above, the ANZ Non-Bank Group will not be subject to specific bank or ADI regulation. However, to the extent the activities of the ANZ Non-Bank Group involve the provision of products or services to ANZ customers, ANZ will be required to continue to comply with a range of laws and regulation (as is currently the case) including those relating to conflicts of interest and customer data protection.

Governance

(a) ANZ NOHC constitution

The ANZ NOHC constitution will be the main document governing the rights and obligations of ANZ NOHC Shareholders. The terms of the ANZ NOHC constitution will be substantially the same as the existing ANZBGL constitution.

A summary of the material differences between the existing ANZBGL constitution and the ANZ NOHC constitution is set out below.

Relevant provision in the existing ANZBGL constitution	Proposed change in the new ANZ NOHC constitution
Terminology	Several amendments have been made in the ANZ NOHC constitution to clarify terminology and definitions as well as to adopt gender-neutral and modernised terminology. For example, 'chairman' has been replaced by 'chairperson' and references to telegrams and facsimile have been removed. Provisions have also been included to clarify processes for electronic signing.
Definition of 'Register'	The definition of 'Register' has been amended to reflect the Corporations Act definition of a register, removing references to computerised or electronic sub-registers.
Definition of 'Remuneration'	The definition of 'Remuneration' has been amended to reflect the ASX Listing Rules requirements that a non-executive directors' aggregate fee pool includes fees for acting as a director of any subsidiary of the ANZ NOHC but excludes securities issued to a director under the ASX Listing Rules (where approved by members).
Termination of appointment of Managing Director	The current ANZBGL constitution provides that a Managing Director's appointment will automatically end if they cease to be a director. The ANZ NOHC constitution embeds additional flexibility, providing the ability for the Board to decide that it wishes to allow the Managing Director to continue employment in an executive role even after they cease to be a director.
Chairman's powers at a meeting of members	A new provision has been inserted to provide the chairperson of a general meeting with the power to withdraw certain resolutions that are not legally required to be put to the meeting.

Relevant provision in the existing ANZBGL constitution	Proposed change in the new ANZ NOHC constitution
Admission to general meetings	Under the current ANZBGL constitution, the chairperson of a general meeting has the power to refuse to admit a person who behaves or threatens to behave in a dangerous, offensive or disruptive way. The ANZ NOHC constitution clarifies that this power extends to a person who the chairperson has reasonable grounds to believe may behave in such a way.
Member present at meeting	A new provision has been included to clarify that a person who has lodged a direct vote is taken to be present at the meeting (i.e., counts towards a quorum).
Deposit of proxy forms and powers of attorney	The current ANZBGL constitution requires proxy forms to provide at least 48 hours before the meeting. The ANZ NOHC constitution has embedded new flexibility to allow the Board to determine that proxies may be lodged closer to the meeting if appropriate.
Evidence of proxy forms, powers of attorney and other appointments	A new provision has been included which provides ANZ NOHC with the power to clarify proxy instructions from a member, or to ask a member to rectify errors in a proxy form.
Method of voting (poll or show of hands)	A new provision has been included so that any resolution set out in the notice of meeting must be decided by poll (in accordance with section 250JA of the Corporations Act).
Payment of dividends	A new provision has been included to clarify the record date in respect of the payment of dividends will be the date fixed for payment if not otherwise set by the Board.
Methods of payment (of dividends)	New provisions have been included to clarify that dividends may be paid by electronic payment. The new provisions provide that if an electronic transfer is rejected or refunded (or the member doesn't have a registered address) ANZ NOHC may credit the amount to a company account, to be held for the shareholder, and can be used for the benefit of the company until claimed, reinvested for the shareholder, or otherwise disposed of in accordance with the laws relating to unclaimed money.
Reinvestment of unclaimed dividends	A new provision has been included to allow ANZ NOHC to reinvest unclaimed dividends into shares in the company on the member's behalf (so that they do not become unclaimed money).
Mode of transfer (of shares)	The ANZBGL constitution currently provides that the company must not charge any fee on transfer of a share. This prohibition has been qualified in the ANZ NOHC constitution, whereby a fee may be charged if the company is not listed on the ASX, or the fee is permitted by the ASX Listing Rules.
Verification of instrument authenticity	A new clause has been inserted to enable ANZ NOHC to put in place reasonable processes and procedures to determine the authenticity of an instrument of transfer.
Restricted securities	The restricted securities provisions have been updated to reflect amendments to the ASX Listing Rules, setting out conditions that must be included in a constitution for restricted shares to be issued (such as the use of a holding lock).
Non-marketable parcels	A new provision has been included to clarify that the Board may, in certain circumstances, revoke a notice given in relation to an unmarketable parcel.
Capitalisation of profits	A new provision has been included to give the Board the express power to apply all or any part of a capitalised amount in any manner permitted by law, giving ANZ NOHC greater flexibility.
Conversion to Australian dollars	The ANZBGL constitution currently provides that the Board must set a time for determining the relevant exchange rate before payment. The ANZ NOHC constitution now provides the Board with additional flexibility for the relevant exchange rate to be set at the time of payment (rather than having to fix an exchange rate in advance).

(b) ANZBGL constitution

The ANZBGL constitution will remain in effect and will not be amended as part of the Restructure. The ANZBGL constitution may in the future be amended to reflect ANZBGL's status as a wholly owned subsidiary.

(c) Board committee charters and governance policies

The terms of the ANZ NOHC Group Board committee charters and governance policies will be adopted in substantially the same form and structure as the existing ANZ Group's Board committee charters and governance policies, subject to certain changes that will be made to reflect the structure of the ANZ Group after the Restructure.

Dividends, DRP and BOP

If the Restructure goes ahead, ANZ NOHC Shareholders will have the same dividend rights as their current ANZ Shares.

The Restructure itself is not expected to:

- impact the ANZ Group's ability to pay dividends;
- affect the ANZ dividend payout ratio (being the percentage of earnings paid to shareholders as a divided); or
- affect the amount of franking credits available in respect of any dividend paid (nor is it expected to affect ANZ NOHC's ability to pass franking credits to shareholders).

On implementation of the Scheme, ANZ NOHC will establish its own DRP and BOP. These will be on substantially same terms as the current ANZ DRP and BOP.

Effect of the Restructure on certain ANZBGL securities

(a) Senior Notes and ANZ RMBS

ANZ Senior Notes and ANZ RMBS will not be affected by the Restructure. Following implementation of the Scheme, the ANZ Senior Notes and ANZ RMBS will remain on issue on the same terms and, where applicable, will remain listed on the same exchanges as at present.

(b) ANZ Regulatory Capital Securities

Following implementation of the Scheme, ANZ Regulatory Capital Securities (including ANZ Capital Notes) will remain on issue and (where applicable) quoted for trading on the ASX by ANZBGL under their new ASX codes until they are repaid, converted or written off in accordance with their terms. Following implementation of the Scheme, ANZBGL will remain listed on the ASX as a debt listing with the ASX code "AN3" (and ANZ Shares will no longer be quoted for trading on the ASX).

As ordinary shares of ANZBGL will no longer be quoted for trading after the Scheme, in the circumstances where an ANZ Regulatory Capital Security is required to convert, the conversion will be into ANZ NOHC Shares. ANZBGL will amend the terms of each of the ANZ Regulatory Capital Securities to give effect to the substitution of ANZ NOHC as the issuer of ordinary shares on conversion.

(c) ADSs

If the Scheme is approved and implemented, ANZ ADS Holders will receive one ADS representing one ANZ NOHC Share for each ANZ ADS that they hold as at the Effective Date.

Defined Terms

In this section:

ADI means an authorised deposit-taking institution licensed under the Banking Act.

ADSs means American Depositary Shares, including the ANZ ADSs and the ANZ NOHC ADSs, as applicable, and ADS means any one of them.

ANZ means ANZBGL or the ANZ NOHC, as the context requires.

ANZ ADS Deposit Agreement means the amended and restated deposit agreement dated 11 December 2018, by and among ANZBGL, the ANZ ADS Depositary, and the ANZ ADS Holders.

ANZ ADS Holders means owners and holders of ADSs representing ANZBGL Shares.

ANZ ADSs means ADSs representing ANZBGL Shares (each an ANZ ADS), each ANZ ADS representing one ANZ Share. The terms and conditions of the ANZ ADSs are set forth in the ANZ ADS Deposit Agreement.

ANZ Bank HoldCo means ANZ BH Pty Ltd ACN 658 939 952, a non-operating intermediate holding company to be owned by ANZ NOHC and which will own the ANZ Bank Group subsidiaries (including ANZBGL and ANZ New Zealand).

ANZ Bank Group means all businesses and entities owned by ANZ Bank HoldCo, including ANZBGL and ANZ New Zealand.

ANZ DRP means the ANZBGL dividend reinvestment plan.

ANZBGL means Australia and New Zealand Banking Group Limited ACN 005 357 522.

ANZBGL Group means ANZBGL and each of its subsidiaries.

ANZ Capital Notes means ANZ Capital Notes 3, ANZ Capital Notes 4, ANZ Capital Notes 5, ANZ Capital Notes 6 and ANZ Capital Notes 7.

ANZ Capital Notes 3 means the fully paid convertible notes issued by ANZBGL acting through its New Zealand branch under a prospectus dated 5 February 2015 (which replaced a prospectus dated 23 January 2015).

ANZ Capital Notes 4 means the fully paid convertible notes issued by ANZBGL under a prospectus dated 24 August 2016 (which replaced a prospectus dated 16 August 2016).

ANZ Capital Notes 5 means the fully paid convertible notes issued by ANZBGL under a prospectus dated 24 August 2017 (which replaced a prospectus dated 16 August 2017).

ANZ Capital Notes 6 means the fully paid convertible notes issued by ANZBGL under a prospectus dated 9 June 2021 (which replaced a prospectus dated 1 June 2021).

ANZ Capital Notes 7 means the fully paid convertible notes issued by ANZBGL under a prospectus dated 23 February 2022 (which replaced a prospectus dated 15 February 2022).

ANZ Group means the ANZBGL Group or the ANZ NOHC Group as a whole (including all businesses), as the context requires.

ANZ NOHC means ANZ Group Holdings Limited ACN 659 510 791.

ANZ NOHC Group means all businesses owned or controlled by the ANZ NOHC after the Restructure (including ANZ Bank HoldCo, ANZBGL, ANZ ServiceCo and ANZ Non-Bank HoldCo).

ANZ Non-Bank Group means ANZ ServiceCo and all businesses and entities owned by ANZ Non-Bank HoldCo, including ANZ's beneficial interests in the 1835i trusts, non-controlling interest in the Worldline merchant acquiring joint venture, and equity interests in Lygon, TIN and Pollination.

ANZ Non-Bank HoldCo means ANZ NBH Pty Ltd ACN 658 941 096, a non-operating intermediate holding company to be owned by ANZ NOHC and which will own certain non-banking subsidiaries.

ANZ Perpetual Subordinated Contingent Convertible Securities means the 6.75% fixed rate resetting perpetual subordinated contingent convertible securities issued by ANZBGL's London Branch on 15 June 2016.

ANZ Regulatory Capital Securities means ANZ Capital Notes, ANZ Perpetual Subordinated Contingent Convertible Securities and the Tier 2 debt securities issued by ANZBGL to wholesale investors under its debt programmes.

ANZ RMBS means residential mortgage backed securities issued by the trustee of a securitisation trust established under ANZBGL's Kingfisher programme.

ANZ Senior Notes means the debt securities issued by ANZBGL (other than ANZ Regulatory Capital Securities), including covered bonds and senior bonds.

ANZ ServiceCo means ANZ Group Services Pty Ltd ACN 658 940 900.

ANZ Share means a fully paid ordinary share in the capital of ANZBGL.

ANZ Share Register means the register of members of ANZBGL maintained in accordance with the Corporations Act.

ASX Listing Rules means the official Listing Rules of the ASX.

BOP means Bonus Option Plan.

Business Restructure means the restructure to be undertaken following implementation of the Scheme.

FSSA means the *Financial Sector (Shareholdings) Act 1998 (Cth)*.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.

Lygon means Lygon 1B Pty Ltd ACN 633 568 411.

Pollination means Pollination Global Holdings Limited Company No. 11892654, a company incorporated under the laws of England and Wales.

Regulatory Approvals means all approvals, consents, confirmations, waivers or other acts from or by Regulatory Authorities as are necessary or, in the reasonable opinion of ANZBGL and ANZ NOHC, desirable to implement the Restructure.

Regulatory Authority includes:

1. ASX and ASIC;

2. APRA and the Federal Treasurer (acting pursuant to the FSSA);

3. RBNZ;

4. the Overseas Investment Office (New Zealand);

5. US Federal Reserve;

6. the Australian Taxation Office;

7. a Government Agency;

8. a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and

9. any regulatory organisation established under statute.

Restructure means the restructure of the ANZ Group to be implemented by the: 1. Scheme; and 2. Business Restructure.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between ANZBGL and the Scheme Shareholders.

Scheme Record Date means 7.00pm on the second Business Day after the Effective Date, currently expected to be 7.00pm on 29 December 2022.

Scheme Shareholder means a holder of ANZ Shares recorded in the ANZ Share Register as at the Scheme Record Date.

TIN means Trade Information Network Limited Company No. 12210032, a company incorporated under the laws of England and Wales.

Treasurer means the Treasurer under the FSSA.

SUNCORP BANK ACQUISITION

On 18 July 2022, ANZ announced an agreement to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The acquisition is subject to a minimum completion period of 12 months and to certain conditions, being Federal Treasurer approval, Australian Competition and Consumer Commission authorisation or approval and certain amendments to the *State Financial Institutions and Metway Merger Act 1996 (Qld)*. Unless the parties agree otherwise, the last date for satisfaction of these conditions is 24 months after signing (after which either party may terminate the agreement). The final purchase price is subject to completion adjustments and may be more or less than $4.9 billion. In addition, ANZ will also acquire Suncorp Bank's Additional Tier 1 capital notes at face value ($0.6 billion as at June 2022). Completion is expected in the second half of calendar year 2023.

RECENT DEVELOPMENTS

Agreement to settle Consumer Credit Insurance Class Action

On 14 November 2022, ANZBGL announced it has reached an agreement to settle a class action brought against it by Slater & Gordon in 2020. The class action is against a number of parties, including ANZBGL, and relates to the sale of three consumer credit insurance products. ANZBGL will contribute A$42 million to the settlement, which is covered by provision held at 30 September 2022. The settlement is without admission of liability and remains subject to court approval.

Except as disclosed above, there have been no other significant developments since 30 September 2022 to the date of this U.S. Disclosure Document.

COMPETITION

Australia

The Australian banking system is concentrated and highly competitive. As at 30 September 2022, the four major banking groups in Australia (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation) held approximately 72%[1] of the total Australian lending assets of Authorised Deposit-taking Institutions ("ADIs") that conduct business in Australia. The operations of the smaller regional banks are typically focused on servicing customers in a particular state or region with an emphasis on retail banking. A number of international banks also provide banking services in Australia and typically focus on specific segments of the retail or institutional markets, holding a minority position in these segments.

The deregulation of the Australian financial system during the early 1980s led to a proliferation of both bank financial institutions and non-bank financial institutions that compete in selected markets with the four major banking groups. Non-bank financial intermediaries, such as building societies and credit unions, compete principally in the areas of accepting deposits and residential mortgage lending. Some large building societies have been granted banking authorisations under the Banking Act. Specialist non-bank residential mortgage lenders and direct (non-branch) banking operations have also become more prominent in recent years.

Competition has historically been greater in the housing lending market, which initially resulted from the rise of mortgage originators, and subsequently from growth in the mortgage broker industry. Non-bank originators have become more active in recent years, which has been reflected in the growth rates of non-bank originators and the unregulated market relative to the regulated market, however from a significantly lower market share base. Providers of housing lending, including the major banks, compete aggressively in both the new lending and refinance markets by offering significant discounts below the advertised rate.

The retail deposit market in Australia is also competitive, particularly in times of higher credit growth to support funding and increased lending demand. An Australian Government Guarantee for retail customer bank deposits was introduced in 2008 during the global financial crisis, which led to increased deposits with the major Australian banks and a decrease in deposits with other deposit fund providers. The Australian Government Guarantee refers to temporary arrangements announced by the Australian Government to enable the provision of a guarantee for the deposits and wholesale funding of Australian deposit-taking institutions. In addition, changes in the financial services sector have made it possible for non-banks to offer through various distribution channels (physical and online), products and services traditionally provided by banks.

In corporate and commercial banking businesses competition remains intense across the major banks, regional banks and other commercial banking financiers. Business investment remains subdued contributing to less demand for credit, which together with a heightened focus on protecting and deepening customer relationships has continued to place increased pressure on lending margins.

In the institutional market, we believe competitors gain recognition through the quality of their client base, perceived skill sets, structured solutions and pricing, client insights, reputation and brands. In Australian domestic markets, competitors at the large corporate and institutional customer level are generally the major Australian banks, some global investment banks, some Asian banks who are expanding beyond their local markets and the boutique operations of large multi-national banking conglomerates with a focus on niche areas.

The banking industry continues to evolve with new digital products and service solutions to meet customer needs and changing customer preferences. Demand for innovative, digital solutions is contributing to further competition from existing and new entrants to the banking industry, particularly in retail banking.

In addition, future economic conditions may have the effect of further impacting the number of financial intermediaries in the markets in which the Group operates over the medium term (for details refer to "Section 2: Information on the Group - Risk factors - Competition in the markets in which the Group operates may adversely affect the Group's Position"). However, this may not lead to any medium-term reduction in the level of competition.

Open Banking laws in Australia seek to improve consumers' ability to compare and switch between products and services. This may reduce barriers to new entrants into the banking industry in Australia and increase competition.

[1] *Source: APRA monthly authorised deposit-taking institution statistics September 2022 (released 31 October 2022).*

New Zealand

The New Zealand financial services sector in which the Group operates is very concentrated and highly competitive. ANZ New Zealand's principal competitors are the three other major banks: ASB Bank Limited, Bank of New Zealand and Westpac Banking Corporation/Westpac New Zealand Limited. Each of these is a subsidiary or branch of a major Australian bank. These banks participate across all customer segments from individuals to large corporates.

Competition also exists in specific business segments from other banks. Kiwibank Limited is active in retail segments, and Rabobank New Zealand Limited is active in retail deposits and agricultural lending markets. Regional banks, such as Heartland Bank Limited and TSB Bank Limited, are becoming more competitive in the retail segment. International banks such as Citigroup Inc., The Hong Kong and Shanghai Banking Corporation Limited and Deutsche Bank AG participate in a limited manner in the institutional market. Since late 2013, New Zealand has also seen Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Bank of China Limited become registered banks in New Zealand. Their focus appears to be in housing and business lending, however, their market share remains small in these segments.

Historically, the retail deposit market in New Zealand has been highly competitive. However, competition for deposits has been moderated recently as the Large Scale Asset Purchase program, introduced by the Reserve Bank of New Zealand (“RBNZ”) to support New Zealand’s economic recovery from the COVID-19 pandemic, has increased the amount of money circulating in the New Zealand banking system. As at 30 September 2022, lending to the residential mortgage market accounted for over half of the lending in New Zealand by registered banks and this market is a key area of competition.

While non-bank originators have become more active in New Zealand, the growth rate in their total assets has been lower compared to offshore markets, such as Australia, in recent years. The COVID-19 pandemic has encouraged customers to move away from physical outlets towards online and digital services, which could also prompt the rise of new players in the financial services sector. The non-banking sector constituted approximately 3% of total financial system assets as at 30 September 2022.

The COVID-19 pandemic and other potential future economic disruptions could impact competition in the New Zealand financial services sector over the medium-term due to changes to regulation and monetary policy, funding cost and credit provision increases, liquidity levels, implementation of business continuity plans and changes to business strategies.

Asia

Banking in Asia is highly competitive. There are many global banks and regional banks operating in the region in addition to the local banks in each market.

The Group currently operates in multiple countries, focused on institutional banking and delivering financial solutions to customers driven by regional trade and capital flows. We believe the Group’s geographic coverage, strength in its domestic markets of Australia and New Zealand, and targeted focus on customers, industries and product specialisation (including Markets and Transaction Banking) enables the Group to differentiate itself from its competitors across the region.

Competition remains robust and a large number of banks have shown a willingness to commit portions of their balance sheet in support of growth opportunities in the region. This has contributed to the net interest margin on institutional lending in Asia being generally lower than that of similar lending in Australia and New Zealand.

While the Group provides a broad suite of financial services to institutional customers, it does not seek to be a bank to the retail or commercial markets in Asia.

SUPERVISION AND REGULATION

As a major banking group, the Group is subject to extensive regulation by regulatory agencies and security exchanges in each of the major markets where it operates. This section provides an overview of the regulatory landscape applicable to the Group, focusing on Australia, New Zealand and the United States.

AUSTRALIA

Prudential and Regulatory Supervision

The Supervisory Role of APRA

Since 1 July 1998, APRA has been responsible for the prudential and regulatory supervision of Australian ADIs, which include banks (including ANZBGL), credit unions, building societies, insurance companies and superannuation funds. Prior to this, the Australian banking industry was regulated by the Reserve Bank of Australia ("RBA"). The RBA has retained overall responsibility for monetary policy, financial system stability and payments system regulation. APRA draws authority from the *Australian Prudential Regulation Authority Act 1998* of Australia.

APRA requires ADIs to meet certain prudential requirements that are covered in a range of APRA Prudential Standards.

APRA discharges its responsibilities in part by requiring ADIs subject to its supervision to regularly provide it with reports that set forth a broad range of information, including financial and statistical data relating to their financial position and information in respect of prudential and other matters. APRA gives special attention to capital adequacy, liquidity, earnings, credit quality and associated loan loss experience, concentration of risks, maturity profile of assets and liabilities, operational risks, market risks, interest rate risk in the banking book ("IRRBB"), exposures to related entities, outsourcing, funds management, governance, business continuity management, recovery and resolution planning, audit and related matters, securitisation activities and international banking operations. APRA may also exercise certain investigative powers if an ADI fails to provide information about its financial condition. Where APRA considers that an ADI may become unable to meet its obligations or may suspend payment (among other circumstances), APRA can take control of the ADI's business (including by appointment of a Banking Act statutory manager). APRA also has power to direct the ADI not to make payments in respect of its indebtedness. In addition, APRA has powers under the *Financial Sector (Transfer and Restructure) Act 1999* of Australia to require the compulsory transfer of some or all of an ADI's assets and liabilities or its shares to another body specified by APRA (which need not in all cases be an ADI). Broadly, APRA may require such a transfer in circumstances including where the relevant Australian Minister declares that the transfer should occur, or APRA is satisfied that there has been a contravention of the Banking Act or regulations or instruments made under it or the ADI has informed APRA that it is likely to become unable to meet its obligations or is about to suspend payment, and certain other criteria are met, including that APRA is satisfied that the transfer is appropriate having regard to the interests of the financial sector as a whole. A counterparty to a contract with an ADI cannot rely solely on the fact that a Banking Act statutory manager is in control of the ADI's business or on the making of a direction or compulsory transfer order as a basis for denying any obligations to the ADI or for accelerating any debt under that contract, closing out any transaction relating to that contract or enforcing any security under that contract.

In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from each ADI with selective "on site" visits and formal meetings with the ADI's senior management and the external auditor. APRA has also formalised a consultative relationship with each ADI's external auditor, with the agreement of the ADIs. The external auditor provides additional assurance to APRA that the information sourced from an ADI's accounting records and included in the ADI's APRA reporting is, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards. The external auditor also undertakes targeted reviews of specific risk management areas as selected by APRA. In addition, the board of directors of an ADI must make an annual declaration to APRA on risk management of the ADI in the form specified by applicable prudential standards.

Other Australian Regulators

In addition to APRA and its prudential and regulatory supervision, ANZBGL and its Australian subsidiaries are supervised and regulated in some respects by other regulators including the Australian Securities and Investments Commission ("ASIC"), the Australian Competition and Consumer Commission ("ACCC"), the Australian Transaction Reports and Analysis Centre ("AUSTRAC"), the Office of the Australia Information Commissioner ("OAIC") and various securities exchanges.

ASIC is Australia's corporate, markets, financial services and consumer credit regulator. It regulates Australian companies, financial markets, financial services organisations and professionals who deal in and advise on investments, superannuation, insurance, deposit-taking and credit. As the consumer credit regulator, ASIC licenses and regulates people and businesses engaging in consumer credit activities (including banks, credit unions, finance companies, and mortgage and finance brokers). ASIC ensures that licensees meet the standards, including those related to responsibilities to consumers that are set out in the *Australian National Consumer Credit Protection Act 2009*. As the markets regulator, ASIC assesses how effectively authorised financial markets are complying with their legal obligations to operate fair, orderly and transparent markets. Since 1 August 2010, ASIC has had responsibility for the supervision of trading on Australia's domestic licensed equity, derivatives and futures markets. As the financial services regulator, ASIC licenses and monitors financial services businesses to ensure that they operate efficiently, honestly and fairly. These businesses typically deal in superannuation, managed funds, shares and company securities, derivatives and insurance. ANZBGL provides products and participates in markets regulated by ASIC.

The ACCC is an independent Commonwealth statutory authority that promotes competition and fair trading in the Australian marketplace to benefit consumers, businesses and the community. It also regulates national infrastructure services. Its primary responsibility is to ensure that individuals and businesses, including the Group, comply with the Australian competition, fair trading and consumer protection laws.

AUSTRAC is Australia's financial intelligence agency and its anti-money laundering and counter-terrorism financing regulator. The Group is required to comply with certain anti-money laundering and counter-terrorism financing legislation and regulations under Australian law, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* of Australia ("AML Act"). The AML Act is administered by AUSTRAC.

The OAIC is an independent agency within the Australian Attorney General's portfolio. Its primary functions are privacy, freedom of information and government information policy, with responsibilities including conducting investigations, reviewing decisions, handling complaints, and providing guidance and advice.

Capital and Liquidity

Capital

The common framework for determining the appropriate level of bank regulatory capital is set by the Basel Committee on Banking Supervision (“BCBS”) under a framework that is commonly known as “Basel 3”.

For calculation of minimum capital requirements under Pillar 1 (“Capital Requirements”) of the Basel Accord, the Group has been accredited by APRA to use the Advanced Internal Ratings Based methodology for credit risk weighted assets and the Advanced Measurement Approach for the operational risk weighted asset equivalent.

Effective 1 January 2013, APRA has adopted the majority of Basel 3 capital reforms in Australia. APRA views the Basel 3 reforms as a minimum requirement and hence has not incorporated some of the concessions proposed in the Basel 3 rules and has also set higher requirements in other areas. As a result, Australian banks' Basel 3 reported capital ratios are not directly comparable with international peers. The Basel 3 reforms include: increased capital deductions from CET1 capital, an increase in capitalisation rates (including prescribed minimum capital buffers, fully effective from 1 January 2016), tighter requirements around new Additional Tier 1 (“AT1”) and Tier 2 securities and transitional arrangements for existing AT1 and Tier 2 securities that do not conform to the new regulations. Other changes include capital requirements for counterparty credit risk and an increase in the asset value correlation with respect to exposures to large and unregulated financial institutions as well as changes that have resulted from the Financial System Inquiry (“FSI”) as described below.

For further discussion regarding capital regulatory developments, see “Regulatory Developments – Capital and Liquidity” below.

Liquidity

ANZBGL's liquidity and funding risks are governed by a detailed policy framework that is approved by ANZBGL's Board Risk Committee. The management of the liquidity and funding positions and risks is overseen by the Group Asset and Liability Committee. ANZBGL's liquidity risk appetite is defined by the ability to meet a range of regulatory requirements and internal liquidity metrics mandated by ANZBGL's Board Risk Committee. The metrics cover a range of scenarios of varying duration and level of severity. This framework helps:

- provide protection against shorter-term but more extreme market dislocations and stresses;
- maintain structural strength in the balance sheet by ensuring that an appropriate amount of longer-term assets are funded with longer-term funding; and
- ensure no undue timing concentrations exist in the Group's funding profile.

A key component of this framework is the Liquidity Coverage Ratio (“LCR”) that was implemented in Australia on 1 January 2015. The LCR is a severe short term liquidity stress scenario mandated by banking regulators including APRA. It was introduced as part of the Basel 3 international framework for liquidity risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZBGL has a Committed Liquidity Facility (“CLF”) with the RBA. The CLF was established as a solution to a High Quality Liquid Assets (“HQLA”) shortfall in the Australian marketplace and provides an alternative form of RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set at least annually by APRA. In September 2021, APRA wrote to ADIs to advise that APRA and the RBA consider there to be sufficient HQLA for ADIs to meet their LCR requirements, and therefore the use of the CLF should no longer be required beyond 2022. Consistent with APRA’s requirement to reduce the A$10.7 billion CLF with four equal reductions during the 2022 calendar year to nil on 1 January 2023, ANZBGL’s CLF was A$2.7 billion as at 30 September 2022 (Mar 22: A$8.0 billion; Sep 21: A$10.7 billion).

Additionally, the Group has implemented APRA's Net Stable Funding Ratio (“NSFR”) requirement from 1 January 2018 following the release of the NSFR final standards in December 2016. The Group's Level 2 NSFR was 119% as at 30 September 2022 (30 September 2021: 124%). ANZBGL seeks to observe strictly its prudential obligations in relation to liquidity and funding risk as required by APRA’s prudential standard *APS210 Liquidity* (“APS210”), as well as the prudential requirements of overseas regulators on ANZBGL's offshore operations.

Capital Management and Liquidity within APRA's Regulations

For further details of the Group's capital management and liquidity see “Liquidity and capital resources” set out in Section 3: Operating and Financial Review and Prospects.

Banking Executive Accountability Regime and Financial Accountability Regime

The Banking Executive Accountability Regime (“BEAR”) was introduced in 2018 as a new responsibility and accountability framework for the directors and most senior executives in ADI groups. ANZBGL's obligations under the BEAR commenced on 1 July 2018.

Under the BEAR:

- ANZBGL is required to register individuals with APRA before appointing them to certain senior executive or director positions and maintain and provide APRA with a map of the roles and responsibilities of such persons across the ADI group, including ANZ New Zealand, and to provide APRA with accountability statements for each of these senior executives or directors, detailing that individual's roles and responsibilities;
- where ANZBGL's registered senior executives and directors do not meet accountability obligations, APRA is empowered to disqualify those individuals as senior executives or directors without a court order (but subject to a right of administrative review in accordance with Part VI of the Banking Act);
- ANZBGL is obliged to set remuneration policies for directors and senior executives consistent with the BEAR's requirements, including for the deferral of certain components of that remuneration; and
- ANZBGL may be liable for substantial penalties for failing to comply with its BEAR obligations.

The Australian Government announced in January 2020 that BEAR will be replaced by the FAR, extending the regime to other APRA-regulated entities.

In October 2021, the Australian Government introduced the Financial Accountability Regime Bill 2021 (“FAR Bill”) into the Australian Parliament, which is intended to establish the Financial Accountability Regime (“FAR”). The FAR was developed in response to recommendations made by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the “Royal Commission”) and is intended to extend and replace the BEAR by establishing an accountability framework for certain entities in the banking, insurance and superannuation industries that are regulated by APRA, and persons who hold certain positions or have certain responsibilities within those entities. As with the BEAR, the FAR will apply to all of the operations of ANZBGL however as distinct from the BEAR, any insurers or licensed superannuation trustees within the Group will be designated as accountable entities under the FAR, alongside ANZBGL, and regulated directly by its provisions. The FAR will be jointly administered by APRA and ASIC.

In April 2022, the FAR Bill lapsed following the announcement of a Federal election and was re-introduced to the Australian Parliament in September 2022. If passed in its current form, the FAR will be implemented in stages for in-scope entities within the Group commencing with ANZBGL six months after the commencement of the legislation and then 18 months after commencement of the legislation for any insurers or licensed superannuation trustees within the Group.

Under the FAR Bill, the Group and certain senior personnel will be subject to, or impacted by, new or heightened accountability obligations. For example, the FAR will require ANZBGL to take reasonable steps to:

- conduct its business with honesty and integrity, and with due skill, care and diligence; and
- deal with APRA and ASIC in an open, constructive and cooperative way; and
- prevent adverse effects on its prudential standing or prudential reputation; and
- ensure that certain directors, senior executives and other key personnel meet the above standards of conduct, and take reasonable steps to ensure compliance with applicable laws; and
- ensure that related entities whose business and activities materially and substantially affect ANZBGL comply with the FAR in the same way as ANZBGL.

Crisis Management

Under the Banking Act, APRA has power to facilitate the orderly resolution of the entities it regulates (and their subsidiaries) in times of distress. Powers which could impact the Group include oversight, management and directions powers in relation to ANZBGL and other Group entities and statutory management powers over regulated entities within the Group. The Banking Act includes provisions which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments (the “Statutory Conversion and Write-Off Provisions”).

The Statutory Conversion and Write-Off Provisions apply in relation to regulatory capital instruments issued by certain financial sector entities (including ADIs, of which ANZBGL is one) that contain provisions for conversion or write-off for the purposes of APRA's prudential standards. Where the Statutory Conversion and Write-Off Provisions apply to an instrument, that instrument may be converted in accordance with its terms. This is so despite any law (other than specified laws, currently those relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity), the constitution of the issuer, any contract to which the issuer is a party, and any listing rules, operating rules or clearing and settlement rules applicable to the instrument. In addition, the Banking Act includes a moratorium on the taking of certain actions, such as denying any obligation, accelerating any debt, closing out any transaction or enforcing any security, on grounds relating to the operation of the Statutory Conversion and Write-Off Provisions.

Regulatory Developments - Capital and Liquidity

RBNZ Capital Requirements

The RBNZ’s new capital adequacy requirements for New Zealand banks, which are set out in the Banking Prudential Requirements (“BPR”) documents are being implemented in stages during a transition period from October 2021 to July 2028.

The key requirements for ANZ New Zealand are as follows:

- ANZ New Zealand’s Tier 1 capital requirement will increase to 16% of risk-weighted assets (“RWA”), of which up to 2.5% can be in the form of AT1 capital. ANZ New Zealand’s total capital requirement will increase to 18% of RWA, of which up to 2% can be Tier 2 capital. The increased capital ratio requirements are being implemented progressively from 1 July 2022 to 1 July 2028.
- AT1 capital must consist of perpetual preference shares, which may be redeemable. It is anticipated that ANZ New Zealand will be able to refinance existing internal AT1 securities to external counterparties. Tier 2 capital must consist of long-term subordinated debt.
- As an internal ratings-based (“IRB”) approach accredited bank, ANZ New Zealand’s credit RWA outcomes have been increased to approximately 90% of what would be calculated under the Basel Standardised Measurement Approach (“standardised approach”). This has been achieved by applying an 85% output floor, which took effect on 1 January 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from 1 October 2022.

The net impact on ANZBGL’s Level 1 CET1 capital is expected to be an increase in capital requirements of approximately A$1.0 billion to A$1.5 billion between 30 September 2022 and the end of the transition period in 2028 (based on the Group’s 30 September 2022 balance sheet). However, the net impact on the overall Group capital position may be lower post implementation of the APRA capital reforms from January 2023, given the expected narrowing of the variance between the Level 1 and Level 2 CET1 ratios as a result of these reforms. The amount could also vary over time subject to changes to the capital position in ANZ New Zealand (e.g. from RWA growth, management buffer requirements, and potential dividend payments).

See “Supervision and Regulation – New Zealand – New Zealand Regulatory Developments – Bank capital adequacy requirements” for more information.

Capital Requirements - Unquestionably Strong

APRA's key initiatives in relation to "unquestionably strong" capital requirements are as follows:

- In July 2017, APRA released an information paper outlining its assessment on the additional capital required for the Australian banking sector to be considered "unquestionably strong" as originally outlined in the FSI final report in December 2014. APRA indicated that "in the case of the four major Australian domestic systemically important banks ("D-SIBs"), this equated to a benchmark CET1 capital ratio, under the current capital adequacy framework, of at least 10.5% from 1 January 2020".
- In November 2021, APRA released their final requirements in relation to capital adequacy and credit risk capital requirements for ADIs with an implementation date of 1 January 2023. The key aspects of APRA's final requirements are:
  - increased alignment with internationally agreed Basel standards for non-residential mortgages exposures;
  - implementing more risk-sensitive risk weights for residential mortgage lending;
  - introduction of the Basel 2 capital floor that limits the RWA outcome for IRB ADIs to no less than 72.5% of the RWA outcome under the standardised approach;
  - improving the flexibility of the capital framework through the introduction of a default level of the countercyclical capital buffer ("CCyB") and increasing the capital conservation buffer ("CCB") for IRB ADIs;
  - improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardised approach; and
  - implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%. APRA's "Leverage Ratio" compares Tier 1 capital to the "exposure measure" (expressed as a percentage) as defined by APRA Prudential Standard APS110. It is designed as a non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

APRA has indicated that the above proposals will likely result in a decrease in RWA, but this will be offset by the increased capital allocation to regulatory buffers. In December 2020, APRA also indicated that it is not APRA's intention to require ADIs to raise additional capital, as ADIs were meeting the "unquestionably strong" benchmarks. Accordingly, APRA has therefore sought to calibrate the capital requirements for ADIs, measured in dollar terms, to be consistent at an industry level with the existing "unquestionably strong" capital benchmarks for ADIs under the current capital framework. The impact of these proposed changes on individual ADIs (including ANZBGL), however, will vary depending on the final form of requirements implemented by APRA.

Additionally, APRA is currently still consulting on revisions to a number of prudential standards, being Interest Rate Risk in the Banking Book (IRRBB), Market Risk and Counterparty Credit Risk. Given the number of items that are yet to be finalised by APRA, the aggregate final outcome from all changes to APRA's prudential standards relating to their review of ADIs "unquestionably strong" capital framework remains uncertain.

APRA Total Loss Absorbing Capacity Requirements

In July 2019, APRA announced its decision on loss-absorbing capacity pursuant to which it will require Australian D-SIBs, including ANZBGL, to increase their total capital by 3% of risk weighted assets ("RWA") by January 2024. On 2 December 2021, APRA announced that it has finalised its loss-absorbing capacity requirements and stated that it will require Australian D-SIBs to increase their total capital by a further 1.5% of RWA by January 2026. Inclusive of the previously announced interim increase of 3%, this will result in a total increase to the minimum total capital requirement of 4.5% of RWA. APRA expects the requirement to be satisfied predominantly with additional Tier 2 capital with an equivalent decrease in other senior funding. The amount of the additional total capital requirement will be based on the Group's actual RWA as at January 2026, including the final impact of the revisions to APRA's capital framework announced on 29 November 2021. APRA noted "Given changes to RWA from the ADI capital reforms, the lower end of the range in dollar terms broadly equates to a requirement of 4.5 percentage points of RWA under the new capital framework, in place from 2023".

Revisions to Related Entities Framework

In January 2022, APRA's amendment to APS222 Associations with Related Entities ("APS222") to reduce the limits for Australian ADIs' individual entity exposure to related ADIs (or overseas equivalents) from 50% of Level 1 total capital to 25% of Level 1 Tier 1 capital, and aggregate exposures from 150% of Level 1 total capital to 75% of Level 1 Tier 1 capital came into effect. The reduction in the above limits is not expected to have a material impact on the Group. See "Restrictions on ANZBGL's ability to provide financial support" below for more detail.

Restrictions on ANZBGL's ability to provide financial support

Effect of APRA's Prudential Standards

APRA's current or future requirements may have an adverse effect on ANZBGL's business, results of operations, liquidity, capital resources or financial condition.

APS222 sets minimum requirements for ADIs in Australia, including ANZBGL, in relation to the monitoring, management and control of risks which arise from associations with related entities and also includes maximum limits on intra-group financial exposures.

Under APS222, ANZBGL's ability to provide financial support to related entities (including ANZ New Zealand) is subject to the following restrictions:

- ANZBGL should not undertake any third party dealings with the prime purpose of supporting the business of related entities;
- ANZBGL must not hold unlimited exposures (i.e., should be limited as to specified time or amount) to related entities (e.g., not provide a general guarantee covering any of the obligations of related entities) either in aggregate or at an individual entity level;
- ANZBGL must not enter into cross-default clauses whereby a default by a related entity on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default of ANZBGL on its obligations; and

- the level of exposure, net of exposures deducted from capital, of ANZBGL's Level 1 total capital base:
  - (i) to related ADIs or equivalents, such as ANZ New Zealand, should not exceed 50% on an individual exposure basis or 150% in aggregate to all related ADIs or equivalents;
  - (ii) to other related entities:
    - a) in the case of a regulated related entity, should not exceed 25% on an individual exposure basis; or
    - b) in the case of any other (unregulated) related entity, should not exceed 15% on an individual exposure basis; and
    - c) should not exceed in aggregate 35% to all non-ADIs or equivalent related entities.

In January 2022, APRA implemented changes to APS222 that affect the quantum and nature of the financial support that ANZBGL can provide to ANZ New Zealand. The key changes are:

- change the Level 1 capital base used for setting the exposure limits from total capital to Tier 1 capital; and
- reduce the individual ADI exposure limit to 25% of Level 1 Tier 1, and the aggregate to 75% of Level 1 Tier 1 capital base.

ANZBGL's exposure to ANZ New Zealand at 30 September 2022 is compliant with the APS222 limits.

In addition, APRA has confirmed that, from 1 January 2021, no more than 5% of ANZBGL's Level 1 Tier 1 capital base can comprise non-equity exposures to its New Zealand operations (including its subsidiaries incorporated in New Zealand, such as ANZ New Zealand, and ANZBGL's New Zealand branch) during ordinary times. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to ANZ New Zealand and its subsidiaries (ANZ New Zealand together with its subsidiaries, the “ANZ New Zealand Group”) during times of financial stress.

APRA has also confirmed that contingent funding support by ANZBGL to its ANZ New Zealand operations during times of financial stress must be provided on terms that are acceptable to APRA. At present, only covered bonds meet APRA's criteria for contingent funding. APRA also requires that ANZBGL's total exposures to its New Zealand operations must not exceed 50% of ANZBGL's Level 1 Tier 1 capital base.

Effect of the Level 3 framework

In addition, certain requirements of APRA's Level 3 framework relating to, among other things, group governance and risk exposures became effective on 1 July 2017. This framework also requires the Group to limit its financial and operational exposures to subsidiaries (including ANZ New Zealand).

In determining the acceptable level of exposure to a subsidiary, ANZBGL's Board of Directors should have regard to:

- the exposures that would be approved for third parties of broadly equivalent credit status; and
- the potential impact on ANZBGL's capital and liquidity positions and ability to continue operating in the event of a failure by the subsidiary.

These requirements are not expected to place additional restrictions on ANZBGL's ability to provide financial or operational support to its subsidiaries, including ANZ New Zealand.

Regulatory Developments - Other

Regulatory response to the COVID-19 pandemic

Australian regulators and Australian governments implemented a broad range of measures in response to the COVID-19 pandemic, including restrictions on normal daily activities, fiscal interventions and support schemes, delays and deferrals to the implementation of regulatory reforms and a re-ranking of regulatory priorities, including enforcement priorities.

The full extent of the duration and severity of the impact of the COVID-19 pandemic remains subject to significant uncertainties. Accordingly, while Australian regulators have re-focused their priorities to their usual supervisory activities, regulators continue to monitor the effect of the COVID-19 pandemic. Given this, the ramifications of the COVID-19 pandemic on the regulation and supervision of, and enforcement against, financial services groups such as the Group continue to be uncertain and, as at the date of this U.S. Disclosure Document, are difficult to predict.

For further information, see “Risk Factors - Legal and regulatory risk - Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position” and “Risk Factors - Risks related to the Issuer's business activities and industry - The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group’s Position”.

For information relating to the regulatory response to the COVID-19 pandemic in New Zealand, see “Supervision and Regulation - New Zealand - New Zealand Regulatory Developments - Regulatory Response to the COVID-19 Pandemic and Other Developments”.

Self-assessment into frameworks and practices

On 1 May 2018, APRA noted that all regulated financial institutions would benefit from conducting a self-assessment into their frameworks and practices in relation to governance, culture and accountability and that, for large financial institutions such as the Group, APRA will be seeking written assessments that have been reviewed and endorsed by their boards. APRA made these indications in light of the issues that were identified in the final report relating to the prudential inquiry into another major ADI, which was established to examine the frameworks and practices in relation to the governance, culture and accountability within that ADI group. ANZBGL submitted its written self-assessment to APRA on 30 November 2018. On 22 August 2019, ANZBGL released an article from ANZBGL's Chairman detailing the actions (including development of a 'roadmap') being taken by ANZBGL to address the issues raised in its self-assessment report. ANZBGL's roadmap has five focus areas: culture; governance and accountability; management of operational risk; remediation; and simplification. The roadmap is a multi-year program. APRA requires ANZBGL to hold an additional capital overlay of A$500 million for operational risk (from 30 September 2019) until ANZBGL has effectively completed the planned uplift as outlined in ANZBGL's roadmap.

Residential mortgage lending practices

In recent years APRA has closely monitored residential mortgage lending practices and taken a number of steps aimed at strengthening residential mortgage lending standards across the banking industry.

In October 2021, APRA increased the minimum interest rate buffer it expects ADIs to use when assessing the serviceability of home loan applications, from at least 2.5% to at least 3% over the loan interest rate. APRA indicated that its decision reflects growing financial stability risks from ADIs' residential mortgage lending. APRA has made further revisions to its Credit Risk Management Framework for ADI residential mortgage lending, which came into effect in September 2022. Specifically, an ADI must ensure that it has the ability to limit the extent of lending in the following loan types:

(a) lending with a debt-to-income ratio greater than or equal to four times or six times;

(b) lending with a loan-to-valuation ratio greater than or equal to 80 per cent or 90 per cent;

(c) lending for the purposes of investment;

(d) lending on an interest-only basis; and

(e) lending with a combination of any two of the types specified in (a) to (d).

Changes in classifications for residential mortgage loans

The current classification of ANZBGL's residential mortgage loans, as reported to regulators and the market, is generally determined during the loan origination process (i.e., loan application, processing and funding), based on information provided by the customer or subsequently when a customer requests changes to the loan.

Classification of residential mortgage loans may change due to:

- incorrect classification at origination: to the extent that customers inaccurately advise ANZBGL of their circumstances at origination, there is a risk that loans may be incorrectly classified, and such loans may be reclassified;
- changes in customer circumstances: ongoing appropriateness of a given classification relies on the customer's obligation to advise ANZBGL of any changes in the customer's circumstances and on ANZBGL's ability to independently validate the information provided by its customers. To the extent that customers advise of any changes in their circumstances or when ANZBGL makes such a determination based on its verification processes, a loan may be reclassified;
- regulatory or other changes: the criteria for loan classifications, and their interpretation, may change for one or more reporting purposes, which may affect the classification of certain loans; and
- changes in ANZBGL's systems and processes.

Incorrect classification or re-classification of loans may affect a customer's ability to meet required repayments, such as when an owner-occupied property loan is re-classified to an investment property loan, which may attract a higher interest rate. The inability of customers to meet repayment obligations on re-classified loans may increase the risk of default on such loans, which may adversely affect the Group's Position.

Other

For further information on regulatory developments, including the risks they pose to the Group, see "Risk Factors - Legal and regulatory risk - Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position".

Sections 102.6 and 102.7 of the Australian Criminal Code

Under Sections 102.6 and 102.7 of the Australian Criminal Code (contained in the *Criminal Code Act 1995* of Australia) ("Criminal Code Act"), a person commits a criminal offence if the person intentionally receives funds from, makes funds available to, collects funds for or on behalf of, or provides support or resources to a terrorist organisation in circumstances where the person knows, or is reckless as to whether, the organisation is a terrorist organisation. An organisation is a terrorist organisation if it is directly or indirectly engaged in, preparing, planning, assisting in or fostering the doing of a terrorist act, or is prescribed as a terrorist organisation in regulations under the Criminal Code Act.

Under the *Autonomous Sanctions Act 2011* of Australia and the *Autonomous Sanctions Regulations 2011* of Australia:

- sanctions are imposed against certain specifically identified persons, entities, assets and vessels associated with particular countries or regions; and
- certain transactions involving the named persons or entities, or connected with sanctioned countries or regions, may only be conducted with specific approval from the Minister of Foreign Affairs. Contravention of these sanctions constitutes a criminal offence.

NEW ZEALAND

The supervisory role of the RBNZ

The *Banking Prudential Standards Act 1989* (the "BPS Act") requires the RBNZ to exercise its powers of registration of banks and prudential supervision of registered banks (including ANZ New Zealand) for the purposes of:

- promoting the maintenance of a sound and efficient financial system; and
- avoiding significant damage to the financial system that could result from the failure of a registered bank.

The RBNZ's policy around the registration of banks aims to ensure that only financial institutions of appropriate standing and repute are able to become registered banks. Subject to this requirement, the RBNZ has stated that it intends to keep to a minimum any impediments to the entry of new registered banks, in order to encourage competition in the banking system.

The RBNZ's supervisory functions are aimed at encouraging the soundness and efficiency of the financial system as a whole, and are not aimed at preventing individual bank failures or at protecting creditors. The RBNZ seeks to achieve this by drawing on and enhancing disciplines that are naturally present in the market.

The RBNZ places considerable emphasis on a requirement that banks regularly disclose information on financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those whom the RBNZ considers are best placed to exercise that responsibility - the directors and management.

The main elements of the RBNZ's supervisory role include:

- requiring all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposures, minimum capital adequacy requirements and minimum standards for liquidity risk management, and are set out in more detail below;
- monitoring each registered bank's financial condition and compliance with conditions of registration, principally on the basis of published half-yearly disclosure statements and monthly reporting submitted privately to the RBNZ. This monitoring is intended to ensure that the RBNZ maintains familiarity with the financial condition of each bank and the banking system as a whole, and maintains a state of preparedness to invoke crisis management powers should this be necessary;
- consulting the senior management of registered banks;
- using crisis management powers available to it under the BPS Act to intervene where a bank distress or failure situation threatens the soundness of the financial system;
- assessing whether a bank is carrying on business prudently;
- issuing guidelines on overseeing banks' compliance with anti-money laundering and countering financing of terrorism requirements;
- monitoring banks' outsourcing arrangements to determine whether a registered bank's risks associated with outsourcing are appropriately managed;
- issuing guidelines on banks' internal capital adequacy process and liquidity policy;
- issuing guidelines on corporate governance; and
- maintaining close working relationships with parent bank supervisors (such as APRA in Australia) on bank-specific issues, policy issues and general matters relating to the condition of the financial system in New Zealand and in the countries where parent banks are domiciled.

Registered banks are required to issue half-yearly disclosure statements that contain comprehensive details, together with full financial statements at the full-year, and unaudited interim financial statements at the half-year. The financial statements are subject to full external audit at the end of each financial year and a limited scope review at the end of each financial half-year. Each bank director is required to sign his or her bank's disclosure statements and to make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank's disclosure statement contains information that is held to be false or misleading.

The RBNZ publishes a quarterly “dashboard” of key information on registered banks on the RBNZ's website. The dashboard aims to improve the ability of the public and market participants to understand and act on information about such banks' financial strength and risk profile. The information is sourced from private reporting that banks provide to the RBNZ. Information relating to the ANZ New Zealand Group published in the dashboard is not incorporated by reference herein and does not form part of this U.S. Disclosure Document. In some cases, information relating to the ANZ New Zealand Group published in the dashboard has been classified and presented differently to the presentation in the ANZ New Zealand consolidated financial statements.

New Zealand-incorporated banks are required to comply with the Basel 3 capital adequacy requirements, as modified to reflect New Zealand conditions. The RBNZ also requires domestic systemically important banks, including ANZ New Zealand, to maintain a prudential capital buffer of 3.5% above the minimum ratios or face restrictions on distributions. This prudential capital buffer is progressively increasing to 9% of RWA in July 2028. See “New Zealand Regulatory Developments — Bank capital adequacy requirements” below for further information.

New Zealand-incorporated banks (including ANZ New Zealand) are required to comply with the RBNZ's Liquidity Policy (“BS13”). A requirement of BS13 is that New Zealand-incorporated banks meet a minimum core funding ratio (“CFR”) of 75% ensuring that at least a minimum proportion of bank funding is met through customer deposits, term wholesale funding and Tier 1 capital.

In September 2021, the RBNZ released the findings from its thematic review on compliance with BS13 by New Zealand-incorporated banks. Following this, the RBNZ began a comprehensive review of BS13 in February 2022. This includes reconsidering certain aspects of the Basel 3 liquidity standards. See “New Zealand Regulatory Developments — Thematic review of registered banks' compliance with the RBNZ Liquidity Policy” and “New Zealand Regulatory Developments — RBNZ review of BS13” below for further information.

The RBNZ also requires all registered banks to obtain and maintain a credit rating from an approved organisation and publish that rating in the disclosure statements.

In addition, the RBNZ has wide-reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information, data, and forecasts be audited.

It also possesses a number of crisis management powers. Those powers include recommending that a bank's registration be cancelled, investigating the affairs of a registered bank, requiring that a registered bank consults with the RBNZ, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management.

If a registered bank is declared to be subject to statutory management, no person may, among other things:

- commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;

- issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;
- take any steps to put that bank into liquidation; or
- exercise any right of set off against that bank.

As part of the RBNZ's supervisory powers, a person must obtain the written consent of the RBNZ before giving effect to a transaction resulting in that person acquiring or increasing a “significant influence” over a registered bank. “Significant influence” means the ability to appoint 25% or more of the board of directors of a registered bank or a qualifying interest (e.g., legal or beneficial ownership) in 10% or more of its voting securities.

In assessing applications for consent to acquire a significant influence over a registered bank, the RBNZ has stated that it will have regard to the same matters as are relevant in assessing an application for registration as a registered bank. In giving its consent, the RBNZ may impose such terms and conditions as it thinks fit.

New Zealand Regulatory Developments

Regulatory Response to the COVID-19 Pandemic

The RBNZ and the New Zealand Government implemented a broad range of measures in response to the COVID-19 pandemic, including:

- the implementation by the RBNZ of an up to NZ$100 billion large -scale asset purchase program designed to inject cash into the economy, which ceased in July 2021 (as at the date of this U.S Disclosure Document, the RBNZ has commenced the gradual reduction of its bond holdings under the program);
- the implementation by the RBNZ of a Funding for Lending Program designed to provide banks with low cost funding and encourage lower borrowing costs for New Zealand businesses and households;
- the implementation by the New Zealand Government of various support schemes including a Small Business Cash Flow Loan Scheme (under which loans are provided to assist small businesses impacted by the COVID-19 pandemic) and a Leave Support Scheme (to help businesses pay their employees who need to self-isolate as a result of COVID-19 and cannot work from home), alongside Wage Subsidy Schemes (to help employers adversely affected by COVID-19 lockdowns to continue to pay their staff and protect jobs) and Short-Term Absence Payments, both of which have now closed; and
- tax reforms to assist medium and smaller businesses, including raising the provisional tax threshold from NZ$2,500 to NZ$5,000, in order to lower compliance costs and introducing new rules to allow businesses meeting certain "business continuity criteria" to carry-forward their tax losses notwithstanding changes in continuity of shareholder ownership.

The duration and severity of the impact of the COVID-19 pandemic remains subject to significant uncertainties. Accordingly, while New Zealand regulators have re-focused their priorities to their usual supervisory activities and some of the regulatory measures referred to above have now ended, regulators continue to monitor the effect of the COVID-19 pandemic and further measures could be implemented in the future. Given this, the ramifications of the COVID-19 pandemic on the regulation and supervision of financial services groups such as the ANZ New Zealand Group continue to be uncertain and, as at the date of this U.S. Disclosure Document, are difficult to predict.

Bank capital adequacy requirements

The RBNZ’s new capital adequacy requirements for New Zealand banks, which are set out in the BPR documents, are being implemented in stages during a transition period from October 2021 to July 2028. The key requirements for ANZ New Zealand are as follows:

- ANZ New Zealand’s Tier 1 capital requirement will increase to 16% of RWA, of which up to 2.5% can be in the form of AT1 Capital. ANZ New Zealand’s Total Capital requirement will increase to 18% of RWA, of which up to 2% can be Tier 2 Capital. The increased capital ratio requirements are being implemented progressively from 1 July 2022 to 1 July 2028.
- AT1 capital must consist of perpetual preference shares, which may be redeemable. It is anticipated that ANZ New Zealand will be able to refinance existing internal AT1 securities to external counterparties. Tier 2 capital must consist of long-term subordinated debt.
- The Tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic, systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer (which can be temporarily reduced to 0% following a financial crisis, or temporarily increased to prevent asset price bubbles from developing); and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 30 September 2022, ANZ New Zealand had approximately NZ$2,241 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over a transition period from 1 January 2022 to 1 July 2028, should these instruments remain outstanding.
- As an IRB approach accredited bank, ANZ New Zealand’s credit RWA outcomes have been increased to approximately 90% of what would be calculated under the standardised approach. This has been achieved by applying an 85% output floor, which took effect on 1 January 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from 1 October 2022.
- ANZ New Zealand will be required to report RWA, and resulting capital ratios, using both the IRB and the standardised approaches from 30 June 2023.

The RBNZ’s reforms will result in a material increase in the level of capital that ANZ New Zealand is required to hold. The reforms could have a material impact on ANZ New Zealand and its business, including on its capital allocation and business planning.

RBNZ's revised outsourcing policy

Large New Zealand-incorporated banks, such as ANZ New Zealand, must ensure their outsourcing arrangements comply with BS11 (the RBNZ’s revised outsourcing policy).

Outsourcing arrangements in place prior to 1 October 2017 must be compliant with BS11 by 1 October 2023. ANZ New Zealand is in the final stages of delivering compliance with BS11 for existing outsourcing arrangements, as outlined in its Path-to-Compliance Plan.

The BS11 requirements form part of ANZ New Zealand's Conditions of Registration. If ANZ New Zealand does not comply with its Condition of Registration in relation to outsourcing, the RBNZ could take enforcement action, such as putting further restrictions on ANZ New Zealand's use of outsourcing.

New financial advice regime in New Zealand

In March 2021, the Financial Services Legislation Amendment Act 2019 introduced a new financial advice regime in New Zealand.

As a financial advice provider, ANZ New Zealand is required to be licensed under the new regime. ANZ New Zealand has obtained a transitional financial advice provider license from the Financial Markets Authority (“FMA”), and in September 2022, it was granted a class 3 financial advice provider license, effective from 16 March 2023.

The new regime is expected to result in increased compliance costs and regulatory scrutiny of the ANZ New Zealand Group.

Review of the Reserve Bank of New Zealand Act 1989

The New Zealand Government has concluded a review of the Reserve Bank of New Zealand Act 1989. Phase one of the review resulted in the enactment of the Reserve Bank of New Zealand (Monetary Policy) Amendment Act 2018, which made several changes to New Zealand's monetary policy framework. Phase two involved a comprehensive review of the financial policy provisions of the Reserve Bank of New Zealand Act 1989, which has since been renamed BPS Act.

The Reserve Bank of New Zealand Act 1989 will be replaced with two separate pieces of legislation:

- The Reserve Bank of New Zealand Act 2021 fully commenced in July 2022, replacing parts of the Reserve Bank of New Zealand Act 1989 that relate to the RBNZ's high-level objectives, powers, functions, governance and funding arrangements. Among other things, the Reserve Bank of New Zealand Act 2021:
  - establishes a new statutory governance board responsible for all decision-making, except decisions made by the Monetary Policy Committee (a transitional board will operate until the new governance board begins its role); and
  - introduces an overarching financial stability objective of protecting and promoting the stability of New Zealand's financial system (in addition to the economic objectives and central bank objective).
- The Deposit Takers Act is expected to, among other things:
  - create a single regulatory regime for all bank and non-bank deposit takers;
  - introduce a depositor compensation scheme that will protect up to NZ$100,000 per depositor, per licensed deposit taker, if a pay-out event is triggered;
  - strengthen accountability requirements for directors of deposit takers;
  - broaden the RBNZ's supervision and enforcement tools; and
  - strengthen and clarify the RBNZ's crisis resolution framework (which in substance carries over the key statutory management powers from the Reserve Bank of New Zealand Act 1989 but places those powers (where practicable) directly in the hands of the RBNZ as resolution authority).

The Deposit Takers Bill was introduced to Parliament in September 2022 and is expected to be enacted in mid-to-late 2023. The depositor compensation scheme is targeted for initial implementation in early 2024, ahead of the rest of the Deposit Takers Act coming into effect. Until the Deposit Takers Bill is enacted, the current regulatory framework for banks is continuing under the BPS Act.

Conduct regulations for financial institutions

The Financial Markets (Conduct of Institutions) Amendment Act 2022 (“FMCIA Act”) was enacted in June 2022 and is expected to come into force in early 2025. When it comes into force it will require financial institutions (including registered banks, licensed insurers and non-bank deposit takers) that are in the business of providing relevant services and associated products to:

- obtain a license under Part 6 of the *Financial Markets Conduct Act 2013*;
- comply with a fair conduct principle (requiring them to treat consumers fairly, including by paying due regard to their interests);
- establish, implement, maintain and comply with an effective fair conduct program to operationalise the fair conduct principle, and publish a summary of the fair conduct program; and
- comply with regulations that regulate performance incentives for staff and others who are involved in providing a service.

The FMCIA Act will implement a broad conduct regime that can be expanded over time with further obligations on regulated entities.

Amendments to the Credit Contracts and Consumer Finance Act 2003 ("CCCFA")

The ANZ New Zealand Group has updated its CCCFA processes in response to the recent Credit Contracts Legislation Amendment Act 2019 ("**CCLA Act**") reforms.

Changes to CCCFA regulations and guidance in the Responsible Lending Code that the Minister of Commerce announced in March 2022 to address unintended impacts caused by the CCLA Act reforms took effect in July 2022. The ANZ New Zealand Group has made some changes to policies and processes and is considering whether any further changes are needed to its CCCFA processes in response. The Minister of Commerce announced in August 2022 further changes to the regulations under CCCFA to mitigate unintended consequences of the CCLA Act reforms. The ANZ New Zealand Group will identify any further changes to policies and processes once the detail of the statutory amendments is clearer. The further changes to the CCCFA regulations and Responsible Lending Code are expected to take effect from March 2023.

Thematic review of registered banks' compliance with the RBNZ Liquidity Policy

In September 2021, the RBNZ released the findings from its thematic review on compliance with BS13 by New Zealand-incorporated banks. The RBNZ found that all banks had clear organisational structures for liquidity risk management, used internal limits and measurements beyond the minimum BS13 requirements, and monitored cash positions to understand intra-day liquidity needs.

However, issues resulting from weak internal controls and inadequate care in policy interpretations were identified. As a result, the 10 largest New Zealand-incorporated banks, including ANZ New Zealand, have been required to:

- develop a remediation plan to address all of the findings set out in individual feedback letters; and
- conduct a materiality assessment of the impacts of the quantitative findings on the liquidity ratios.

ANZ New Zealand has provided the RBNZ with a remediation plan to address the individual feedback ANZ New Zealand received and undertaken the required materiality assessment. The findings have been assessed as non-material. ANZ New Zealand continues to work with the RBNZ to address the findings of the BS13 thematic review.

RBNZ review of BS13

The RBNZ is undertaking a comprehensive review of BS13. The key issues covered by the review are expected to include:

- a potential move towards the BCBS's liquidity framework;
- eligibility requirements for 'liquid' assets in New Zealand;
- the availability of liquid assets in New Zealand;
- current and future arrangements for banks to use liquid assets as collateral when transacting with the RBNZ;
- how liquidity requirements should be applied across the spectrum of deposit takers;
- whether liquidity requirements should be applied to foreign bank branches; and
- whether liquidity requirements should be used as a macro-prudential tool.

The first round of consultation of the review has been completed. The review is expected to involve a further three rounds of consultation and a quantitative impact study. An updated liquidity policy is currently scheduled to be released in 2025.

Cyber resilience guidance and information sharing consultation

In April 2021, the RBNZ released guidance that outlines its expectations on cyber resilience for regulated entities (including ANZ New Zealand). The guidance aims to raise awareness of, and ultimately promote, the cyber resilience of the financial sector, especially at the board and senior management level. This guidance draws upon leading international and national cybersecurity standards and guidelines and is intended to provide high-level principle-based recommendations for entities.

The RBNZ also plans to promote information sharing with other relevant government agencies including the National Cyber Security Centre, the NZ Computer Emergency Response Team and the FMA. Details of the RBNZ's information gathering and sharing plan are under development and will be published for public consultation.

Debt serviceability restrictions

In November 2021, the RBNZ commenced consultation on debt serviceability restrictions for residential mortgage lending. The consultation focused on two proposed restrictions: debt-to-income limits (which restrict lending to borrowers based on the ratio of their total debt to total income) and interest rate floors (which set a minimum test interest rate that banks may use in their serviceability assessments). In April 2022, the RBNZ announced its intention to proceed with designing a framework for operationalising debt-to-income restrictions and subsequently met with banks to discuss detailed design issues. In November 2022, the RBNZ consulted further on the technical design aspects of the framework for debt-to-income restrictions. Views on the consultation paper are due back to the RBNZ in December 2022, with an expectation the RBNZ will make final decisions on the framework in early 2023. Approximately one year will be allowed for implementation once the framework is finalised.

As at the date of this U.S. Disclosure Document, it is uncertain what impact the proposed debt-to-income restrictions may have on the ANZ New Zealand Group.

Loan-to-value ratio restrictions

The RBNZ has tightened its loan-to-value ratio ("LVR") restrictions for residential mortgage lending:

- since November 2021, New Zealand registered banks have been required to restrict new “non-property investment residential mortgage lending” (which is standard residential mortgage lending secured over only owner-occupied residential property) over 80% LVR to no more than 10% of the total dollar value of new non-property investment residential mortgage lending; and
- since May 2021, New Zealand registered banks have been required to also restrict new “property investment residential mortgage lending” (which is standard residential mortgage lending that is not non-property investment residential mortgage lending) over 60% LVR to no more than 5% of the total dollar value of new property investment residential mortgage lending.

Climate-related disclosures

The *Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021* amended the *Financial Markets Conduct Act 2013* with effect from 27 October 2022. The amendments will require the ANZ New Zealand Group to produce Climate Related Disclosures ("CRD") from the financial year ending 30 September 2024, in accordance with CRD reporting standards to be issued by the New Zealand External Reporting Board. The ANZ New Zealand Group is actively preparing to produce CRD in accordance with this timetable.

Material non-compliance with Conditions of Registration

Set out below are outstanding and recent instances of material non-compliance by the ANZ New Zealand Group with its Conditions of Registration.

*Material non-*compliance *with conditions of registration: Condition of registration 1B – non-compliance with BPR120: Capital adequacy process requirement*s

As first reported in the ANZ New Zealand Disclosure Statement for the year ended 30 September 2019, ANZ New Zealand had not complied with condition of registration 1B in relation to the implementation of changes to 17 rating models and processes that were not approved by the RBNZ. Applying the last RBNZ approved methodologies to the affected exposures as at 30 September 2019 would have decreased RWA by NZ$47 million (0.05%) in aggregate, which was not sufficient to affect the reported capital ratios.

ANZ New Zealand's model compendium required under Part E1.5 of BPR120 was non-compliant as it included unapproved model changes. An updated model compendium was submitted to the RBNZ in April 2021, and the RBNZ confirmed the compendium as being compliant in October 2021. All previously non-compliant models were submitted to the RBNZ for approval with the last remaining approval received on 29 September 2022. As at 30 September 2022 all previously non-compliant models have been approved by the RBNZ.

Other matters relevant to the conditions of registration

There are other matters currently under review where there may be more than one valid interpretation of the respective policy wording or requirement. Where there may be some uncertainty about the interpretation ANZ New Zealand has applied, where appropriate it has sought guidance from, and will be liaising with, the RBNZ on these matters.

Section 95 Reviews

Following an RBNZ notice under section 95 of the BPS Act in July 2019, ANZ New Zealand obtained two external reviews. The first review was on ANZ New Zealand’s compliance with certain aspects of the RBNZ Banking Supervision Handbook document Capital Adequacy Framework (Internal Models Based Approach) (BS2B) (“**Capital Adequacy Review**”), and the second review was on the effectiveness of ANZ New Zealand’s directors’ attestation and assurance framework (“**Attestation Review**”).

A summary of the final Attestation Review was published in March 2022. The report found that ANZ New Zealand has taken appropriate steps to address the recommendations from the 2019 Attestation Review report. The review noted that there has been a marked uplift in the overall capabilities within ANZ New Zealand in respect to the attestation process, with heightened focus and scrutiny from management, executives and ANZ New Zealand’s board. The review also noted that, while there are elements of the framework still in the process of being embedded, the key changes recommended in the 2019 Attestation Review report have been appropriately addressed.

The final Capital Adequacy Review was completed in December 2021. The report found that ANZ New Zealand had made significant progress to address non-compliance issues and improvement items identified by the 2019 Capital Adequacy Review report. As at 30 September 2022, all previously non-compliant capital models have been approved by the RBNZ.

Loan information litigation

In September 2021, a representative proceeding was brought against ANZ New Zealand, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ New Zealand is defending the allegations. The proceeding is still at an early stage. A hearing of the plaintiff’s application for leave to bring representative proceedings was heard before the High Court in May 2022. The Court has ruled that the proceedings shall proceed as an opt-out representative action brought by one representative plaintiff on behalf of a class, being customers who entered into a home loan or personal loan with ANZ New Zealand between 6 June 2015 and 28 May 2016 and requested a variation to that loan during that period.

UNITED STATES

ANZBGL has elected to be treated as a Financial Holding Company (a “FHC”) by the Board of Governors of the Federal Reserve System (the “FRB”). A FHC is allowed to engage, or acquire companies engaged, in the U.S. in activities that are determined by the FRB and the Secretary of the Treasury to be financial in nature or incidental thereto, and, with FRB approval, activities that are determined by the FRB to be complementary to financial activities.

Under the Bank Holding Company Act of 1956 (the “BHC Act”), the activities of a FHC are subject to restrictions if it is determined that the FHC (in the case of ANZBGL, at the Group level or at the level of its U.S. bank subsidiary in Guam and American Samoa) ceases to be “well managed” or “well capitalised” or is the subject of an enforcement action requiring it to maintain a specific level of capital, or if its U.S. bank subsidiary in Guam and American Samoa fails to maintain at least a “Satisfactory” or better rating under the Community Reinvestment Act. The FRB is the “umbrella” supervisor with jurisdiction over FHCs, including ANZBGL.

ANZBGL is subject to U.S. federal laws and regulations, including the International Banking Act of 1978 (the “IBA”). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies. As a federally-licensed branch regulated primarily by the Office of the Comptroller of the Currency in the United States (the “OCC”), ANZBGL's New York branch (“New York Branch”) can engage in activities permissible for national banks, with the exception that the New York Branch may not accept retail deposits. The New York Branch does not accept retail deposits (only institutional and corporate deposits) and thus is not subject to the supervision of the Federal Deposit Insurance Corporation (“FDIC”). The U.S. bank subsidiary operating in Guam and American Samoa does accept retail deposits and is subject to supervision by the FDIC. After the Restructure (as discussed above under “Non-Operating Holding Company”) and completion of the liquidation of the bank subsidiary in Guam, although ANZBGL would no longer be subject to restrictions at the level of its U.S. bank subsidiary in Guam and American Samoa, ANZBGL would continue to be subject to the BHC Act and its activities as an FHC would be subject to restrictions if ANZBGL itself or at the Group level ceases to be “well managed” or “well capitalised” or is the subject of an enforcement action requiring it to maintain a specific level of capital.

Under the IBA, the FRB has the authority to impose reserve requirements on deposits maintained by U.S. branches and agencies of foreign banks, including the New York Branch. The New York Branch must maintain its accounts and records separate from those of the Group generally and must comply with such additional requirements as may be prescribed by the OCC. The IBA and the BHC Act also affect the Group's ability to engage in non-banking activities in the United States.

Under the IBA, a federal branch of a non-U.S. bank is subject to receivership by the OCC to the same extent as a national bank. The Comptroller may take possession of the business and property of a federal branch. The Comptroller has at its disposal a wide range of supervisory and enforcement tools for addressing violations of laws and regulations, and breaches of safety and soundness, which can be imposed upon federal branches. The Comptroller may remove federal branch management and assess civil money penalties. In certain circumstances, the Comptroller may also terminate a federal branch license at its own initiative or at the recommendation of the FRB.

The Group is subject to certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”). Dodd-Frank regulates many aspects of the business of banking in the United States and internationally.

Section 13 of the BHC Act and its implementing regulations, commonly referred to as the “Volcker Rule”, among other things, generally prohibit banks and their affiliates from engaging in certain “proprietary trading” (but allows certain activities such as underwriting, market making-related and risk-mitigating hedging activities) and limits the sponsorship of, and investment in, certain private funds (including private equity funds and hedge funds), subject to certain important exceptions and exemptions.

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps and security-based swaps, require the central execution and clearing of standardised OTC derivatives on regulated trading platforms and clearing houses, set limits on the size of positions in certain types of derivatives, require the reporting of transaction data to regulated swap and security-based swap data repositories, and provide for heightened supervision of dealers and major market participants in the derivatives markets. ANZBGL is a provisionally registered swap dealer under the Commodity Exchange Act and Commodity Futures Trading Commission (“CFTC”) regulations. While ANZBGL is not a registered security-based swap dealer with the U.S. Securities and Exchange Commission (“SEC”), it may register at such time as it is required or that it considers appropriate. In addition, other affiliated entities within the Group could become subject to swap dealer or security-based swap dealer registration, depending on the level of their swap or security-based swap dealing activities with counterparties that are U.S. persons and certain other categories of counterparties. Even if not required to be registered with the CFTC or the SEC, such entities are potentially subject to certain of the CFTC's or SEC’s regulatory requirements, in connection with transactions that they enter into with counterparties that are U.S. persons and certain other categories of counterparties.

In 2020, the CFTC adopted rules regarding cross-border transactions which, among other things, permit “substituted compliance” by swap dealers located in non-U.S. jurisdictions with regulatory schemes determined by the CFTC to be comparable to its own. The CFTC has previously made such a determination with respect to certain aspects of Australian law and regulation pursuant to guidance issued by the CFTC prior to its adoption of the cross-border rules, and that determination remains in effect under the new rules. Pursuant to that determination, ANZBGL is able to rely on substituted compliance with certain Australian rules in lieu of compliance with corresponding CFTC rules.

U.S. prudential regulators, the CFTC and the SEC have implemented rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. As ANZBGL is a swap dealer supervised by the FRB and operates the New York Branch that is regulated by the OCC, it is required to comply with the uncleared swap margin rules promulgated by the FRB, Farm Credit Administration, FDIC, Federal Housing Financial Agency and the OCC. These rules impose requirements to collect and post initial and variation margin in respect of in-scope trading with in-scope counterparties. The rules of the prudential regulators and the CFTC also allow non-U.S. swap dealers, such as ANZBGL, to comply with the applicable laws of non-U.S. jurisdictions in lieu of compliance with their margin rules if the prudential regulators make a determination of comparability with respect to such non-U.S. jurisdictions, or otherwise not to comply with U.S. margin rules, with respect to certain categories of transactions and counterparties.

Dodd-Frank also requires ANZBGL to submit U.S. resolution plans to the FRB and the FDIC. ANZBGL submitted its most recent U.S. resolution plan in June 2022. ANZBGL also is subject to “enhanced prudential regulations” under Reg. YY, Subpart N, which was adopted pursuant to Dodd-Frank Section 165, and which requires quarterly and annual certification of compliance with the financial and risk oversight requirements thereof. In October 2019, the FRB and the FDIC issued final rules that apply tailored requirements on resolution planning and a modification of the enhanced prudential standards applicable to foreign banking organisations, depending on the size of their U.S. operations and their risk profile. Under the final rules, ANZBGL is next required to submit a reduced resolution plan by 1 July 2025.

ANZBGL conducts its debt capital markets activities in the United States through ANZ Securities, Inc. (“ANZSI”). ANZSI is a broker-dealer licensed by the SEC and supervised by the SEC and the Financial Industry Regulatory Authority (“FINRA”). ANZSI is also licensed in the states and territories where it does business. The SEC and FINRA have extensive compliance requirements that apply to ANZSI, including record-keeping, transaction and communications monitoring, supervision of ANZSI staff, internal policies and procedures, and many others that govern the day-to-day business of ANZSI. ANZSI is subject to periodic reviews of its operations by the SEC and FINRA.

The U.S. Foreign Account Tax Compliance Act ("FATCA") requires financial institutions to undertake specific customer due diligence and provide information on account holders (including substantial owners for certain entities) who are U.S. citizens or tax residents to the United States Federal tax authority, the Internal Revenue Service, either directly or via local tax authorities. If the required customer data collection due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the Group and/or persons owning assets in accounts with Group members may be subjected to a 30% withholding tax on certain amounts. While such withholding may currently apply only to certain payments derived from sources within the United States, no such withholding will be imposed on any payments derived from sources outside the United States that are made prior to the date that is two years after the date on which final U.S. regulations defining the term "foreign passthru payment" are enacted. There is currently no proposed or final definition of "foreign passthru payment" (though legislative requirements and timeframes may be subject to change) and it is therefore impossible to know whether certain payments could possibly be treated as foreign passthru payments.

The discussion above reflects proposed U.S. regulations that eliminate withholding on certain gross proceeds payments and delay the effective date for withholding on payments from sources outside the United States. The U.S. Treasury Department has indicated that taxpayers may rely on the proposed regulations. The discussion assumes that the regulations will be finalised in their current form and will be effective retroactively.

In addition to FATCA, the U.S. may require the Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.), and the Group and/or its customers may face withholding if the Group does not provide such information in compliance with the applicable rules and regulations. Moreover, even if the Group does provide the required information, withholding may still be applicable to certain U.S. source payments.

In the event that any country in which ANZBGL operates does not have or enforce an Intergovernmental Agreement with the United States, and that country has local law impediments preventing compliance with FATCA, the Group may also be subject to broader compliance issues, significant withholding exposure and other operational impacts.

A major focus of U.S. governmental policies affecting financial institutions has been combating money laundering, terrorist financing and violations of U.S. sanctions. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act") substantially broadened the scope of U.S. anti-money laundering laws by imposing significant compliance and due diligence obligations, identifying crimes and stipulating penalties and expanding the extra-territorial jurisdiction of the U.S. The U.S. Treasury Department has issued a number of regulations implementing various requirements of the Patriot Act, and other U.S. laws with respect to sanctions, that apply to U.S. financial institutions, including subsidiaries and branches of foreign banks such as ANZBGL's U.S. broker-dealer subsidiary, the New York Branch and ANZBGL's bank subsidiary that operates in Guam and American Samoa.

Those regulations require financial institutions operating in the United States to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. They also require financial institutions in the United States to operate in compliance with U.S. sanctions regimes. In addition, the U.S. bank regulatory agencies have imposed heightened standards and U.S. law enforcement authorities have been taking a more active role, resulting in intensified enforcement of such matters. Recent resolutions of enforcement actions involving other global financial institutions have involved the payment of substantial penalties, agreements with respect to future operation of their businesses and actions with respect to relevant personnel. Failure of a financial institution to maintain and implement adequate policies and procedures to combat money laundering and terrorist financing, and to comply with U.S. sanctions regimes, could have serious legal and reputational consequences for the financial institution, as well as result in the imposition of civil, monetary and criminal penalties.

In January 2021, the Anti-Money Laundering Act of 2020 ("AMLA") was enacted in the United States. The AMLA is intended to comprehensively reform and modernise U.S. anti-money laundering laws. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions, requires the development of standards by the U.S. Department of the Treasury for evaluating technology and internal processes for anti-money laundering compliance and expands enforcement and investigation-related authority, including a significant expansion in the available sanctions for certain violations. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the effects of the AMLA will depend on, among other things, rulemaking and implementation guidance.

OTHER REGULATORS

The Group has securities listed on certain securities exchanges, including ANZBGL ordinary shares that are listed on the ASX and the NZX. As a result, the Group must comply with a range of listing and corporate governance requirements in Australia and overseas.

In addition to the prudential capital oversight that APRA conducts over ANZBGL and its branch operations and the supervision and regulation described above, local banking operations in all of the ANZBGL offshore branches and banking subsidiaries are subject to host country supervision by their respective regulators, such as the RBNZ, the OCC, the FRB, the UK Prudential Regulatory Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, the China Banking and Insurance Regulatory Commission and other financial regulatory bodies in those countries and in other relevant countries. These regulators, among other things, may impose minimum capitalisation requirements on those operations in their respective jurisdictions.

The Group is also required to comply with certain anti-money laundering and counter-terrorism financing legislation and regulations under the local laws of all the countries in which it operates.

RISK FACTORS

Introduction

The Group's activities are subject to risks that can adversely impact its business, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition (together, the "Group's Position").

The risks and uncertainties described below are not the only ones that the Group may face. Additional risks and uncertainties that the Group is unaware of, or that the Group currently deems to be immaterial, may also become important factors that affect it.

If any of the specified or unspecified risks actually occur, the Group's Position may be materially and adversely affected, with the result that the trading price of the Group's equity or debt securities could decline, and investors could lose all or part of their investment. The risk factors below should be considered together with "Forward-Looking Statements" and "Risk Factors Summary" included herein.

Risks related to the Group's business activities and industry

1. Changes in political and general business and economic conditions, including disruption in regional or global credit and capital markets, may adversely affect the Group's Position

The Group's financial performance is primarily influenced by the political and economic conditions and the level of business activity in the major countries and regions in which the Group or its customers or counterparties operate, trade or raise funding including, without limitation, Australia, New Zealand, the Asia Pacific region, the United Kingdom ("UK"), Europe and the United States (the "Relevant Jurisdictions").

The political, economic and business conditions that prevail in the Group's operating and trading markets are affected by, among other things, domestic and international economic events, developments in global financial markets, resilience of global supply chains, political perspectives, opinions and related events and natural disasters.

Global political conditions that impact the global economy have led to, and may continue to result in extended periods of increased political and economic uncertainty and volatility in the global financial markets, which could adversely affect the Group's Position. Examples of events that have affected (and may continue to affect) global political conditions include the ongoing conflict in Ukraine, the UK ceasing to be a member of the European Union ("EU") and the European Economic Area on 31 January 2020 (commonly referred to as "Brexit"), UK political developments and financial market challenges, and global trade developments relating to, among other things, the imposition or threatened imposition of trade tariffs and levies by major countries, including the United States, China and other countries that are Australia's and New Zealand's significant trading partners and allies. There are a number of remaining uncertainties regarding, among other things, post-Brexit protocols and arrangements among the parties involved.

The conflict in Ukraine is ongoing and fluid, it has had, and is expected to continue to have, significant ramifications on the geopolitical and economic landscape, particularly in Europe. Commodity prices, in particular energy, food and metals, have already been impacted and the future impacts of the conflict remain uncertain. As a result of the conflict, the United States, the UK and EU announced broadly coordinated actions that collectively impose significant and wide-reaching economic sanctions and export controls relating to Russia – including the freezing of some of the Central Bank of Russia's foreign exchange reserves. Other jurisdictions, including Australia, New Zealand and Japan, have announced sanctions, export controls and similar restrictions focusing on some of the same targets and sectors. These sanctions are materially impacting the Russian and other economies and the international financial system. The extent and duration of the conflict and any corresponding economic sanctions, export controls and similar restrictions and resulting market disruptions are difficult to predict. Though the Group does not operate in and does not currently have any direct exposure to Russia or Ukraine, the conflict has the potential to adversely impact the markets in which the Group does operate, and any prolonged market volatility or economic uncertainty could adversely impact the Group's Position.

Inflationary pressures are at high levels in many economies, including in Australia, New Zealand, the United States, Canada, Europe and the UK. Geopolitical tensions, rising interest rates, central bank tightening, and persistent COVID-19 challenges to the global economy, such as global shipping capacity constraints, higher costs for freight, supply chain issues, higher energy prices, higher food prices, and tightened labour markets, are all contributing to rising inflationary pressures on the global economy. This may lead to counterparties defaulting on their debt obligations, countries re-denominating their currencies and/or introducing capital controls and/or one or more major economies collapsing. While difficult to predict, such events could destabilise global financial markets, adversely affecting all participants, including adversely affecting the Group's Position. Food price and supply, already affected by the war in Ukraine, is also being impacted by extreme weather conditions in key agricultural regions. These factors may impact financial market or economic and social stability and could adversely affect the Group's Position.

Trade and broader geopolitical relationships between the United States and some of its trading partners, such as China, remain volatile. The implementation of trading policies or divergent regulatory frameworks by Australia's and New Zealand's key trading partners and allies may adversely impact the demand for Australian and New Zealand exports and may lead to declines in global economic growth. In particular, China is one of Australia's and New Zealand's major trading partners and a significant driver of commodity demand and prices in many of the markets in which the Group and its customers operate. Any heightening of geopolitical tensions and the occurrence of events that adversely affect China's economic growth and Australia's and New Zealand's economic relationship with China, including the implementation of additional tariffs and other protectionist trade policies, could adversely affect Australian or New Zealand economic activity, and, as a result, could adversely affect the Group's Position.

Instability in global political conditions, including as a result of the conflict in Ukraine, has contributed to economic uncertainty and declines in market liquidity and could increase volatility in the global financial markets and negatively impact consumer and business activity within the markets in which the Group or its customers or counterparties operate, or result in the introduction of new and/or divergent regulatory frameworks that the Group will be required to adhere to.

Should economic conditions deteriorate in markets in which the Group or its customers or counterparties operate, asset values in the housing, commercial or rural property markets could decline, unemployment could rise and corporate and personal incomes could suffer. Deterioration in global markets, including equity, property, currency and other asset markets, may impact the Group's customers and the security the Group holds against loans and other credit exposures, which may impact the Group's ability to recover loans and other credit exposures. Should any of these occur, the Group's Position could be materially adversely affected. Refer to risk factor 11 "Credit risk may adversely affect the Group's Position".

The Group's financial performance may also be adversely affected if the Group is unable to adapt its cost structures, products, pricing or activities in response to a drop in demand or lower than expected revenues. Similarly, higher than expected costs (including credit and funding costs and increases in costs resulting from inflationary conditions) could be incurred because of adverse changes in the economy, general business conditions or the operating environment in the countries or regions in which the Group or its customers or counterparties operate. Should any of these occur, the Group's Position could be materially adversely affected.

2. The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group's Position

The COVID-19 pandemic continues to impact the Group's Position, and the domestic and global economy. Increasing vaccination rates have led to the easing of restrictions on regional and international travel, events, meetings and other more normal activities. Governments across Australia (including at the state level) and New Zealand have indicated that they may in the foreseeable future reintroduce prior restrictions or implement and introduce further measures to contain the spread of future COVID-19 outbreaks. Further variants may develop that require different government responses and greater restrictions to those that have been adopted to date. The ongoing impacts of COVID-19 combined with other risks, e.g. geopolitical risk, could exacerbate impacts and materially increase economic disruption.

Disruptions to community health and economic activity continue to impact most business sectors in Australia, New Zealand and globally. Ongoing COVID-19 related supply chain disruption and labour mobility constraints could result in a decline in profit margins, and could impact customers' cash flows, capital, liquidity and financing needs. This in turn has impacted demand for the Group's products and services and may result in further short and long-term deteriorations of the quality of the Group's credit portfolio. Many of the Group's borrowers may continue to be negatively impacted by the COVID-19 pandemic, resulting in an increased risk of credit loss, particularly in the following sectors: transportation; tourism and travel; entertainment; education; discretionary retail; and property segments. See Note 14 of the 2022 Financial Report (attached as part of Annex A to this U.S. Disclosure Document).

COVID-19 has notably impacted the property construction industry through increased contractor risk and a potential contagion effect impacting stability of the property development sectors. Disrupted supply chains and resultant cost increases remain a risk to project feasibility where underlying property prices may not increase in line with cost increases, causing projects to be delayed or cancelled. Substantially reduced global economic activity has caused substantial volatility in the financial markets and such volatility is expected to continue to have a significant impact on the global economy and global markets, as well as on the economies of Australia and New Zealand. Travel restrictions, border controls, social distancing measures, quarantine protocols and other containment measures (including ongoing lockdown measures in China) have contributed, and may continue to contribute, to reduced economic activity in Australia, New Zealand and elsewhere around the world and suppress demand for commodities, interrupt the supply chain for industries, dampen consumer confidence and suppress business earnings and growth prospects, all of which could contribute to ongoing volatility in global financial markets.

Conduct risk may be heightened because of the blended/hybrid working model through its impact on employees' behaviour and/or the Group's systems and processes. The risk of customer harm will continue to be shaped by the economic and social impact of the pandemic. As the economy recovers, individual customers still enduring hardship may suffer detriment if the Group cannot provide tailored support and sustainable arrangements based on individual circumstances.

The ongoing ramifications of the COVID-19 pandemic remain uncertain and, as of the date of this U.S. Disclosure Document, it is difficult to predict to what extent, vaccines, boosters or other medical treatments will be effective in curtailing the effects of the COVID-19 pandemic.

All or any of the negative conditions related to the COVID-19 pandemic described above may cause a further reduction in demand for the Group's products and services and/or an increase in loan and other credit defaults, bad debts, and impairments and/or an increase in the cost of the Group's operations. Should any of these occur, the Group's Position could be materially adversely affected.

The effectiveness of government and central bank responses to the pandemic, also remain subject to significant uncertainties. To the extent the COVID-19 pandemic continues to adversely affect the Group's Position, it may also have the effect of heightening many of the other risks described in this U.S. Disclosure Document.

3. Competition in the markets in which the Group operates may adversely affect the Group's Position

The markets in which the Group operates are highly competitive and could become more competitive in the future. Competition has increased and is expected to continue to increase, including from non-Australian financial service providers who continue to expand in Australia, and from new non-bank entrants or smaller providers in those markets.

Examples of factors that may affect competition and negatively impact the Group's Position include:

- entities that the Group competes with, including those outside of Australia and New Zealand, could be subject to lower levels of regulation and regulatory activity. This could allow them to offer more competitive products and services, because those lower levels of regulation may give them a lower cost base and/or the ability to attract employees that the Group would otherwise seek to employ;
- digital technologies and business models are changing customer behaviour and the competitive environment and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models in the financial services sector;
- existing companies from outside of the traditional financial services sector are directly competing with the Group by offering products and services traditionally provided by banks, including by obtaining banking licenses and/or by partnering with existing providers;
- consumers and businesses may choose to transact using, or to invest or store value in, new forms of currency (such as cryptocurrencies or central bank digital currencies) in relation to which the Group may choose not, or may not competitively be able, to provide financial services. For example, each of the Reserve Bank of Australia and the Reserve Bank of New Zealand ("RBNZ") has announced that it is actively researching central bank digital currency, the effect of which, if adopted, on the Group's Position is uncertain. Any new form of currency could change how financial intermediation and markets operate and, with that, the competitive and commercial position of the Group; and
- Open Banking (as described below) may lead to increased competition (see risk factor 17 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position").

The impact on the Group of an increase in competitive market conditions or a technological change that puts the Group's business platforms at a competitive disadvantage, especially in the Group's main markets and products, could lead to a material reduction in the Group's market share, customers and margins and adversely affect the Group's Position.

Increased competition for deposits may increase the Group's cost of funding. If the Group is not able to successfully compete for deposits, the Group would be forced to rely more heavily on other, less stable or more expensive forms of funding, or to reduce lending. This may adversely affect the Group's Position.

Geopolitical and economic disruptions could have a significant impact on competition and profitability in the financial services sector over the medium term due to funding cost and provision increases, changes in interest rates, insufficient liquidity, implementation of business continuity plans, changes to business strategies and temporary regulatory safe harbours. The low-growth environment will likely lead to heightened competitive intensity and margin compression.

4. The proposed Restructure of the Group to establish a non-operating holding company may adversely affect the Group's Position

ANZBGL is proposing to establish a non-operating holding company, ANZ NOHC, as the new listed parent company of the Group, and to separate the Group's banking and certain non-banking businesses.

APRA has not yet finalised its prudential framework for Australian non-operating holding companies ("NOHCs") of ADIs. There is a risk that APRA's final regulatory framework for Australian NOHCs of ADIs and the regulation of the ANZ NOHC over time will differ from the existing regulatory framework. This may have negative consequences for the Group and/or may require further changes to its structure.

If implemented, the Restructure will result in certain changes to ANZBGL's existing operating model. ANZBGL considers that these changes can be implemented and managed appropriately following the Restructure. However, it is possible that unexpected business, market and/or regulatory factors may result in these operating model changes not functioning as expected and further changes may be required.

Implementation of the Restructure will involve a number of steps, and unexpected developments may arise which can affect the implementation and/or the timing, form and scope of the Restructure. Similarly, unexpected liabilities may be caused by any delays in non-material regulatory approvals or by regulatory relief not being granted.

The failure to successfully implement all of the transition and other items associated with the Restructure, or the Restructure itself, could have an adverse impact on the Group's Position.

If for any reason the Restructure is not completed, the Group's ongoing business may be adversely impacted and the Group may be subject to various risks, including financial markets reacting negatively, and the Group may experience negative reactions from its customers, vendors, and employees. The Group will have incurred additional expenses and will be required to pay certain costs relating to the Restructure. Matters relating to the Restructure also required substantial commitments of time and resources by the Group's management, which could otherwise have been devoted to other opportunities that may have benefited the Group.

5. Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position

Residential and commercial property lending, together with real estate development and investment property finance, constitute important businesses of the Group. Major sub- segments within the Group's lending portfolio include:

- residential housing loans (owner occupier and investment); and
- commercial real estate loans (investment and development).

Since 2009, the world's major central banks have embarked upon unprecedented monetary policy stimulus. The resulting weight of funds searching for yield has been a significant driver underlying property markets in the Group's core property jurisdictions (Australia, New Zealand, Singapore and Hong Kong) since that time. While property markets generally remained strong throughout the COVID-19 pandemic, since interest rates have increased the Group has seen property prices in Australia and New Zealand fall. Investors are taking a cautious approach and the extent of property price falls will ultimately depend on the speed and magnitude of interest rate rises and impact on the broader economic outlook.

In June 2022 APRA introduced credit-based macroprudential measures in Australia, which require ADIs to ensure they have the ability to limit growth in particular forms of lending (including commercial and residential property); moderate higher risk lending during periods of heightened systemic risk or meet particular lending standards, at levels determined by APRA; and ensure adequate reporting against limits is established. Also, APRA have indicated that commercial property definitions will be more broadly aligned across the prudential framework. These changes to APRA's policy framework and the formalisation of the credit-based macroprudential policy measures prudential standard, effective from September 2022, may adversely affect the Group's Position. These proposals are described in risk factor 17 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position".

In New Zealand, median prices for residential property increased in prior years, peaking in November 2021, prior to declining in the 2022 calendar year. The RBNZ has acknowledged that higher interest rates and rising costs of living are putting pressure on households that may affect home prices and that house prices are expected to keep falling towards more sustainable levels in the near term.

Increases in interest rates may affect debt serviceability, increase loan defaults experienced by the Group's borrowers, reduce demand for commercial and residential property and the Group's associated lending products in both Australia and New Zealand. New Zealand has already seen a material reduction in demand for residential property. Following a prolonged period of asset price inflation and record low interest rates, interest rates commenced increasing from May 2022 in Australia and from October 2021 in New Zealand. To address currently elevated inflation levels, interest rate increases may continue.

The Group's portfolio of commercial property loans may be susceptible to a sudden increase in interest rates. This coupled with recent asset price inflation and yield compression could cause a decline in interest coverage ratios and asset values, increase refinance risk and necessitate equity contributions towards debt reduction. Secondary grade assets may be more susceptible to a decline in prices if investors have overlooked weaker fundamentals in a highly liquid market (debt and equity), a more favourable interest rate environment and stable economy.

Separately, construction risk, including contractor stability, the impact of supply chain constraints on cost of materials together with increasing labour costs may impact commercial property development feasibility and land values in the short to medium term. Each of the factors outlined above may adversely affect the Group's Position.

6. Sovereign risk events may destabilise global financial markets and may adversely affect the Group's Position

Sovereign risk is the risk that governments will default on their debt obligations, be unable to refinance their debts as and when they fall due or nationalise parts of their economy.

Sovereign defaults may adversely impact the Group directly, through adversely impacting the value of the Group's assets, or indirectly through destabilising global financial markets, thereby adversely impacting the Group's Position.

Sovereign risk exists in many economies, including economies in which the Group operates or has direct exposures, such as the United States, the UK, China, Europe, Australia and New Zealand. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis and subsequent sovereign debt crises.

7. Market risk events may adversely affect the Group's Position

Market risk is the risk of loss arising from adverse changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. For purposes of financial risk management, the Group differentiates between traded and non-traded market risks. Traded market risks principally arise from the Group's trading operations in interest rates, foreign exchange, commodities and securities. The non-traded market risk is predominantly interest rate risk in the banking book. Other non-traded market risks include transactional and structural foreign exchange risk arising from capital investments in offshore operations and non-traded equity risk. Losses arising from the occurrence of such market risk events may adversely affect the Group's Position.

8. Changes in exchange rates may adversely affect the Group's Position

As the Group conducts business in several different currencies, its businesses may be affected by movements in currency exchange rates. Additionally, as the Group's annual and interim reports are prepared and stated in Australian dollars, any change in the value of the Australian dollar against other currencies in which the Group earns revenues (particularly the New Zealand dollar and the U.S. dollar) or holds capital, may adversely affect the Group's reported earnings and/or capital ratios.

While the Group has put in place hedges to partially mitigate the impact of currency changes, there can be no assurance that the Group's hedges will be sufficient or effective, and any change in the value of the Australian dollar against other currencies in which the Group earns its revenue, or holds capital, may have an adverse impact upon the Group's Position.

9. The ongoing discontinuation of LIBOR and developments affecting other benchmark rates could have adverse consequences on the Group's securities issuances and its capital markets and investment activities

As of 31 December 2021, one week and two month U.S. dollar LIBOR ("USD LIBOR") settings (and certain LIBOR settings for other currencies) were discontinued, while the remaining non-USD LIBOR settings ceased to be representative and are now being published only on a temporary "synthetic" basis. In addition, the UK Financial Conduct Authority (the "FCA"), which is the regulator of the LIBOR administrator, has announced that the principal USD LIBOR settings (overnight and one, three, six and 12 months) will cease to be published by any administrator, or will no longer be representative, as at 30 June 2023 (although the FCA is considering requiring their continued publication after that date, on a "synthetic" basis). Despite the expected publication of the principal USD LIBOR settings on the current basis until 30 June 2023, the FCA has prohibited the firms it regulates from using such settings in new contracts after 31 December 2021 (subject to limited exceptions), and certain U.S. (and other) regulators have stated that no new contracts using USD LIBOR should be entered into after that date.

Accordingly, many LIBOR obligations have transitioned, and many other LIBOR obligations will be transitioned, to another benchmark; and different types of financial product have transitioned, or are expected to transition, to different alternative benchmarks. However, there are many loans, mortgages, securities, derivatives and other financial instruments which remain linked to LIBOR, including USD LIBOR (and rates which incorporate USD LIBOR in their construction such as the benchmark rates used in Singapore, Thailand, the Philippines and India). Any failure to execute effective transitional arrangements to address LIBOR discontinuation could result in disruption in the financial markets, suppress capital markets activities and give rise to litigation claims. In addition, financial markets, particularly the trading market for floating rate obligations, may in general be adversely affected in 2023 by the discontinuation of the remaining LIBOR settings and the transition to alternative reference rates. There is no assurance that any alternative reference rate will be the economic equivalent of the LIBOR setting it is intended to replace. Any or all of these matters could have a negative impact on the Group's Position and on the value of LIBOR-linked securities or other instruments which are issued, funded or held by the Group.

The Group is party to loans, securities, derivatives and other financial instruments that currently use USD LIBOR as a benchmark rate or are otherwise linked to USD LIBOR. In some cases, those instruments include terms providing for the relevant interest or payment calculations to be made by reference to an alternative benchmark rate or on some other basis in the event of USD LIBOR's discontinuation; and such instruments should transition away from USD LIBOR in accordance with those terms. In cases where an instrument's terms do not include robust fallback provisions or the fallback provisions are considered to be inadequate, the instrument, may need to be amended to add or amend such provisions in line with emerging market standards (or, where applicable, amendments may be made by operation of law), or other arrangements may have to be made with regard to such instrument when USD LIBOR is discontinued. Progress is being made by the Group on the amendment of these types of instruments. In some cases, it may not be possible to amend the relevant terms of USD LIBOR-linked instruments. The potential legal, regulatory and other consequences if this occurs are uncertain. In any event, implementation of existing fallback provisions or changes made on any other basis may, for example, alter the amounts payable under the relevant instrument, its value and its liquidity, and may result in a mismatch between such instrument and any related contract (such as a hedging agreement). In addition, the process of taking the necessary action with regard to this large volume of contracts prior to the end of June 2023 involves operational risks for the Group.

Other benchmark rates have been, or may be, reformed (for example, the Euro Interbank Offered Rate ("EURIBOR")). Any such reforms may cause the relevant benchmarks to perform differently than in the past, or the reforms made to the rate may have other consequences which cannot be fully anticipated.

If a benchmark rate is discontinued, there may or may not be a suitable, similar alternative reference rate and there may be adverse consequences in transitioning to an alternative rate. Any of these developments, and any future initiatives with regard to the regulation of benchmarks, could result in adverse consequences to the return on, value of and market for loans, mortgages, securities, derivatives and other financial instruments whose returns are linked to any such benchmark rate, including those issued, funded or held by the Group; and could result in widespread dislocation in the financial markets, engender volatility in the pricing of securities, derivatives and other instruments, and suppress capital markets activities, all of which could have adverse effects on the Group's Position.

10. Acquisitions and/or divestments may adversely affect the Group's Position

The Group regularly examines a range of corporate opportunities, including acquisitions and divestments, with a view to determining whether those opportunities will enhance the Group's strategic position and financial performance.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, technology platforms and management controls, as well as managing relevant relationships and contracts with employees, customers, regulators, counterparties, suppliers and other business partners. The loss of key relationships and/or personnel from an acquisition or divestment could have an adverse effect on the Group's Position.

There can also be no assurance that any acquisition (or divestment) would have the anticipated positive results around synergies, cost or cost savings, time to integrate (or separate) and overall performance; as the underlying assumptions for the acquisition (or divestment) may not ultimately prove to be accurate or achievable. Any acquisition (or divestment) may also impact the Group's credit ratings, cost of funds and access to further funding, which could in turn adversely affect the Group's funding and liquidity positions.

Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. There is also the risk of counterparties making claims in respect of completed or uncompleted transactions against the Group that could adversely affect the Group's Position. All or any of these factors could adversely affect the Group's ability to conduct its business successfully and impact the Group's operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired (or retained) businesses will remain post-acquisition (or post-divestment). Further, there is a risk that completion of an agreed transaction may not occur whether in the form originally agreed between the parties or at all, including due to failure of the Group or the counterparty to satisfy its completion conditions or because other completion conditions such as obtaining relevant regulatory, shareholder or other approvals are not satisfied. Should any of these integration or separation risks occur, this could adversely affect the Group's Position.

Transactions that the Group has previously announced but not yet completed include the following:

- The acquisition of Suncorp Bank from Suncorp Group Limited, which remains subject to satisfaction of certain conditions and is expected to occur in the second half of calendar year 2023;
- The sale of the Group's Share Investment Lending portfolio to Leveraged Equities Limited, which is expected to occur in the first half of calendar year 2023; and
- The sale of a portfolio of commercial and mortgage loans in Guam to Bank of Guam, which is being conducted in phases with the final phase expected to complete in early calendar year 2023.

If for any reason any announced acquisition, including the acquisition of Suncorp Bank, is not completed, the Group's ongoing business may be adversely impacted and the Group may be subject to a number of risks, including: the financial markets may react negatively, resulting in negative impacts on the Group's securities and other adverse impacts; the Group may experience negative reactions from its customers, vendors, and employees; the Group will have incurred expenses and will be required to pay certain costs relating to the acquisition, whether or not the acquisition is completed, such as legal, accounting, investment banking, and other professional and administrative fees; and matters relating to the acquisition may require substantial commitments of time and resources by the Group's management, which could otherwise have been devoted to other opportunities that may have benefited the Group.

The acquisition of Suncorp Bank from Suncorp Group Limited is subject to satisfaction of certain conditions. These include Federal Treasurer approval, Australian Competition and Consumer Commission authorisation or approval and certain amendments to the State Financial Institutions and Metway Merger Act 1996 (Qld). The terms and conditions of the approvals that are granted may impose conditions, limitations, obligations or costs, or place restrictions on the conduct of the Group or its business following the acquisition, or require changes to the terms of the transaction. There can be no assurance that the regulators will not impose any such conditions, obligations or restrictions, and that such conditions, limitations, obligations or restrictions will not have the effect of delaying or preventing completion of the transaction, imposing additional material costs on or materially limiting the revenues of the Group following the acquisition or otherwise reducing the anticipated benefits of the acquisition to the Group, any of which might have an adverse effect on the Group following the acquisition.

ANZBGL undertook a due diligence process in relation to the proposed acquisition of Suncorp Bank which relied in part on a review of financial, technology, legal and other information provided in respect of Suncorp Bank or was otherwise provided at meetings with Suncorp Bank management. Despite making reasonable efforts as part of the due diligence investigations, ANZBGL has not been able to verify the accuracy, reliability or completeness of all the information provided to it. If any information provided or relied upon by ANZBGL in its due diligence proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of Suncorp Bank may be different to the expectations. There is also no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the proposed acquisition have been identified and avoided or managed, therefore, there is a risk that issues or risks may arise that may adversely impact on the Group. Suncorp Group Limited has provided ANZBGL with indemnities relating to certain pre-completion matters as well as representations and warranties in favour of ANZBGL. There is a risk that these protections may be insufficient to fully cover liabilities relating to these matters, which may have an adverse impact on the Group's financial performance and position. As is usual, the warranties and indemnities are also subject to certain financial claims thresholds and other limitations.

Risks related to the Group's financial situation

11. Credit risk may adversely affect the Group's Position

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties, including incurring credit-related losses that can occur as a result of a counterparty being unable or unwilling to honour its contractual obligations. Credit losses can and have resulted in financial services organisations realising significant losses and, in some cases, failing altogether.

Whilst the risk of credit-related losses has increased as a result of the impact of the COVID-19 pandemic and heightened political tensions, particularly those referred to in risk factor 1 "Changes in political and general business and economic conditions, including disruption in regional or global credit and capital markets, may adversely affect the Group's Position", the risk of credit-related losses may further increase as a result of a number of factors, including a deterioration in the financial condition of the economies in which the Group or its customers or counterparties operate, a sustained high level of unemployment and/or further changes in interest rates and inflationary conditions in the markets in which the Group or its customers or counterparties operate, material disruptions to supply chains, a deterioration of the financial condition of the Group's customers or counterparties, a reduction in the value of assets the Group holds as collateral, and a reduction in the market value of the counterparty instruments and obligations it holds.

Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, as well as the occurrence of events such as natural disasters or pandemics, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms.

Some of the Group's customers and counterparties in or with exposures to the below mentioned sectors are increasingly vulnerable:

- industries impacted by the COVID-19 pandemic particularly those referred to in the risk factor 2 "The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group's Position";
- industries exposed to the unwinding of government stimulus packages and increasing interest rates, as well as industries reliant on consumer discretionary spending;
- industries that are heavily exposed to fuel supply shortages and associated rising costs including aviation, road transport, shipping and agriculture, particularly given the conflict between Russia and Ukraine and the associated impact on oil and gas prices, production and supply;
- participants in energy or commodity markets that are exposed to rising margin payment requirements under hedge or futures contracts that arise due to underlying price volatility;
- industries at risk of sanctions, geopolitical tensions or trade disputes (e.g. technology, agriculture, communications, and financial institutions) and/or declining global growth and disruption to global supply chains which include but are not limited to retail, wholesale, automotive, manufacturing and packaging industries;
- the commercial property sector (including construction and contractors) which is exposed to rising interest rates, a decline in investor demand for large-scale inner-city apartment buildings and a material decline in net migration. In some markets, commercial contractors and sub-contractors may face cash flow/liquidity issues over the next 12 to 24 months as current projects run off and their forward books are diminished. The residential development sector is experiencing supply chain issues, increased costs and labour mobility issues. Earnings for hotel accommodation and certain retail sectors are still being impacted by reduced mobility and the extent of longer-term implications for some offices remains uncertain due to the shift to remote working arrangements;
- industries facing labour supply shortages and/or who are reliant on access to both skilled and unskilled migrant workers, including tourism and hospitality, technology, agriculture, retail, health, construction and services;
- customers and industries exposed to disruption from physical climate risk (e.g. bushfires, floods, storms and drought), and transition risk (e.g. industry exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity). For more information on climate-related risks, see risk factor 31 "Impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position"; and
- industries exposed to the volatility in exchange rates and foreign exchange markets generally.

The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances, which may result in credit losses. Should material credit losses occur to the Group's credit exposures, this may adversely affect the Group's Position.

Credit risk may also arise from certain derivative, clearing and settlement contracts that the Group enters into, and from the Group's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies where the financial conditions of such entities are affected by economic conditions in global financial markets.

In addition, in assessing whether to extend credit or enter into other transactions with customers and/or counterparties, the Group relies on information provided by or on behalf of customers and/or counterparties, including financial statements and other financial information. The Group may also rely on representations of customers and independent consultants as to the accuracy and completeness of that information. The Group's financial performance could be negatively impacted to the extent that it relies on information that is incomplete, inaccurate or materially misleading.

The Group holds provisions for credit impairment that are determined based on current information and subjective and complex judgements of the impairment within the Group's lending portfolio. If the information upon which the assessment is made proves to be inaccurate or if the Group fails to analyse the information correctly, the provisions made for credit impairment may be insufficient, which may adversely affect the Group's Position.

12. Challenges in managing the Group's capital base could give rise to greater volatility in capital ratios, which may adversely affect the Group's Position

The Group's capital base is critical to the management of its businesses and access to funding. Prudential regulators of the Group include, but are not limited to, APRA, the RBNZ and various regulators in the United States, the UK and the countries in the Asia Pacific region. The Group is required by its primary regulator, APRA, and the RBNZ for the ANZ New Zealand Group, to maintain adequate regulatory capital.

Under current regulatory requirements, risk-weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These regulatory capital requirements are likely to compound the impact of any reduction in capital resulting from lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require the Group to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

The Group's capital ratios may be affected by a number of factors, such as (i) lower earnings (including lower dividends from its deconsolidated subsidiaries such as those in the insurance business as well as from its investment in associates), (ii) increased asset growth, (iii) changes in the value of the Australian dollar against other currencies in which the Group operates (particularly the New Zealand dollar and U.S. dollar) that impact risk weighted assets or the foreign currency translation reserve, (iv) changes in business strategy (including acquisitions, divestments and investments or an increase in capital intensive businesses), and (v) changes in regulatory requirements.

APRA and the RBNZ have implemented prudential standards to accommodate Basel 3. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel 3, that seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations have had or will have their intended effect. These regulations, together with risks arising from any regulatory changes such as from APRA's "unquestionably strong" requirements, the requirements of the BCBS and the RBNZ's reform of capital requirements are described in risk factor 17 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position". Any inability of the Group to maintain its regulatory capital may have a material adverse effect on the Group's Position.

13. The Group's credit ratings could change and adversely affect the Group's ability to raise capital and wholesale funding and constrain the volume of new lending, which may adversely affect the Group's Position

The Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. They may also be important to customers or counterparties when evaluating the Group's products and services. Credit ratings and rating outlooks may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies used by ratings agencies to determine credit ratings and rating outlooks may be revised in response to legal or regulatory changes, market developments or for any other reason.

The Group's credit ratings or rating outlooks could be negatively affected by a change in the credit ratings or rating outlooks of the Commonwealth of Australia or New Zealand, the occurrence of one or more of the other risks identified in this U.S. Disclosure Document, a change in ratings methodologies or by other events. As a result, downgrades in the Group's credit ratings or rating outlooks could occur that do not reflect changes in the general economic conditions or the Group's financial condition. In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 capital and Tier 2 capital securities and covered bonds) issued by the Group (and other banks globally) could be impacted from time to time by changes in the regulatory requirements for those instruments as well as the ratings methodologies used by rating agencies.

Any future downgrade or potential downgrade to the Group's credit ratings or rating outlooks may reduce access to capital and wholesale debt markets and could lead to an increase in funding costs, which could constrain the volume of new lending and affect the willingness of counterparties to transact with the Group which may adversely affect the Group's Position.

Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by the Group.

14. Liquidity and funding risk events may adversely affect the Group's Position

Liquidity and funding risk is the risk that the Group is unable to meet its payment obligations as they fall due (including repaying depositors or maturing wholesale debt) or that the Group has insufficient capacity to fund increases in assets. Liquidity and funding risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Reduced liquidity could lead to an increase in the cost of the Group's borrowings and constrain the volume of new lending which may adversely affect the Group's Position.

Deterioration and volatility in market conditions and/or declines in investor confidence in the Group may materially impact the Group's ability to replace maturing liabilities and access funding (in a timely and cost-effective manner), which may adversely impact the Group's Position.

The Group raises funding from a variety of sources, including customer deposits and wholesale funding in domestic and in offshore markets to meet its funding requirements and to maintain or grow its business generally. Developments in major markets can adversely affect liquidity in global capital markets. For example, in times of liquidity stress, if there is damage to market confidence in the Group or if funding inside or outside of domestic markets is not available or constrained, the Group's ability to access sources of funding and liquidity may be constrained and the Group will be exposed to liquidity and funding risk.

15. Changes in the valuation of some of the Group's assets and liabilities may adversely affect the Group's earnings and/or equity, and therefore the Group's Position

The Group applies accounting standards, which require that various financial instruments, including derivative instruments, assets and liabilities classified as fair value through other comprehensive income, and certain other assets and liabilities (as per Note 19 of the 2022 Financial Report (attached as part of Annex A to this U.S. Disclosure Document)) are measured at fair value with changes in fair value recognised in earnings or equity.

Generally, in order to measure the fair value of these instruments, the Group relies on quoted market prices or present value estimates or other valuation techniques that incorporate the impact of factors that a market participant would take into account when pricing the asset or liability. The fair value of these instruments is impacted by changes in market prices or valuation inputs that may have a material adverse effect on the Group's earnings and/or equity.

In addition, the Group may be exposed to a reduction in the value of non-lending related assets as a result of impairments that are recognised in earnings. The Group is required to test the recoverability of goodwill balances and intangible assets with indefinite useful lives or not yet available for use at least annually and other non-lending related assets including premises and equipment (including right-of-use assets arising from leases), investment in associates, capitalised software and other intangible assets where there are indicators of impairment.

For the purpose of assessing the recoverability of the goodwill balances, the Group uses a multiple of earnings calculation. Changes in the assumptions upon which the calculation is based, together with changes in earnings, may materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balances.

In respect of other non-lending related assets, in the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, impairment charges may be recorded. This, in conjunction with the other potential changes above, could impact the Group's Position.

16. Changes to accounting policies may adversely affect the Group's Position

The accounting policies that the Group applies are fundamental to how it records and reports its financial position and results of operations. Management exercises judgement in selecting and applying many of these accounting policies so that they comply with the applicable accounting standards or interpretations and reflect the most appropriate manner in which to record and report on the Group's financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of the Group's financial position. In addition, the application of new or revised accounting standards or interpretations may adversely affect the Group's Position.

The impact of new accounting standards effective for the first time in the Group's 2022 fiscal year is outlined in Note 1 of the 2022 Financial Report (attached as part of Annex A to this U.S. Disclosure Document).

In some cases, management must select an accounting policy from two or more alternatives, any of which would comply with the relevant accounting standard or interpretation and be reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under the alternative.

Legal and regulatory risk

17. Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position

The Group's businesses and operations are highly regulated. The pace of regulatory change has accelerated in recent years. The Group is subject to a substantial and increasing number of laws, regulations and policies, including industry self-regulation, in the Relevant Jurisdictions in which it carries on business or obtains funding and is supervised by a number of different authorities in each of these jurisdictions. The volume of changes, and resources allocated to the regulation and supervision of financial services groups, such as the Group, and the enforcement of laws against them, including through litigation, has increased substantially in recent years, including in response to community concern regarding the conduct of financial services groups in Australia and New Zealand. As a result, the regulation and supervision of, and enforcement against, financial services groups, including the Group has become increasingly extensive, complex and costly across the Relevant Jurisdictions. Such regulation, supervision and enforcement continue to evolve.

The COVID-19 pandemic has had, and may continue to have an impact on the regulation and supervision of, and enforcement against, financial services groups such as the Group. Any future ramifications of the COVID-19 pandemic remain uncertain and, as of the date of this U.S. Disclosure Document, difficult to predict. There have been delays and deferrals to the implementation of regulatory reforms in Australia and New Zealand and a re-ranking of priorities, including enforcement priorities.

Such delays and deferrals could impact the Group's ability to manage regulatory change and increase the risk of the Group not complying with new regulations when they come into effect.

The ongoing COVID-19 pandemic also has the potential to complicate the Group's dealings with its regulators in a number of ways. In particular, disruptions to the Group's business, operations, third party contractors and suppliers resulting from the COVID-19 pandemic may increase the risk that the Group will not be able to satisfy its regulatory obligations or processes and/or address outstanding issues, potentially increasing the prospect of a regulator taking adverse action against the Group. For more information on risks relating to the COVID-19 pandemic see risk factor 2 "The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group's Position".

Developments in prudential regulation continue to impact the Group in a material way. At any given time, there are a number of items that are open for consultation with APRA and the RBNZ and therefore the potential impact of regulatory developments on the Group is inherently uncertain. Further changes to APRA's or the RBNZ's prudential standards could increase the level of regulatory capital that the Group is required to maintain, restrict the Group's flexibility, require it to incur substantial costs and/or impact the profitability of one or more business lines any of which may adversely affect the Group's Position. Particular points include the following.

Prudential Developments

- In November 2021, APRA released its final requirements in relation to capital adequacy and credit risk capital requirements for ADIs with an implementation date of 1 January 2023. This follows the consultation process that began in December 2020 when APRA released a consultation paper regarding proposed changes to the capital framework for ADIs aimed at having ADI's achieve 'unquestionably strong' capital holding levels, improving the flexibility of the capital adequacy framework, and improving the transparency of ADI capital strength. Key aspects of ARPA's final requirements are:
    - Increased alignment with internationally agreed Basel standards for non-residential mortgages exposures;
    - Implementing more risk-sensitive risk weightings for residential mortgage lending;

  - Introduction of the Basel 2 capital floor that limits the risk weighted asset ("RWA") outcome for Internal Ratings-Based ("IRB") ADIs to no less than 72.5% of the RWA outcome under the standardised approach;
  - Improving the flexibility of the capital framework through the introduction of a default level of the countercyclical capital buffer ("CCyB") and increasing the capital conservation buffer ("CCB") for IRB ADIs;
  - Improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardised approach; and
  - Implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%.

- APRA has indicated that the above changes will likely result in a decrease in RWA, but this would be offset by the increased capital allocation to regulatory buffers. APRA has also indicated that, as ADIs are currently meeting the 'unquestionably strong' benchmarks, it is not APRA's intention to require ADIs to raise additional capital. Accordingly, APRA has therefore sought to calibrate the proposed capital requirements for ADIs, measured in dollar terms, to be consistent at an industry level with the existing 'unquestionably strong' capital benchmarks for ADIs under the current capital framework. The impact of these proposed changes on individual ADIs (including ANZBGL), however, will vary depending on the final form of requirements implemented by APRA.

  Additionally, APRA is consulting on revisions to a number of prudential standards relating to market risk, being Interest Rate Risk in the Banking Book ("IRRBB"), Market Risk and Counterparty Credit Risk. Given the number of items that are yet to be finalised by APRA, the aggregate final outcome from all changes to APRA's prudential standards relating to their review of ADIs 'unquestionably strong' capital framework remains uncertain.

- In June 2022, APRA finalised its macroprudential policy framework. To support the implementation of the framework, APRA also formalised and embedded credit-based macroprudential policy measures within its prudential standards, within a new attachment to Prudential Standard APS 220 Credit Risk Management ("APS 220"). APRA's objective is to strengthen the transparency, implementation and enforceability of macroprudential policy. The updates to APS 220 include a set of credit-based macroprudential measures to be used to address systemic risks if needed. The updates to APS 220 include two main types of credit-based macroprudential measures: lending limits (the purpose of temporary lending limits would be to moderate any excessive growth in higher-risk lending during periods of heightened systemic risks); and lending standards, whereby APRA may also set minimum requirements for lending standards, including measures such as the serviceability buffer for residential mortgages. APRA have also indicated that commercial property definitions will be more broadly aligned across the prudential framework. The implementation of such changes could restrict the Group's flexibility and/or impact the profitability of one or more business lines. For further information, see risk factor 5 "Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position".

- In August 2022, APRA commenced consultation on a new prudential standard CPS 230 Operational Risk Management ("CPS 230") which will set out minimum standards for managing operational risk, including updated requirements for business continuity and service provider management. The new standard will incorporate updated requirements for service provider management (currently outsourcing) and business continuity management that are currently contained in prudential standards CPS 231 Outsourcing and CPS 232 Business Continuity Management. Those standards will be replaced by the new CPS 230. After reviewing industry feedback in response to the consultation, APRA expects to release the final CPS 230 in early 2023, before the new standard comes into force from 1 January 2024. The CPS 230 proposal in its current form will pose significant regulatory burden and challenges to regulated entities, including the Group, including potentially causing disruption to the banking industry. Given the complexity and size of the implementation process, which will require changes to systems, operations and contractual arrangements with third parties, it may not be possible for the Group to meet the currently proposed implementation timeline.

- In July 2019, APRA announced its decision on loss-absorbing capacity pursuant to which it will require Australian D-SIBs, including ANZBGL, to increase their total capital by 3% of RWA by January 2024. On 2 December 2021, APRA announced that it has finalised its loss-absorbing capacity requirements and stated that it will require Australian D-SIBs to increase their total capital by a further 1.5% of RWA by January 2026. Inclusive of the previously announced interim increase of 3%, this will result in a total increase to the minimum total capital requirement of 4.5% of RWA. APRA expects the requirement to be satisfied predominantly with additional Tier 2 capital with an equivalent decrease in other senior funding. The amount of the additional total capital requirement will be based on the Group's actual RWA as at January 2026, including the final impact of the revisions to APRA's capital framework announced on 29 November 2021. APRA noted "Given changes to RWA from the ADI capital reforms, the lower end of the range in dollar terms broadly equates to a requirement of 4.5 percentage points of RWA under the new capital framework, in place from 2023".

- The RBNZ has released new capital adequacy requirements for New Zealand banks, which are set out in the BPR documents, and are being implemented in stages during a transition period from October 2021 to July 2028. The net impact on ANZBGL's Level 1 CET1 capital is expected to be an increase in capital requirements of approximately A$1.0 billion to A$1.5 billion between 30 September 2022 and the end of the transition period in 2028 (based on the Group's 30 September 2022 balance sheet). However, the net impact on the overall Group capital position may be lower post implementation of the APRA capital reforms from January 2023, given the expected narrowing of the Level 1 and Level 2 CET1 ratios as a result of these reforms. The amount could also vary over time subject to changes to the capital position in ANZ New Zealand (e.g. from RWA growth, management buffer requirements, potential dividend payments).

- Additionally, under changes outlined in the BPR documents, from 1 January 2022 until 1 July 2028 there will be an annual 12.5% reduction in the maximum regulatory capital recognition of ANZ New Zealand's total Additional Tier 1 capital instruments that were outstanding at 30 September 2021.

ASIC's Regulatory Priorities

In August 2022, ASIC released its Corporate Plan for 2022 through 2026, which outlines ASIC's priorities to reduce the risk of harm to consumers caused by poor product design and governance, as well as enhancing cyber and operational resilience. ASIC will also broaden their focus to other digitally enabled misconduct as emerging technologies and products change the financial ecosystem. ASIC's focus will include scams and crypto-assets. ASIC's four external strategic priorities are: (i) Product design and distribution; (ii) Sustainable finance; (iii) Retirement decision making; and (iv) Technology risks. Supporting these priorities are core strategic projects, focused on sustainable finance practices, crypto-assets, scams, cyber and operational resilience, breach reporting, design and distribution obligations and the Financial Accountability Regime.

A failure by the Group to comply with applicable law may have a negative impact on the Group's reputation and financial performance and may give rise to litigation and regulatory enforcement proceedings, which may in turn, have an adverse impact on the Group's Position.

Competition Laws, Regulations and Inquiries

There is a strong focus on the regulation of competition in the Australian and New Zealand financial services sectors. In March 2022, the ACCC announced its compliance and enforcement priorities for the year. The ACCC announced that it will continue to focus on competition issues in the financial services sector, particularly with payment services and noted its focus on promoting healthy competition in the financial services sector and investigating anti-competitive conduct. Increased scrutiny by ACCC may result in an associated increase in costs for the Group in addition to adversely impacting the Group's ability to grow through the implementation of potential acquisitions which may in turn, have a negative impact on the Group's Position.

Product Laws, Regulations and Inquiries

There remains a strong focus on the suitability of products offered by financial services providers, including the Group. Regulatory policy development and monitoring of responsible consumer lending has increased significantly, and continues to drive the review of, and changes to, business practices. If any additional changes in law, regulation or policy are implemented, as a result of the development and monitoring of responsible consumer lending, such changes may impact the manner in which the Group provides consumer lending services in the future that may in some respects adversely affect the Group's operations in this area and consequently, the Group's Position. ASIC published updated regulatory guidance on responsible lending laws in December 2019. Laws for stricter anti-hawking prohibitions in relation to financial products and a deferred sales model for add on insurance have been passed. The design and distribution obligation legislation, which came into effect in Australia on 5 October 2021, require product issuers and distributors to, among other things, identify appropriate target markets for financial and credit products and distribute those products so that they likely reach the relevant target market. There are significant penalties for non-compliance and such legislation could impact the Group's ability to issue and market financial products in the future. Increased compliance costs resulting from financial product distribution requirements may adversely impact the Group's Position.

Increasing Regulatory Powers, Corporate Penalties and Funding for Regulators

There are increased penalties for breaches of laws in Australia, including the Australian consumer law, as well as increased powers to regulators and funding for regulators to enforce breaches. Increasing regulatory powers include ASIC's product intervention power and proposed expansions of ASIC directions powers. The Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Act 2019 significantly increased the sanctions applicable to the contravention of a range of corporate and financial sector obligations. The Australian Parliament has passed legislation introducing increased maximum fines and civil penalties for breaches of the Competition and Consumer Act (including the Australian consumer law). This includes increasing the maximum pecuniary penalty for corporations where relevant from 10% of a corporation's annual turnover to 30% of adjusted turnover over the period the breach occurred. The imposition of such penalties on the Group may adversely affect the Group's Position.

Senior Executive Accountability Laws and Regulations

There are increasing penalties and specialised rules applicable to senior executives in the banking sector. The BEAR was introduced in 2018 as a new responsibility and accountability framework for the directors and most senior executives in ADI groups. The Australian Government announced in January 2020 that BEAR will be replaced by the FAR, extending the regime to other APRA-regulated entities. It was proposed that the FAR be jointly administered by APRA and ASIC and could impose larger civil penalties for any breaches. In October 2021, the Australian Government introduced the FAR Bill. In April 2022, the FAR Bill lapsed following the announcement of an election. The FAR Bill was re-introduced to Parliament in September 2022 and did not include civil penalties for accountable persons as part of the FAR Bill. The FAR Bill will come into effect for ADIs six months after its passage into legislation. Potential risks to the Group from the BEAR legislation and the FAR include the risk of penalties and the risk to the Group's ability to attract and retain high-quality directors and senior executives.

Royal Commission's compensation scheme of last resort

The Royal Commission made various recommendations concerning law reform and self-regulatory standards, a number of which have been addressed. There will be additional costs and further exposures associated with the proposed establishment of the Government's Compensation Scheme of Last Resort ("CSLR"). The purpose of the CSLR is to support ongoing confidence in the financial system's dispute resolution framework by facilitating compensation payments to eligible consumers who have received a determination for compensation from the Australian Financial Complaints Authority ("AFCA"). In September 2022, the new Australian Government re-introduced a bill implementing the CSLR to Parliament and is consulting on draft supporting regulations. The outcomes and total costs associated with these possible exposures and the legislative change remain uncertain and the impact may adversely affect the Group's Position.

Other government or regulatory interventions in the financial sector

There are various Australian Government, Parliamentary and regulator led inquiries and interventions into Australia's financial sector. These inquiries are wide ranging and could lead to legislative or regulatory changes or measures that may adversely affect the Group's Position, including through taxes and levies. Scrutiny of banks continues following the commencement by the AUSTRAC (the Australian Government financial intelligence agency set up to monitor financial transactions to identify money laundering, organised crime, tax evasion, and terrorism financing) of civil penalty proceedings in 2017 and 2019 against two major Australian banks relating to alleged past and ongoing contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth). The Australian Senate Select Committee ("ASSC") on 'Australia as a Technology and Financial Centre' has released its final report from an inquiry into a range of issues concerning technology and Australian financial services, including the 'de-banking' of fintechs by Australian banks. The Australian Government has also released a policy paper concerning 'Transforming Australia's Payment System' that responds, in part, to the ASSC's report (see "Payments Policy" below). The Australian Government has also established a regional banking taskforce to assess the impact of bank branch closures on regional communities. The impact of these areas of work on ANZBGL, if any, is not yet clear. See also risk factor 19 "Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position".

Industry self-regulation

There is continued focus on industry best practice guidance and standards impacting retail and small business banking. An independent review of the Australian Banking Code ("Code") concluded in December 2021 with a report that made 116 recommendations, including for a new enforceable provision requiring banks to have systems and mechanisms to ensure that all provisions in the Code are implemented. The Australian Banking Association ("ABA") and member banks have been working on developing industry positions on the recommendations. Separately, the ABA and members have been considering approaches to simplifying the Code. The timeline for the implementation of recommendations from the 2021 review and/or the simplification of the Code is not yet clear.

A failure to comply with the Code may have a negative impact on the Group's reputation and may result in litigation or regulatory enforcement actions, which may in turn, adversely impact the Group's Position.

Open Banking Laws

Open Banking is part of a new consumer data right ("CDR") in Australia that came into effect in August 2019. The CDR gives customers access to and control over their data and establishes and seeks to improve consumers' ability to compare and switch between products and services. It is expected to reduce the barriers to new entrants into the banking industry in Australia.

The CDR regime is still evolving. In December 2020, the Australian Government released the report of the Inquiry into Future Directions of the Consumer Data Right. The report contains 100 recommendations for the expansion of the CDR.

In December 2021, the Australian Government agreed to the vast majority of the report's 100 recommendations. In September 2022, consultation commenced on draft legislation to enable third parties to initiate actions, including payments, on behalf of customers. While the implications for the Group of an expansion of the CDR are not yet clear and will depend on the new Australian Government's policy, Open Banking may lead to increased competition that may adversely affect the Group's Position.

Cyber Security and Critical Infrastructure

In December 2021, the Security Legislation Amendment (Critical Infrastructure) Act 2021 came into effect. The Act extends the application of the Security of Critical Infrastructure Act 2008 to other sectors including the financial services and markets sector. It also introduces 'last resort' powers for the Australian Government to direct an entity to take a particular action and to authorise the Australian Signals Directorate to intervene against cyber-attacks and registration and reporting requirements for critical infrastructure assets and cyber incidents. The Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 came into effect in April 2022 introducing further reforms including positive security obligations for critical infrastructure assets to be delivered through sector-specific requirements, and enhanced cyber security obligations for systems of national significance. The Group is considering the impact of the changes as more detail is released. Implementation of the legislation could increase costs, and may give rise to regulatory enforcement proceedings, which may in turn, have an adverse impact on the Group's Position.

Payments Policy

In December 2021 the Australian Government simultaneously responded to three inquiries and reviews relating to payments: a review into the Australian payments system; an inquiry into mobile payments and digital wallets; and an inquiry into Australia as a technology and financial centre (which addressed de-banking of fintech and cryptocurrency exchanges). The Australian Government agreed to many of the recommendations and the Australian Treasury is consulting on the implementation of the recommendations in 2022. On de-banking, the Australian Government is considering advice from the Council of Financial Regulators on the underlying causes and possible policy responses. The impact of this work on the Group, if any, is not yet clear. Potential policy responses include new regulatory requirements and broader access to payment systems which could increase competition, which may adversely impact the Group's Position.

Privacy Act Review

The Australian Government has introduced legislation regarding enforcement measures and increased penalties for serious or repeated privacy breaches of the Privacy Act. The imposition of such penalties on the Group may adversely affect the Group's Position. The Australian Government is also consulting on an expansive set of potential reforms to the Privacy Act which would have a significant impact on how an entity can use individuals' information. While the implications of the review for the Group are not yet clear and will depend on the new Australian Government's policy, implementing additional regulatory obligations may adversely affect the Group's Position.

Quality of Advice Review

In September 2022, the Australian Government's Quality of Advice Review (led by an independent reviewer) consulted on a series of proposals to reform the regulatory framework for the provision of financial advice. These proposals included broadening the scope of 'personal advice' and replacing the duty of financial advisers to act in a client's best interests with a duty to provide 'good advice'. It is unclear whether the Australian Government will implement the proposals. If implemented, the new framework could place additional regulatory obligations on banks and may adversely affect the Group's Position.

New Zealand Developments

The New Zealand Government and regulatory authorities have proposed, or have implemented, significant legislative and regulatory changes for New Zealand financial institutions. These changes include, among other things: the RBNZ's reform of capital requirements and revised outsourcing policy (BS11), proposed changes to RBNZ's mortgage lending standards, proposed conduct regulations for financial institutions under the Financial Markets (Conduct of Institutions) Amendment Act 2022, a climate related financial disclosure regime, the replacement of the Reserve Bank of New Zealand Act 1989 with a deposit takers regime, including a depositor compensation scheme and changes to the CCLA Act. Such changes may adversely affect the ANZ New Zealand Group, potentially impacting its corporate structures, businesses, strategies, capital, liquidity, funding and profitability, cost structures, and the cost and access to credit for its customers and the wider economy. This in turn may adversely affect the Group's Position.

Other Offshore Developments

Other offshore regulatory developments include the discontinuation of LIBOR, the reform of certain other benchmark rates and the transition to alternative benchmark rates (as to which see risk factor 9 "The ongoing discontinuation of LIBOR and developments affecting other benchmark rates could have adverse consequences on the Group's securities issuances and its capital markets and investment activities" above).

A failure by the Group to comply with laws, regulations or policies in any of the Relevant Jurisdictions could result in regulatory investigations, legal or regulatory sanctions, financial or reputational loss, litigation, fines, penalties, restrictions on the Group's ability to do business, revocation, suspension or variation of conditions of relevant regulatory licences or other enforcement or administrative action or agreements (such as enforceable undertakings) that may adversely affect the Group's Position.

The impact of the COVID-19 pandemic on the Group's operations may result in delays to the implementation of regulatory changes or steps required to address commitments made to regulators or publicly. Any delays will be dependent on how regulators choose to adjust the prioritisation, timing and deployment of their supervisory mandate or legislative change.

Such failures may also result in the Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of any litigation (including class action proceedings) may result in the payment of compensation to third parties and/or further remediation activities. For information in relation to the Group's litigation and contingent liabilities, see risk factor 18 "Litigation and contingent liabilities may adversely affect the Group's Position" and Note 33 of the 2022 Financial Report (attached as part of Annex A to this U.S. Disclosure Document).

18. Litigation and contingent liabilities may adversely affect the Group's Position

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities that may adversely affect the Group's Position.

The Group had contingent liabilities as at 30 September 2022 in respect of the matters outlined in Note 33 of the 2022 Financial Report (attached as part of Annex A to this U.S. Disclosure Document).

Note 33 includes, among other things, the following matters:

- regulatory and customer exposures;
- benchmark/rate actions;
- capital raising action;
- consumer credit insurance litigation;
- Esanda dealer car loan litigation;
- OnePath superannuation litigation;
- New Zealand loan information litigation;
- Credit cards litigation;
- Unlicensed third parties action;
- Available Funds action;
- the Royal Commission;
- security recovery actions; and
- warranties, indemnities and performance management fees.

The Group regularly engages with its regulators in relation to regulatory investigations, surveillance and reviews, reportable situations, civil enforcement actions (whether by court action or otherwise), formal and informal inquiries and regulatory supervisory activities in Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, include or have included in recent years a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

There is a risk that contingent liabilities may be larger than anticipated or that additional litigation, regulatory actions, legal or arbitration proceedings or other contingent liabilities may arise.

19. Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position

Anti-money laundering ("AML"), counter-terrorism financing ("CTF") and sanctions compliance have been the subject of significant regulatory change and enforcement in recent years. The increasingly complicated environment in which the Group operates has heightened these operational and compliance risks. Furthermore, the increased transparency of the outcomes of compliance issues at financial institutions both domestically and globally and the related fines and settlement sums mean that these risks continue to be an area of focus for the Group.

As a result of the current conflict in Ukraine, there is an unprecedented volume of sanctions being applied to Russia, and potentially other governments, by regulators around the globe. Whilst many governments across the United States, Europe and Australia are largely united as regards to the intended sanctions targets, the nuances and specific restrictions are not fully aligned. Furthermore, many corporate institutions around the world are assessing their risk appetite regarding ongoing business activity with or in Russia or with Russian owned entities. This has heightened the operational and compliance risks in navigating those transactions and dealings that are considered lawful, or within other counterparties' risk appetite. This situation is expected to continue for the medium term, and to increase as the conflict in the region persists.

In recent years, there has been an increase in action taken by key AML/CTF regulators against 'Reporting Entities' (in Australia, a 'Reporting Entity' constitutes a legal entity that provides at least one 'designated service' to a customer, such as opening a bank account or providing a loan). AUSTRAC continues to publish material to inform Reporting Entities of AUSTRAC's expectations in areas such as investment in systems and controls required to identify, mitigate and manage their AML/CTF risks, and involvement of senior management and boards in managing the risks.

In late 2019, AUSTRAC commenced civil penalty proceedings against a major Australian bank relating to alleged past reporting contraventions of the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006. In September 2020, an agreed statement of facts was filed in the Federal Court of Australia resulting in a civil penalty of A$1.3 billion being imposed against the bank. This is the largest financial penalty imposed on a financial institution in Australia's history (almost twice the amount of the previous largest AUSTRAC financial penalty) confirming AUSTRAC's continued efforts to penalise significant non-compliance with the AML/CTF regime. AUSTRAC has continued to use its regulatory powers toward Reporting Entities across its regulated populations with further civil action and other orders in place that the Group closely monitors.

AUSTRAC also announced in May 2022 that it has accepted an Enforceable Undertaking (EU) from another of the major Australian Banks, this being the third public enforcement outcome AUSTRAC has achieved against a major bank in 5 years. The EU in this case requires the bank to undertake to implement a comprehensive remedial action plan, which will see improvements to its systems, controls and record-keeping. Similarly, the RBNZ has stated that its appetite for taking formal enforcement action for breaches of the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 has increased, and the propensity for other regulators (including in Asia and the Pacific) to take action for non-compliance with their local AML/CTF laws has increased.

In 2021, ANZ New Zealand self-identified and notified three prescribed transaction reporting ("PTR") matters to the RBNZ, where transaction reports had not been filed within the prescribed timeframe. The RBNZ informed ANZ New Zealand that it considers one of these matters (related to 6,409 transaction reports of a certain SWIFT message type) to be a material breach, and the other two to be minor breaches, of New Zealand's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 relating to PTR. The RBNZ's enforcement team is considering this matter and the potential outcome remains uncertain at this time.

While the COVID-19 pandemic continues to evolve at different paces in many of the jurisdictions in which the Group operates, close monitoring of the levels and types of financial crimes continues across the Group. To date, the most notable impact has been the changing types of scams with criminals targeting vulnerable customers using the COVID-19 pandemic as a cover, identity theft and false applications for Government support and a significant increase in scams occurring concurrently with the Russia-Ukraine crisis. There is a continuing risk that the management of alerts for potential money laundering or terrorism financing activities may be slowed due to both resource availability and/or changed working arrangements.

The risk of non-compliance with AML/CTF and sanction laws remains high given the scale and complexity of the Group and the lack of clarity around some mandatory reporting requirements. Emerging technologies, such as those provided by virtual asset service providers (e.g. digital currency exchanges and wallet providers) as well as increasingly complex remittance arrangements via fintechs and other disruptors, may limit the Group's ability to track the movement of funds, develop relevant transaction monitoring, and meet reporting obligations. Additionally, the complexity of the Group's technology, and the increasing frequency of changes to systems that play a role in AML/CTF and sanctions compliance puts the Group at risk of inadvertently failing to identify an impact on the systems and controls in place. A failure to operate a robust program to report the movement of funds, combat money laundering, terrorism financing, and other serious crimes may have serious financial, legal and reputational consequences for the Group and its employees.

Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions. These consequences, individually or collectively may adversely affect the Group's Position. The Group's foreign operations may place the Group under increased scrutiny by regulatory authorities, and subject the Group to increased compliance costs.

20. Changes in monetary policies may adversely affect the Group's Position

Central monetary authorities (including the RBA, the RBNZ, the United States Federal Reserve, the European Central Bank, the Bank of England and the monetary authorities in the Asian jurisdictions in which the Group operates) set official interest rates or take other measures to affect the demand for money and credit in their relevant jurisdictions. In addition, in some jurisdictions, currency policy is used to influence general business conditions and the demand for money and credit. These measures and policies can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. These factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The measures and policies of the central monetary authorities can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans.

Changes in interest rates and monetary policy are difficult to predict and may adversely affect the Group's Position.

21. Ongoing significant compliance costs with respect to the evolving and extensive Automatic Exchange of Information ("AEoI") obligations imposed by global customer tax transparency regimes may adversely affect the Group's Position

There continues to be mandatory and substantial changes to, and increasing regulatory focus on, compliance by all global Financial Institutions ("FIs"), including the Group, with global customer tax transparency regimes, under the Foreign Account Tax Compliance Act ("FATCA"), the Organisation for Economic Co-operation and Development's ("OECD's") Common Reporting Standard ("CRS") and similar anti-tax avoidance regimes. This includes global regulatory movement to enforcement and penalty activities and increasing regulatory implementation of additional compliance framework requirements, compliance assessment requirements/questionnaires, onsite financial institution audits/evidentiary requirements and detailed rules and frameworks to close down circumventions and deter, detect and penalise non-compliance. The ongoing OECD government level peer reviews and IRS/regulatory FI compliance review/audit requirements increase scrutiny and therefore unplanned workload of FIs globally. Each country of CRS adoption is being pushed by the OECD to ensure its penalty regime is sufficient to deter and penalise non-compliance.

Consequently, as an in scope FI, operating in a globally interlinked operating environment, the highly complex and rigid nature of the obligations under each country's varied implementation of these regimes present heightened operational and compliance risks for the Group. As regulators around the world continue to mature their compliance framework requirements and shift focus to enforcement, including financial penalties and other more general tax risk framework implications, this may result in significant penalty provision requirements and reputational damage in the event of failures. Accordingly, compliance with global customer tax transparency regimes continues to be a key area of focus and major cost for the Group.

In addition, under FATCA and other relevant U.S. Treasury Regulations, the Group could be subject to:

- a 30% withholding tax on certain amounts (including amounts payable to customers), and be required to provide certain information to upstream payers, as well as other adverse consequences, if the ongoing detailed obligations are not adequately met; and
- broader compliance issues, significant withholding exposure, competitive disadvantage and other operational impacts if the FATCA Intergovernmental Agreements between the United States and the applicable jurisdictions in which the Group operates cease to be in effect.

Under the CRS, the Group:

- faces challenges in developing countries where the Group has operations, such as the Pacific region. The local regulators in these countries are generally assisted by a 'partner' country; this is leading to the introduction of standards and evidentiary requirements that continue to be challenging to implement and adhere to;
- must deal with substantial ongoing country specific variations in local law and regulatory implementation, with significant broader 'justified trust' ramifications and penalties for non-collection or failed reporting in respect of prescribed customer information;
- along with other FIs, is under increasingly stringent regulatory scrutiny and measures as regulators have turned their focus from the initial establishment of the CRS to the effectiveness of FI implementation. This tightening of the regulatory focus (along with the potential FI ramifications outlined above) can lead to significant negative experience for affected customers (including unilateral account blocking and closure, underlying client issues resulting from same and potential direct customer penalties), which may adversely affect the Group's Position and if not similarly implemented by other FIs, may present a significant competitive disadvantage and loss of business;
- faces poor customer outcomes with customers who may feel aggrieved as a result of blocking and closure impacts including increased potential exposure to legal/third party liability, particularly where the Group has not communicated the regulatory issue clearly to a customer or has blocked or closed the account incorrectly (for example, due to a data or process error); and
- continues to deal with the substantive implementation challenges associated with the complex requirements across the intermediary space, which may also increase the risk of regulatory ramifications.

The scale and complexity of the Group, like other FIs, means that the risk of inadvertent non-compliance with the FATCA, CRS and other tax reporting regimes is high. In addition, the ongoing loss of key resources and critical subject matter expertise, combined with the ongoing subsequent challenges of finding sufficiently qualified replacements increases the risk of inadvertent non-compliance with the breadth and detail of the obligations. A failure to successfully operate the implemented processes or to identify and implement all obligations could lead to legal, financial and reputational consequences for the Group and its employees. Consequences include fines, criminal and civil penalties, civil claims, reputational harm, competitive disadvantage, loss of business and constraints on doing business.

On a global scale, natural disasters and the COVID-19 pandemic have resulted in challenges for staff including unplanned staff absences, access to systems, tools and information, and have impacted the delivery of the Group's regulatory obligations on requisite timeframes, including mandatory FATCA and CRS regulatory reporting, customer follow-up strategies, resolution and action of regulatory recommendations, as well as continuous improvement activities required to achieve the zero rate of error expected by regulators. The Group's global taxation obligations in relation to the enterprise's own tax lodgements and payments may similarly be impacted. Initial leniency from global regulators continues to be tightened or withdrawn due to the expectation for FIs to adapt to the ongoing challenges presented by external factors such as the COVID-19 pandemic, further heightening the risk of additional regulatory scrutiny, associated penalties and reputational ramifications resulting from any deficiencies or delays in meeting regulatory obligations to the level of quality and within the timeframes required.

These consequences, individually or collectively, may adversely affect the Group's Position.

22. Unexpected changes to the Group's licence to operate in any jurisdiction may adversely affect the Group's Position

The Group is licensed to operate in various countries, states and territories. Unexpected changes in the conditions of the licenses to operate by governments, administrations or regulatory agencies that prohibit or restrict the Group from trading in a manner that was previously permitted may adversely impact the Group's Position.

Internal control, operations and reputational risk

23. Operational risk events may adversely affect the Group's Position

Operational risk is the risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people, and/or systems, but excludes strategic risk.

Operational risk categories under the Group's risk taxonomy include:

- Financial Crime (the risk of money laundering, sanctions violations, bribery and corruption, and "Know-Your-Customer" failure). See risk factor 19 "Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position";
- Internal fraud (fraud attempted or perpetrated by an internal party (or parties) against the organisation);

- External fraud and theft (fraud attempted or perpetrated against the organisation by an external party (i.e. a party without a direct relationship to the Group (excluding customers)) without involvement of an employee);
- Business Continuity (failure of the business continuity management framework);
- Physical Security & Safety (the risk of damage to the Group's physical assets, client assets, or public assets for which the Group is liable, and (criminal) injury to the Group's employees or affiliates);
- People (the risk of breaching employment legislation, mismanaging employee relations and failing to ensure a safe working environment);
- Transaction Processing & Execution (failure to process, manage and execute transactions and/or other processes correctly and/ or appropriately);
- Technology (the risk associated with the failure or outage of systems, including hardware, software and networks). See risk factor 27 "Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect the Group's Position";
- Conduct (the risk of loss or damage arising from the failure of ANZ, its employees or agents to appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in conducting the Group's business activities). See risk factor 26 "Conduct risk events may adversely affect the Group's Position";
- Legal (the risk of execution errors in legal procedures and processes);
- Regulatory Compliance (failure to comply with any legal or regulatory obligations that are not captured through other mentioned risks). See risk factor 17 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position";
- Third Party (the risk of failing to manage third party relationship and risks appropriately, for example, not taking reasonable steps to identify and mitigate additional operational risks resulting from the outsourcing of services or functions);
- Information Security including Cyber (the risk of information security incidents, including the loss, theft or misuse of data/information — this covers all types of data, and can include the failure to comply with rules concerning information security). See risk factor 28 "Risks associated with information security including cyber-attacks, may adversely affect the Group's Position";
- Data Management (the risk of failing to appropriately manage and maintain data, including all types of data, for example, client data, employee data and the Group's proprietary data). See risk factor 29 "Data management risks may adversely affect the Group's Position";
- Model (the risk of incorrect model design, improper implementation of a correct model, or inappropriate application of a correct model). See risk factor 30 "Modelling risks may adversely affect the Group's Position"; and
- Statutory Reporting and Tax (the risk of failing to meet statutory reporting and tax payments/filing requirements). Statutory reporting includes all external reporting that the Group is obliged to perform (e.g. regulatory reporting, financial reporting).

Loss from operational risk events may adversely affect the Group's Position. Such losses can include fines, penalties, imposts (including capital imposts), loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputation loss, loss of life or injury to people, and loss of property and/or information.

Operational Risk can arise from a number of causes, such as change risk events (for example, a failure to deliver a change or risks resulting from change initiatives), and have a number of different impacts, including reputational impacts (see risk factor 25 "Reputational risk events as well as operational failures and regulatory compliance failures may give rise to reputational risk, which may undermine the trust of stakeholders, erode the Group's brand and adversely affect the Group's Position").

Pursuant to APRA and RBNZ requirements, the Group and ANZ New Zealand Group must also maintain "operational risk capital" reserves in the event future operational events occur.

COVID-19 related challenges have resulted in a number of changes to how the Group undertakes its operations including adapting to remote working arrangements. Whilst most major offices have returned to a blended/hybrid working environment, the Group endeavours to follow the relevant government directions in terms of place of work, and any occupancy restrictions. Reliance on digital channels continues to remain high, which in turn heightens the risks associated with cyber-attacks and any disruption to system/service availability.

Whilst business continuity plans have been well tested and refined during the pandemic, impact to system/service availability still has the ability to impact the Group's Position from a reputational, financial and compliance perspective.

24. Human Capital Risk, which relates to the inability to attract, develop, motivate and retain the Group's people to meet current and future business needs, could result in poor financial and customer outcomes and reduce the ability of the Group to deliver against customer and other stakeholders' expectations

Key executives, employees and Directors play an integral role in the operation of the Group's business and its pursuit of its strategic objectives. The unexpected departure of an individual in a key role, or the Group's failure given the challenges in the current environment to recruit, develop and retain an appropriately skilled and qualified person into these roles particularly in areas such as digital, technology, risk or compliance, could have an adverse effect on the Group's Position. These risks may be further exacerbated by the ongoing impacts of the COVID-19 pandemic, including on employee well-being, social and employment choices.

25. Reputational risk events as well as operational failures and regulatory compliance failures may give rise to reputational risk, which may undermine the trust of stakeholders, erode the Group's brand and adversely affect the Group's Position

The Group's reputation is a valuable asset and a key contributor to the support that it receives from the community in respect of its business initiatives and its ability to raise funding or capital.

Reputational risk may arise as a result of an external event or the Group's actual or perceived actions and practices, which include operational and regulatory compliance failures. The occurrence of such events may adversely affect perceptions about the Group held by the public (including the Group's customers), shareholders, investors, regulators or rating agencies. The impact of a risk event on the Group's reputation may exceed any direct cost of the risk event itself and may adversely impact the Group's Position.

The Group may incur reputational damage where one of its practices fails to meet community expectations which are continually changing and evolving. As these expectations may exceed the standard required in order to comply with applicable law, the Group may incur reputational damage even where it has met its legal obligations. A divergence between community expectations and the Group's practices could arise in a number of ways, including in relation to its product and services disclosure practices, pricing policies and use of data. Further, the Group's reputation may also be adversely affected by community perception of the broader financial services industry, particularly in an environment of rising interest rates. Additionally, reputational damage may also arise from the Group's failure to effectively manage risks, enforcement or supervisory action by regulators, adverse findings from regulatory reviews and failure or perceived failure to adequately respond to community, environmental and ethical issues.

While impacts of the COVID-19 pandemic are ongoing, and the longer-term financial and non-financial effects are yet to be fully realised, it is possible there may be unintended consequences from the Group's actions which may give rise to negative perceptions about the Group.

Additionally, certain operational and regulatory compliance failures or perceived failures, may give rise to reputational risk. Such operational and regulatory compliance failures include, but are not limited to:

- failures related to fulfilment of identification obligations;
- failures related to new product development;
- failures related to ongoing product monitoring activities;
- failures related to suitability requirements when products are sold outside of the target market;
- failure to comply with disclosure obligations;
- market manipulation or anti-competitive behaviour;
- inappropriate crisis management/response to a crisis event;
- inappropriate handling of customer complaints;
- inappropriate third party arrangements;
- privacy breaches; and
- unexpected risks (e.g. credit, market, operational or compliance).

Damage to the Group's reputation may have wide-ranging impacts, including adverse effects on the Group's profitability, capacity and cost of funding, increased regulatory scrutiny, regulatory enforcement actions, additional legal risks and availability of new business opportunities. The Group's ability to attract and retain customers could also be adversely affected if the Group's reputation is damaged, which may adversely affect the Group's Position.

26. Conduct risk events may adversely affect the Group's Position

The Group defines conduct risk as the risk of loss or damage arising from the failure of the Group, its employees or agents to appropriately consider the interests of consumers, the integrity of the financial markets, and the expectations of the community in conducting the Group's business activities.

Conduct risks include:

- the provision of unsuitable or inappropriate advice to customers;
- the representation of, or disclosure about, a product or service which is inaccurate, or does not provide adequate information about risks and benefits to customers;
- a failure to deliver product features and benefits in accordance with terms, disclosures, recommendations and/or advice;
- a failure to appropriately avoid or manage conflicts of interest;
- inadequate management of complaints or remediation processes;
- a failure to respect and comply with duties to customers in financial hardship; and
- unauthorised trading activities in financial markets, in breach of the Group's policies and standards.

There has been an increasing regulatory and community focus on conduct risk, including in Australia and New Zealand. Continued cost of living increases are creating pressure on affordability which may impact both the ability to lend to customers, and also the extent to which forbearance may need to be offered to those already struggling. Furthermore, it is expected to increase the number of customers that may fall into financial difficulty. This is an evolving and fluid situation, and the Group will need to continue to adapt and respond to mitigate the risk of customer harm because of this ongoing pressure on affordability.

The Group has a centralised and dedicated team tasked with undertaking a variety of customer remediation programs, including to address specific conduct issues identified in Group reviews. Conduct risk events may expose the Group to regulatory actions, restrictions or conditions on banking licenses and/or reputational consequences that may adversely affect the Group's Position. It is possible that remediation programs may not be implemented appropriately or may lead to further remediation work being required, resulting in litigation, regulatory action and/or increasing cost to the Group, all of which may adversely affect the Group's Position.

For further discussion of the increasing regulatory focus on conduct risk, see risk factor 17 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position" and risk factor 18 "Litigation and contingent liabilities may adversely affect the Group's Position".

27. Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect the Group's Position

The Group's day-to-day activities and its service offerings (including digital banking) are highly dependent on information technology ("IT") systems. Disruption of IT systems, or the services the Group uses or is dependent upon, may result in the Group failing to meet its compliance obligations and/or customers' banking needs. In a digital world, customer's expectations of always on (24/7) banking services necessitates highly available and resilient IT systems.

The Group has an ongoing obligation to maintain its IT systems and to identify, assess and respond to risk exposures associated with these systems, including IT asset lifecycle, IT asset project delivery, technology resilience, technology security, use of third parties, data retention/restoration and business rules and automation. Inadequate responses to these risk exposures could lead to unstable or insecure systems adversely impacting customers, increased costs, and non-compliance with regulatory requirements, which may adversely affect the Group's Position.

The Group has incident response, disaster recovery and business continuity measures in place designed to ensure that critical IT systems will continue to operate during both short-term and prolonged disruption events for all businesses across the Group's network, including ANZ New Zealand and international branches, which rely on the Group to provide a number of IT systems. A failure of the Group's systems may affect the Group's network, which may in turn, adversely affect the Group's Position. The COVID-19 pandemic has highlighted that these arrangements must cater for vast and improbable events, and ensure critical IT systems can be supported and accessed remotely by a large number of technologists and business users for extended periods. If such measures cannot be effectively implemented, this may adversely affect the Group's Position.

In addition, the Group must implement and integrate new IT systems, most notably Cloud, Data and Automation technologies, into the existing technology landscape to ensure that the Group's technology environment is cost-effective and can support evolving customer requirements. Inadequate implementation and integration of these systems, or improper operation and management, including of their vendors and the supply chain, may adversely affect the Group's Position.

This risk factor should be read in conjunction with risk factor 28 "Risks associated with information security including cyber-attacks, may adversely affect the Group's Position" as information security breaches and cyber-attacks have the potential to result in the disruption of IT systems.

28. Risks associated with information security including cyber-attacks, may adversely affect the Group's Position

The primary focus of information security is to protect information and technology systems from disruptions to confidentiality, integrity or availability. As a bank, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations, from the multiple geographies in which the Group operates. This information is processed and stored on both internal and third party hosted environments. Any failure of security controls operated by the Group or its third parties could adversely affect the Group's business.

The risks to systems and information are inherently higher in certain countries where, for example, political threats or targeted cyber-attacks by terrorist or criminal organisations are greater.

The Group is conscious that cyber threats, such as advanced persistent threats, distributed denial of service, malware and ransomware, are continuously evolving, becoming more sophisticated and increasing in volume. The COVID-19 pandemic has increased the number of staff working offsite for an extended period, which may increase information security risks to the Group. Cyber criminals may attempt to take advantage through pursuing exploits in end point security, spreading malware, and increasing phishing attempts. Furthermore, these risks may be further exacerbated by geopolitical risks.

Additionally, failures in the Group's cybersecurity policies, procedures or controls, could result in loss of data or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these events could result in significant financial losses (including costs relating to notification of, or compensation for customers), regulatory investigations or sanctions or may affect the Group's ability to retain and attract customers, and thus may adversely affect the Group's Position.

29. Data management risks may adversely affect the Group's Position

Data management processes include capturing, processing, distributing, accessing, retaining and disposing of large quantities of data, including sensitive data. Data management is reliant on the Group's systems and technology. Data quality management is a key area of focus, as data is relied on to assess various issues and risk exposures. Any deficiencies in data quality, or the effectiveness of data gathering, analysis and validation processes, or failure to appropriately manage and maintain the Group's data, systems and technology, could result in ineffective risk management practices and, inaccurate risk reporting which may adversely impact the Group's Position. Furthermore, failure to comply with data management obligations, including regulatory obligations may cause the Group to incur losses, or result in regulatory action.

30. Modelling risks may adversely affect the Group's Position

As a large financial institution, the Group relies on a number of models for material business decision making including but not limited to lending decisions, calculating capital requirements, provision levels, customer compensation payments and stressing exposures. If the models used prove to be inadequately designed, implemented or maintained or based on incorrect assumptions or inputs this may adversely impact the Group's Position.

Environmental, social and governance risks

31. Impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position

The Group and its customers are exposed to environmental, social and governance risks, including climate-related events, geological events (including volcanic or seismic activity or tsunamis), biodiversity loss, plant, animal and human diseases or a pandemic such as COVID-19 and human rights risks. Each of these can cause significant impacts on the Group's operations and its customers.

Climate-related events can include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The impact of these events can be widespread, extending beyond primary producers to customers of the Group who are suppliers to the agricultural sector, and to those who reside in, and operate businesses within, impacted communities. The impact of these losses on the Group may be exacerbated by a decline in the value and liquidity of assets held as collateral, which may impact the Group's ability to recover its funds when loans default.

Recent examples in Australia include severe drought conditions, bushfires in 2019/2020, and severe flooding in 2021 and 2022. In addition, geological events have occurred in New Zealand in recent years and the COVID-19 pandemic continues to impact the Group's operations and customers.

The risk of biodiversity loss, as a result of species extinction or decline, ecosystem degradation and nature loss, is an emerging risk that the Group is seeking to understand further. In relation to biodiversity, risks can arise from lending to customers that are significantly dependent on biodiversity and ecosystem services, or who may have negative impacts on biodiversity. The Group acknowledges the need to protect and restore ecosystems and mitigate biodiversity loss, including working to halt and reverse forest loss and land degradation. The Group understands that failure to manage these risks may lead to financial and non-financial risks and may adversely affect the Group's Position.

Human rights risks can relate to the safety and security of the Group's people, labour rights, modern slavery, privacy and consumer protection, corruption and bribery and land rights. The Group uses risk-based due diligence to identify human rights risks and impacts associated with its business relationships. Failure to manage these risks may adversely affect the Group's Position.

New regulations or guidance relating to climate change, biodiversity, human rights, or other environmental, social or governance risks, as well as the perspectives of shareholders, employees and other stakeholders, may affect whether and on what terms and conditions the Group engages in certain activities or offers certain products.

Depending on their frequency and severity, these extrinsic events may continue to interrupt or restrict the provision of some local services such as the Group branch or business centres or Group services, and may also adversely affect the Group's financial condition or collateral position in relation to credit facilities extended to customers, which in turn may adversely affect the Group's Position.

32. The Group's risk management framework may fail to manage all existing risks appropriately or detect new and emerging risks fast enough, which could adversely affect the Group's Position

Risk management is an integral part of the Group's activities and includes the identification, measurement, reporting, monitoring and mitigation of the Group's risk appetite and reporting on the Group's risk profile and effectiveness of identified controls. However, there can be no assurance that the Group's risk management framework will be effective in all instances including in respect of existing risks, or new and emerging risks that the Group may not anticipate or identify in a timely manner and/or for which its controls may not be effective. Failure to manage risks effectively could adversely impact the Group's reputation or compliance with regulatory obligations.

The effectiveness of the Group's risk management framework is also connected to the establishment and maintenance of a sound risk management culture, which is supported by appropriate remuneration structures. A failure in designing or effectively implementing appropriate remuneration structures, could have an adverse impact on the Group's risk culture and effectiveness of the Group's risk management frameworks.

The Group seeks to continuously improve its risk management frameworks. It has implemented, and regularly reviews, its risk management policies and allocates additional resources across the Group to manage and mitigate risks. However, such efforts may not insulate the Group from future instances of misconduct and no assurance can be given that the Group's risk management framework will be effective. A failure in the Group's risk management processes or governance could result in the Group suffering unexpected losses and reputational damage, and failing to comply with regulatory obligations, which could adversely affect the Group's Position.

While these principles continue to underpin the Group's risk management framework, the ongoing COVID-19 pandemic requires the Group to continue to maintain good practices and a robust risk management framework as its operational activities continue to evolve, so as to manage the impacts of the pandemic both to its workforce and customers. In these circumstances, a failure in the Group's risk management framework, processes or governance could adversely affect the Group's Position.

33. Risks associated with lending to customers that could be directly or indirectly impacted by climate risk may adversely affect the Group's Position

The risks associated with climate change are subject to increasing regulatory, political and societal focus, including in Australia and New Zealand. APRA has released a prudential practice guide CPG 229 that is designed to assist regulated entities (including the Group) in managing climate-related risks and opportunities as part of their existing risk management and governance frameworks. APRA has also conducted its first climate vulnerability assessment in calendar year 2021 and 2022 to (i) assess banks' potential financial exposure to climate risk; (ii) understand how banks may adjust business models and implement management actions in response to different scenarios; and (iii) foster improvement in climate risk management capabilities. Similarly, the RBNZ is increasing its focus on climate change and in October 2021 released its Climate Change Report 2021. The Climate Change Report 2021 outlines the RBNZ's approach to climate change, including future actions to further incorporate climate change into stress testing and embed climate change into supervisory frameworks, data collection and internal planning. The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 will require ANZBGL and ANZ New Zealand, as 'climate reporting entities', to annually prepare, seek independent assurance for and make public disclosures on the management of, and effects of climate change to their business, in accordance with climate-related disclosure standards, to be issued by the New Zealand External Reporting Board. The first disclosures will be due for the financial year ending 30 September 2024. Embedding climate change risk into the Group's risk management framework in line with APRA's and other stakeholders' expectations and adapting the Group's operation and business strategy to address both the risks and opportunities posed by climate change and the transition to a low carbon economy, could have a significant impact on the Group.

The Group's most material climate-related risks result from its lending to business and retail customers, including credit-related losses incurred as a result of a customer being unable or unwilling to repay debt, or events impacting the value and liquidity of collateral, which may adversely affect the Group's Position. The risk to the Group from credit-related issues with the Group's customers could result directly from climate-related events, and indirectly from changes to laws, regulations, or other policies such as carbon pricing and climate risk adaptation or mitigation policies, which may impact the customer's supply chain.

CURRENCY OF PRESENTATION AND EXCHANGE RATES

Currency of presentation

The Group publishes consolidated financial statements in Australian Dollars. In this U.S. Disclosure Document, unless otherwise stated or the context otherwise requires, references to “US$”, “USD” and “U.S. dollars” are to U.S. Dollars and references to “$”, “AUD” and “A$” are to Australian Dollars. For the convenience of the reader, this U.S. Disclosure Document contains translations of certain Australian Dollar amounts into U.S. Dollars at specified rates. These translations should not be construed as representations that the Australian Dollar amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated. Unless otherwise stated, the translations of Australian Dollars into U.S. Dollars have been made at the rate of US$0.6437 = A$1.00, the Noon Buying Rate on 30 September 2022.

Major exchange rates

The major exchange rates used by the Group to translate the results of foreign subsidiaries, branches, investments in associates and issued debt to Australian Dollars were as follows:

	Balance Sheet			Profit & Loss Average		
	As at 30 September			Years ended 30 September		
	2022	2021	2020	**2022**	2021	2020
Chinese Renminbi	**4.6021**	4.6568	4.8453	**4.6644**	4.8903	4.7462
Euro	**0.6618**	0.6209	0.6061	**0.6573**	0.6287	0.6052
Pound Sterling	**0.5845**	0.5357	0.5539	**0.5566**	0.5492	0.5314
Indian Rupee	**52.971**	53.481	52.473	**54.686**	55.310	49.729
Indonesian Rupiah	**9,879**	10,314	10,595	**10,347**	10,766	9,803
Japanese Yen	**93.802**	80.616	75.059	**88.191**	80.689	73.018
Malaysian Ringgit	**3.0093**	3.0162	2.9593	**3.0642**	3.0988	2.8563
New Taiwan Dollar	**20.603**	20.060	20.591	**20.584**	21.115	20.290
New Zealand Dollar	**1.1349**	1.0473	1.0802	**1.0822**	1.0661	1.0600
Papua New Guinean Kina	**2.2849**	2.5270	2.4858	**2.5045**	2.6347	2.3258
United States Dollar	**0.6489**	0.7202	0.7110	**0.7123**	0.7512	0.6773

For the 2022 fiscal year, 36% of the Group’s operating income was derived from the New Zealand and Asia Pacific, Europe & America (“APEA”) geographic regions (2021 fiscal year: 32%; 2020 fiscal year: 33%; 2019 fiscal year: 35%; 2018 fiscal year: 34%). Refer to Note 8 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) for a breakdown of total operating income by geographical location.

Operating income from the APEA and New Zealand geographic regions is denominated principally in the currencies outlined in the table below. Movements in foreign currencies against the Australian Dollar can therefore affect the Group’s earnings through the translation of overseas profits to Australian Dollars. Movements in the major exchange rates used by the Group to translate the results of foreign subsidiaries, investments in associates and issued debt to Australian Dollars were as follows:

Australian Dollar movement against foreign currencies[1]

	Movement				
Years ended 30 September	**2022**	**2021**	**2020**	**2019**	**2018**
Chinese Renminbi	**-5%**	3%	-2%	-3%	-4%
Euro	**5%**	4%	-3%	-2%	-7%
Pound Sterling	**1%**	3%	-4%	-2%	-6%
Indian Rupee	**-1%**	11%	0%	-2%	1%
Indonesian Rupiah	**-4%**	10%	-3%	-5%	4%
Japanese Yen	**9%**	11%	-6%	-8%	-1%
Malaysian Ringgit	**-1%**	8%	-2%	-5%	-7%
New Taiwan Dollar	**-3%**	4%	-7%	-4%	-3%
New Zealand Dollar	**2%**	1%	0%	-3%	2%
Papua New Guinean Kina	**-5%**	13%	-2%	-4%	2%
United States Dollar	**-5%**	11%	-4%	-7%	0%

1. *Movement is based on comparison of the fiscal year average exchange rate to the immediately preceding fiscal year average exchange rate.*

The Group monitors its exposure to revenues, expenses and invested capital denominated in currencies other than Australian Dollars as these expose the Group to the risk of changes in foreign exchange rates. Variation in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity. These currency exposures are managed in accordance with established risk management policies.

Where it is considered appropriate, the Group takes out economic hedges against larger foreign exchange denominated revenue streams (primarily New Zealand Dollar, U.S. Dollar and U.S. Dollar correlated). The primary objective of hedging is to ensure that, if practical, the consolidated capital ratios are neutral to the effects of changes in exchange rates.

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the statutory profit presented in the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex B) prepared under AASs (refer to "Section 1: Key Information - Basis of Preparation" for a description of AASs).

The Group's results for the past three fiscal years are summarised below and are also discussed under the headings of "Analysis of major income and expense items" and "Results by division", which follow.

As a result of the sale transactions outlined in "Section 1: Key Information - Basis of Preparation - Discontinued Operations", the financial results of the divested Wealth Australia businesses are treated as discontinued operations from a financial reporting perspective.

Large/notable items

The Group's profit from continuing operations includes a number of items collectively referred to as large/notable items. While these items form part of profit, given their nature and significance, they have been presented separately together with comparative information, where relevant, to provide transparency and aid comparison. Large/notable items included in the Group's profit after income tax are described below.

Business divestments/closures

The following business divestments/closures form part of continuing operations as they did not qualify as discontinued operations under accounting standards. The financial impacts from these business divestments/closures are summarised below including the business results for those divestments that have completed during the 2022 fiscal year.

	Gain/(Loss) from divestments/closures Years ended 30 September			Completed divestment business results[1] Years ended 30 September			Total Years ended 30 September		
Impact of large/notable items on:	2022 $M	2021 $M	2020 $M	2022 $M	2021 $M	2020 $M	2022 $M	2021 $M	2020 $M
ANZ Worldline partnership	**307**	-	-	**60**	123	-	**367**	123	-
ANZ Share Investing business	**-**	(251)	-	**-**	-	-	**-**	(251)	-
Financial planning and advice business	**(69)**	-	-	**5**	9	-	**(64)**	9	-
Legal entity rationalisation	**(65)**	-	-	**-**	-	-	**(65)**	-	-
Other divestments	**(13)**	13	(7)	**-**	-	79	**(13)**	13	72
Profit/(Loss) before income tax	**160**	(238)	(7)	**65**	132	79	**225**	(106)	72
Income tax benefit/(expense)	**37**	-	-	**(19)**	(40)	(22)	**18**	(40)	(22)
Profit/(Loss) after tax from continuing operations	**197**	(238)	(7)	**46**	92	57	**243**	(146)	50

1. 2021 comparative information has been restated for divestments completed in the 2022 fiscal year. 2020 comparative information has not been restated.

- **ANZ Worldline partnership**

  The Group announced in December 2020 that it had entered into a partnership with Worldline AS ("Worldline"). The partnership arrangement involves ANZ and Worldline forming a newly created merchant acquiring group, with ANZ and Worldline holding 49% and 51% interests respectively. During the 2022 fiscal year, the transaction completed and the Group recognised a $307 million gain in Other operating income and an income tax benefit of $28 million in the Australia Commercial division. The divested business results were recognised across the Australia Commercial and Institutional divisions.

- **ANZ Share Investing business**

  During the 2021 fiscal year, the Group completed the divestment of the ANZ Share Investing business to CMC Markets and recognised a $251 million loss on divestment in Other operating income in the Australia Retail division.

- **Financial planning and advice business**

  During the 2022 fiscal year, the Group completed the divestment of its financial planning and advice business servicing the affluent customer segment to Zurich Financial Services Australia Ltd. As a result of the transaction, the Group recognised a $62 million loss largely comprising a goodwill write-off of $40 million in Other operating income, restructuring expenses of $7 million, and an income tax benefit of $9 million in the Australia Commercial division. The divested business results were recognised in the Australia Commercial division.

- **Legal entity rationalisation**

  During the 2022 fiscal year, in order to simplify the Group's legal entity structure, the businesses previously conducted by Minerva Holdings Limited ("Minerva") in the United Kingdom and ANZ Asia Limited ("ANZ Asia") in Hong Kong were dissolved. As a result, the associated foreign currency translation reserves were recycled from Other comprehensive income to profit or loss, resulting in a $65 million loss recognised in Other operating income in the Group Centre division.

- **Other divestments**

  During the 2022 fiscal year, the Group announced the planned closure of the ANZ American Territories ("ANZ American Samoa and ANZ Guam"). A loss of $26 million, comprising a $7 million loss in Other operating income, restructuring expenses of $13 million and a credit impairment charge of $6 million, was recognised in the Pacific division during the period.

  During the 2022 fiscal year, the Group also released excess provisions originally raised as part of the UDC Finance and Paymark Limited divestments completed in prior fiscal years and recognised a $13 million gain in Other operating income in the Group Centre division.

During the 2021 fiscal year, the Group disposed of its rights and obligations relating to a legacy insurance portfolio to Tower Limited and recognised a $13 million gain in Other operating income in the New Zealand division.

During the 2020 fiscal year, the Group completed the sale of UDC to Shinsei Bank Limited and recognised a loss before and after tax of $7 million year in the Group Centre division, comprising a loss on disposal of $29 million, partially offset by a $22 million release from the foreign currency translation reserve.

Merger and acquisition ("M&A") related costs

During the 2022 fiscal year, the Group incurred transaction-related external legal and advisor costs of $10 million after tax associated with M&A activities during the period, including the Suncorp Bank acquisition.

Customer remediation

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation costs and outcomes.

	Years ended 30 September		
Impact of large/notable items on:	**2022 $M**	**2021 $M**	**2020 $M**
Operating income	**(34)**	(142)	(174)
Operating expenses	**(190)**	(185)	(209)
Profit/(Loss) before income tax	**(224)**	(327)	(383)
Income tax benefit/(expense)	**58**	106	104
Profit/(Loss) after tax from continuing operations	**(166)**	(221)	(279)

Litigation settlements

During the 2022 fiscal year, the Group entered into an agreement to settle a United States class action related to the trading of products based on certain benchmark reference rates and recognised expenses of $10 million after tax in relation to the proposed settlement and related costs. The settlement is without admission of liability and remains subject to negotiation and execution of complete settlement terms as well as court approval.

During the 2021 fiscal year, the Group reached an agreement to settle a separate United States class action related to other benchmark based products and activities and recognised expenses of $48 million after tax. The settlement is without admission of liability and remains subject to court approval.

Restructuring

In addition to the restructuring expenses associated with business divestments/closures, the Group recognised restructuring expenses of $68 million after tax in the 2022 fiscal year (2021 fiscal year: $92 million; 2020 fiscal year: $115 million) relating to operational changes across multiple divisions.

Withholding tax

During the 2022 fiscal year, a dividend payment of $714 million (net of withholding tax) was made by ANZ Papua New Guinea ("ANZ PNG") to ANZBGL in order to rebalance capital positions within the Group in response to APRA's changes in the capital requirements for subsidiaries. ANZBGL made a capital injection into ANZ PNG equivalent to the dividend, net of withholding tax. As a result of the dividend payment, a dividend withholding tax expense of $126 million was recognised during the period.

Lease modification

During the 2022 fiscal year, the Group early terminated the head lease on the 55 Collins Street Melbourne building resulting in a net loss after tax of $17 million. The loss comprised a $31 million gain in Other operating income on lease modification arising from remeasurement of the lease liability and right-of-use asset net of an $8 million termination payment, a $47 million loss in Operating expenses associated with lease exit costs including accelerated depreciation and asset write-offs, and an income tax benefit of $7 million.

Asian associate items

During the 2021 fiscal year, the Group recognised a $347 million reduction in equity accounted earnings after tax, comprising $212 million reflecting its share of the settlement provision following AMMB Holdings Berhad's ("AmBank") agreement with the Malaysian Ministry of Finance to resolve potential claims relating to its involvement with 1Malaysia Development Berhad ("1MDB"), and $135 million reflecting its share of the impairment of AmBank goodwill.

When the Group adopted AASB 9 *Financial Instruments* ("AASB 9") on 1 October 2018, an estimate of PT Bank Pan Indonesia's ("PT Panin") transition adjustment was recognised through opening retained earnings to align accounting policies. During the 2020 fiscal year, PT Panin adopted AASB 9 and recognised a transition adjustment in retained earnings. The $66 million after tax represents the Group's equity accounted share of the transition adjustment net of amounts adjusted by the Group on 1 October 2018.

Asian associate impairments

During the 2020 fiscal year, the Group recognised an impairment of $815 million after tax in respect of two of the Group's equity accounted investments to adjust their carrying values in line with their value-in-use ("VIU") calculations. AmBank was impaired by $595 million, and PT Panin was impaired by $220 million.

Accelerated software amortisation

During the 2020 fiscal year, the Group amended the application of its software amortisation policy to reflect the shorter useful life of various types of software, resulting in an accelerated amortisation charge of $138 million after tax.

Goodwill write-off

During the 2020 fiscal year, the Group wrote off goodwill of $77 million after tax, comprising $50 million in the Pacific division reflecting the impact of COVID-19 on the economies of the Pacific region, and $27 million in the New Zealand division as a result of changes in the economic environment and outlook, and the winding up of the Bonus Bonds business.

Lease-related items

Following the adoption of the new lease accounting standard ("AASB 16") on 1 October 2019, the Group recognised $34 million of non-recurring lease related charges which were presented as a large/notable item in the 2020 fiscal year.

Large/Notable items

The Group has recognised some large/notable items within profit from continuing operations. These items are shown in the tables below.

	2022 Fiscal Year							
	Large/notable items included in continuing profit							
	Business divestments/ closures $M	M&A related costs $M	Customer remediation $M	Litigation settlements $M	Restructuring[1] $M	Withholding tax $M	Lease modification $M	Total $M
Impact of large/notable items on:								
Net interest income	-	-	-	-	-	-	-	**-**
Other operating income	298	-	(34)	-	-	-	23	**287**
Operating income	298	-	(34)	-	-	-	23	**287**
Operating expenses	(69)	(12)	(190)	(10)	(81)	-	(47)	**(409)**
Profit/(Loss) before credit impairment and income tax	229	(12)	(224)	(10)	(81)	-	(24)	**(122)**
Credit impairment (charge)/release	(4)	-	-	-	-	-	-	**(4)**
Profit/(Loss) before income tax	225	(12)	(224)	(10)	(81)	-	(24)	**(126)**
Income tax (expense)/benefit	18	2	58	-	13	(126)	7	**(28)**
Profit/(Loss) after tax from continuing operations	243	(10)	(166)	(10)	(68)	(126)	(17)	**(154)**

	2021 Fiscal Year					
	Large/notable items included in continuing profit					
	Business divestments/ closures[2] $M	Customer remediation $M	Litigation settlements $M	Restructuring[1] $M	Asian associate items $M	Total $M
Impact of large/notable items on:						
Net interest income	-	(86)	-	-	-	(86)
Other operating income	(28)	(56)	-	-	(347)	(431)
Operating income	(28)	(142)	-	-	(347)	(517)
Operating expenses	(81)	(185)	(69)	(127)	-	(462)
Profit/(Loss) before credit impairment and income tax	(109)	(327)	(69)	(127)	(347)	(979)
Credit impairment (charge)/release	3	-	-	-	-	3
Profit/(Loss) before income tax	(106)	(327)	(69)	(127)	(347)	(976)
Income tax (expense)/benefit	(40)	106	21	35	-	122
Profit/(Loss) after tax from continuing operations	(146)	(221)	(48)	(92)	(347)	(854)

	2020 Fiscal Year								
	Large/notable items included in continuing profit								
	Business divestments/ closures[2] $M	Customer remediation $M	Goodwill write-off $M	Restructuring[1] $M	Lease-related items $M	Accelerated software amortisation $M	Asian associate impairments $M	Asian associate items $M	Total $M
Impact of large/notable items on:									
Net interest income	134	(106)	-	-	-	-	-	-	28
Other operating income	(5)	(68)	-	-	-	-	(815)	(68)	(956)
Operating income	129	(174)	-	-	-	-	(815)	(68)	(928)
Operating expenses	(34)	(209)	(77)	(161)	(50)	(197)	-	-	(728)
Profit/(Loss) before credit impairment and income tax	95	(383)	(77)	(161)	(50)	(197)	(815)	(68)	(1,656)
Credit impairment (charge)/release	(23)	-	-	-	-	-	-	-	(23)
Profit/(Loss) before income tax	72	(383)	(77)	(161)	(50)	(197)	(815)	(68)	(1,679)
Income tax (expense)/benefit	(22)	104	-	46	16	59	-	2	205
Profit/(Loss) after tax from continuing operations	50	(279)	(77)	(115)	(34)	(138)	(815)	(66)	(1,474)

1. *Restructuring expense before tax of $81 million for the 2022 fiscal year (2021 fiscal year: $127 million; 2020 fiscal year: $161 million) does not include restructuring expenses of $20 million (2021 fiscal year: nil; 2020 fiscal year: nil) which was incurred and included as part of the business divestments/closures.*
2. *2021 comparative information has been restated for divestments completed in the 2022 fiscal year. 2020 comparative information has not been restated.*

GROUP INCOME STATEMENT INFORMATION

	Years ended 30 September		
	2022 $M	**2021 $M**	**2020 $M**
Net interest income	**14,874**	14,161	14,049
Other operating income[1]	**4,552**	3,259	3,588
Operating income	**19,426**	17,420	17,637
Operating expenses	**(9,579)**	(9,051)	(9,383)
Profit before credit impairment and income tax	**9,847**	8,369	8,254
Credit impairment (charge)/release	**232**	567	(2,738)
Profit before income tax	**10,079**	8,936	5,516
Income tax expense	**(2,940)**	(2,756)	(1,840)
Non-controlling interests	**(1)**	(1)	(1)
Profit after tax from continuing operations	**7,138**	6,179	3,675
Profit/(Loss) after tax from discontinued operations	**(19)**	(17)	(98)
Profit after tax	**7,119**	6,162	3,577

1. *Includes Other operating income, Net income from insurance business and Share of associates' profit/(loss) as presented in the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex B).*

Group results

Comparison of 2022 with 2021

Profit after tax from continuing operations increased $959 million (+16%) compared with the 2021 fiscal year mainly due to:

- Net interest income increased $713 million (+5%) driven by a $46.3 billion (+5%) increase in average interest earning assets, partially offset by a 1 basis point ("bps") decrease in net interest margin. The increase in average interest earning assets was driven by higher central bank balances, higher average net loans and advances, partially offset by lower trading assets and investment securities. The decrease of 1 bps was driven by home loan pricing competition in the Australia Retail and New Zealand divisions, growth in lower yielding liquid assets, unfavourable asset and funding mix, and lower average yield in Markets averages earning assets. This was partially offset by improvement in deposit margins from a rising interest rate environment, and higher earnings on capital and replicating deposits. Refer to "Analysis of Major Income and Expense Items" on pages 56 and 57 for further details on key movements.
- Other operating income increased $1,293 million (+40%) driven by favourable unrealised mark-to-market movements on economic hedges of $692 million, a $326 million increase from business divestments/closures, an increase in share of associates' profit of $353 million, and favourable unrealised mark-to-market movements on revenue and expense hedges of $214 million. This was partially offset by a decrease of $270 million in Markets other operating income as balance sheet and derivative valuation adjustments were impacted by high volatility and yield curve movements, and a $156 million decrease in net fee and commission income primarily driven by Breakfree package fee changes in the Australia Retail division. Refer to "Analysis of Major Income and Expense Items" on pages 58 to 60 for further details on key movements.
- Operating expenses increased $528 million (+6%) driven by investment spend to develop digital capabilities, meet regulatory and compliance obligations and drive volume growth. The inclusion of Cashrewards Limited ("Cashrewards") after obtaining control in December 2021 and wage inflation also contributed to the increase. Refer to "Analysis of Major Income and Expense Items" on page 61 for further details on key movements.
- Credit impairment release decreased $335 million (-59%) driven by a decrease in the collectively assessed credit impairment release, partially offset by a decrease in the individually assessed credit impairment charge. Refer to "Analysis of Major Income and Expense Items" on pages 62 and 63 for further details on key movements.

Comparison of 2021 with 2020

Profit after tax from continuing operations increased $2,504 million (+68%) compared with the 2020 fiscal year mainly due to:

- Net interest income increased $112 million (+1%) driven by a 1 bps increase in net interest margin. The increase in net interest margin was driven by deposit margin management across all divisions, favourable wholesale funding costs and a reduction in lower margin Markets average interest earning assets as a result of lower reverse repurchase agreements. This was partially offset by growth in lower yielding liquid assets and the impact of low interest rates on earnings on capital and replicating deposits. Average interest earning assets increased $0.8 billion driven by higher central bank balances, higher liquid assets, and home lending growth across the New Zealand and Australia Retail divisions. This was partially offset by a decrease in Institutional lending, lower reverse repurchase agreements and the impact of foreign currency translation movements. The decreases in interest income and interest expense were driven by the decline in the cash rate and bank bill swap rate since March 2020. Refer to "Analysis of Major Income and Expense Items" on pages 56 and 57 for further details on key movements.
- Other operating income decreased $329 million (-9%) driven by a decrease of $754 million in Markets other operating income following normalisation of financial market conditions and the impact of surplus system liquidity, a decrease in share of associates' profit of $331 million, a loss of $251 million associated with the disposal of ANZ Share Investing, unfavourable unrealised mark-to-market movements on revenue and expense hedges of $188 million, and a decrease in net fee and commission income driven by lower volume-related fees due to the impact of the COVID-19 pandemic. This was partially offset by the impairment of Asian associates of $815 million in the 2020 fiscal year, favourable unrealised mark-to-market movements on economic hedges of $279 million, and favourable adjustments to loans measured at fair value. Refer to "Analysis of Major Income and Expense Items" on pages 58 to 60 for further details on key movements.
- Operating expenses decreased $332 million (-4%) driven by accelerated software amortisation charges of $197 million, goodwill impairment of $77 million and lease-related items of $50 million, all in the 2020 fiscal year, $34 million of lower restructuring expenses and productivity benefits, partially offset by higher investment spend and a litigation settlement of $69 million. Refer to "Analysis of Major Income and Expense Items" on page 61 for further details on key movements.
- Credit impairment decreased $3,305 million driven by a decrease of $2,540 million in collectively assessed credit impairment charges reflecting an improved economic outlook together with improvements in portfolio mix, and a decrease of $765 million in individually assessed credit impairment charges. Refer to "Analysis of Major Income and Expense Items" on pages 62 and 63 for further details on key movements.

ANALYSIS OF MAJOR INCOME AND EXPENSE ITEMS

Net interest income

The following tables summarise net interest income, net interest margin, average interest earning assets and average deposits and other borrowings for the Group and for the Australia Retail, Australia Commercial, Institutional and New Zealand divisions.

	Years ended 30 September		
Group	**2022 $M**	**2021 $M**	**2020 $M**
Net interest income[1]	**14,874**	14,161	14,049
Average interest earning assets[2]	**910,037**	863,691	862,882
Average deposits and other borrowings[2]	**780,373**	712,540	679,336
Net interest margin (%)	**1.63**	1.64	1.63

	Years ended 30 September		
Net interest margin by major division[1]	**2022 $M**	**2021 $M**	**2020 $M**
Australia Retail			
Net interest margin (%)	**2.25**	2.27	2.21
Average interest earning assets[2]	**245,448**	251,794	246,997
Average deposits and other borrowings[2]	**145,794**	135,487	123,883
Australia Commercial			
Net interest margin (%)[3]	**2.10**	1.98	2.45
Average interest earning assets[2]	**58,867**	58,277	58,956
Average deposits and other borrowings[2]	**115,097**	107,111	91,933
Institutional			
Net interest margin (%)	**0.85**	0.81	0.76
Average interest earning assets[2]	**400,569**	385,647	420,074
Average deposits and other borrowings[2]	**330,839**	297,527	313,625
New Zealand			
Net interest margin (%)	**2.47**	2.33	2.26
Average interest earning assets[2]	**128,478**	123,162	121,030
Average deposits and other borrowings[2]	**104,621**	98,161	91,542

1. *Includes large/notable items of nil for the 2022 fiscal year (2021 fiscal year: -$86 million; 2020 fiscal year: $28 million). Refer to pages 51 to 54 for further details on large/notable items. Also includes the major bank levy of -$340 million for the 2022 fiscal year (2021 fiscal year: -$346 million; 2020 fiscal year: -$406 million).*
2. *Averages are calculated using predominantly daily averages.*
3. *Australia Commercial division generates positive net interest income from surplus deposits held. Accordingly, $63.4 billion for the 2022 fiscal year (2021 fiscal year: $56.8 billion; 2020 fiscal year: $40.9 billion) have been included with average net interest earning assets for the net interest margin calculation to align with internal management reporting view.*

Comparison of 2022 with 2021

The increase in net interest income of $713 million (+5%) was driven by:

Net interest margin (-1 bps)

- Asset pricing (-8 bps): primarily driven by home loan pricing competition in the Australia Retail and New Zealand divisions.
- Deposit pricing & wholesale funding (+12 bps): driven by improvement in deposit margins from a rising interest rate environment.
- Asset and funding mix (-2 bps): driven by unfavourable product mix reflecting impacts of customers switching from variable to fixed rate home loans and lower unsecured lending in the Australia Retail division. This was partially offset by favourable deposit mix with growth in at-call deposits, and increased customer deposits relative to term wholesale funding.
- Liquidity (-5 bps): driven by growth in lower yielding liquid assets to replace Committed Liquidity Facility ("CLF") which, consistent with APRA requirements, will be reduced to nil on 1 January 2023.
- Capital and replicating portfolio (+3 bps): primarily driven by rising interest rate environment.
- Markets Balance Sheet activities (-2 bps): primarily driven by lower average yield following portfolio rebalancing in the prior year.
- Large/notable items (+1 bps): driven by reduced customer remediation.

Average interest earning assets (+$46.3 billion or +5%)

- Average net loans and advances (+$26.4 billion or +5%): driven by lending growth in the Institutional and Australia Commercial divisions, home loan growth in the New Zealand division and the impact of foreign currency translation movements, partially offset by a decline in the Australia Retail division.
- Average trading assets and investment securities (-$16.5 billion or -12%): primarily driven by reduced valuations in Markets as a result of interest rate increases, partially offset by the impact of foreign currency translation movements.

- Average cash and other liquid assets (+$36.4 billion or +26%): driven by higher central bank balances, partially offset by lower reverse repurchase agreements.

Average deposits and other borrowings (+$67.8 billion or +10%)

- Average deposits and other borrowings (+$67.8 billion or +10%): driven by growth in at-call deposits across all divisions, and increases in commercial paper, partially offset by lower term deposits and certificates of deposit.

Comparison of 2021 with 2020

The increase in net interest income of $112 million (+1%) was driven by:

Net interest margin (+1 bps)

- Wholesale funding & deposit pricing (+7 bps): driven by deposit margin management across all divisions and favourable wholesale funding costs.
- Asset pricing (0 bps): higher Institutional lending margins were offset by competition in home lending in the Australia Retail and New Zealand divisions.
- Asset and funding mix (+1 bps): driven by favourable deposit mix with growth in at-call deposits, as well as increased customer deposits relative to wholesale funding. This was partially offset by unfavourable product mix from the impacts of customers switching from variable to fixed rate home loans, and lower unsecured lending in the Australia Retail and New Zealand divisions.
- Liquidity (-7 bps): driven by growth in lower yielding liquid assets.
- Impact of rates net of repricing (-5 bps): driven by the impact of low interest rates on earnings on capital and replicating deposits.
- Markets Balance Sheet activities (+6 bps): driven by a reduction in lower margin Markets average interest earning assets as a result of lower reverse repurchase agreements.
- Large/notable items (-1 bps): driven by the loss of net interest income from divested UDC business, partly offset by reduced customer remediation.

Average interest earning assets (+$0.8 billion or flat)

- Average net loans and advances (-$19.1 billion or -3%): driven by decrease in Institutional lending and the impact of foreign currency translation movements, partially offset by home lending growth in the New Zealand and Australia Retail divisions.
- Average trading and investment securities (+$8.8 billion or +7%): driven by higher liquid assets partially offset by the impact of foreign currency translation movements.
- Average cash and other liquid assets (+$11.2 billion or +9%): driven by higher central bank balances, partially offset by decreases in settlement balances, lower reverse repurchase agreements and the impact of foreign currency translation movements.

Average deposits and other borrowings (+$33.2 billion or +5%)

- Average deposits and other borrowings (+$33.2 billion or +5%): driven by growth in at-call deposits across all divisions and increases in commercial paper and certificates of deposit, partially offset by lower term deposits and the impact of foreign currency translation movements.

Other operating income

	Years ended 30 September		
	2022 $M	**2021 $M**	**2020 $M**
Net fee and commission income[1]	**1,907**	2,063	2,215
Markets other operating income	**860**	1,130	1,884
Share of associates' profit/(loss)	**177**	(176)	155
Economic hedges[2]	**802**	110	(169)
Revenue and expense hedges[3]	**77**	(137)	51
Other[1,4]	**729**	269	(548)
Total other operating income[5,6]	**4,552**	3,259	3,588
Markets income			
Net interest income	**707**	841	770
Other operating income	**860**	1,130	1,884
Total Markets income	**1,567**	1,971	2,654

1. *Excludes the Markets business unit.*
2. *Represents unrealised gains and losses on economic hedges used to manage interest rate and foreign exchange risk and the ineffective portion of designated accounting hedges.*
3. *Represents unrealised gains and losses on revenue and expense hedges used to economically hedge large foreign exchange currency denominated revenue and expense streams.*
4. *Includes foreign exchange earnings and Net income from insurance business.*
5. *Includes large/notable items of $287 million for the 2022 fiscal year (2021 fiscal year: -$431 million; 2020 fiscal year: -$956 million). Refer to pages 51 to 54 for further details on large/notable items.*
6. *Includes Other operating income, Net income from insurance business and Share of associates' profit/(loss) as presented in the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex B).*

Comparison of 2022 with 2021

Other operating income increased by $1,293 million (+40%). Key factors affecting the result were:

Net fee and commission income (-$156 million or -8%)

- $128 million decrease in the Australia Retail division driven by Breakfree package fee changes, partially offset by higher cards revenue due to recovery in consumer spending.
- $98 million decrease driven by lower divested business results primarily in the Australia Commercial division.
- $22 million decrease in the New Zealand division primarily driven by lower fees from the removal or reduction of funds under management fees.
- $49 million increase driven by lower customer remediation.
- $43 million increase in the Institutional division driven by higher volume-related fees in Transaction Banking.

Markets income (-$404 million or -20%)

Markets income decreased $404 million (-20%) driven by a $270 million (-24%) decrease in Other operating income and a $134 million (-16%) decrease in Net interest income. This was primarily attributable to the following business activities:

- $418 million decrease in Balance Sheet driven by lower realised gains, lower net interest income and unfavourable mark-to-market movements attributable to yield curve movements.
- $115 million decrease in Credit and Capital Markets driven by less favourable credit trading conditions, primarily in the March 2022 half, and lower levels of customer issuances amid more volatile market conditions.
- $55 million decrease from Derivative Valuation Adjustments from higher credit valuation adjustments as a result of increased foreign exchange and interest rate volatility.
- $136 million increase in Foreign Exchange driven by customer demand for hedging solutions arising from increased volatility and interest rate differentials across currencies, partially offset by the release of customer remediation provisions in the prior year.
- $40 million increase in Rates driven by more favourable trading conditions, primarily in the March 2022 half.
- $8 million increase in Commodities driven by increased demand for hedging solutions and more favourable trading conditions, primarily in the March 2022 half.

Share of associates' profit/(loss) (+$353 million)

- $353 million increase driven by the Group's equity accounted share of charges recognised by AmBank in the prior year in respect of the 1MDB settlement and goodwill impairment ($347 million) and increase in other equity accounted share of profits.

Economic hedges (+$692 million)

- In the 2022 fiscal year, the majority of the gain on economic hedges relates to funding related swaps, principally from the weakening of AUD and NZD against USD, widening AUD/USD currency basis spreads and the impact of rising interest rates on the economic hedges of select structured finance and specialised leasing transactions.
- In the 2021 fiscal year, the majority of the gain on economic hedges relates to the fair value movement of lending-related swaps impacted by increases in AUD and NZD yield curves.

Revenue and expense hedges (+$214 million)

- For the 2022 fiscal year, the gain on revenue and expense hedges relates to fair value movements, mainly due to the appreciation of AUD against the NZD.

- For the 2021 fiscal year, the loss on revenue and expense hedges relates to fair value movements, mainly due to the weakening of the AUD against the NZD.

Other (+$460 million)

- $424 million increase driven by business divestments/closures:
  - $251 million increase in the Australia Retail division due to the loss on divestment of ANZ Share Investing business in the prior year.
  - $245 million increase in the Australia Commercial division from a gain on completion of the ANZ Worldline partnership ($307 million), partially offset by a loss on sale of the financial planning and advice business ($62 million).
  - $52 million decrease in the Group Centre division driven by the recycling of foreign currency translation reserves from Other comprehensive income to profit or loss on dissolution of Minerva and ANZ Asia ($65 million), partially offset by the release of excess provisions originally raised as part of the UDC Finance and Paymark Limited divestments completed in prior years ($13 million).
  - $20 million decrease from gain/loss on other business divestments/closures.
- $28 million increase in the Institutional division driven by higher international payment volumes in Transaction Banking.
- $27 million increase in the New Zealand division driven by realised gains from the sale of government securities.
- $22 million increase in the Australia Retail division driven by higher insurance income.
- $55 million decrease in the Group Centre division primarily driven by lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group, and lower valuation adjustments from investments measured at fair value in 1835i Ventures Trust business unit. This was partially offset by a net gain on modification of a significant lease arrangement.

Comparison of 2021 with 2020

Other operating income decreased by $329 million (-9%). Key factors affecting the result were:

Net fee and commission income (-$152 million or -7%)

- $71 million decrease in the Institutional division driven by lower fees in Transaction Banking and Corporate Finance due to lower volumes since the March 2020 half as a result of COVID-19 impacts.
- $41 million decrease driven by higher customer remediation.
- $23 million decrease in the Australia Retail and Australia Commercial divisions driven by a reduction in the cards business contribution and other fee declines due to lower volumes and the removal of fees.
- $16 million decrease in the New Zealand division driven by reduced commission income due to the wind-up of the Bonus Bonds business and reduction or removal of fees, partially offset by higher funds management income.

Markets income (-$683 million or -26%)

Markets income decreased $683 million (-26%) driven by $754 million (-40%) decrease in Other operating income, partially offset by $71 million (+9%) increase in Net interest income. This was primarily attributable to the following business activities:

- $376 million decrease in Rates income driven by reduced customer demand for hedging solutions and low interest rate volatility and excess liquidity.
- $151 million decrease in Credit and Capital Markets income driven by less favourable credit trading conditions and lower customer and government debt issuance volumes.
- $127 million decrease in Derivative valuation adjustments driven by a credit valuation adjustment gain in the 2020 fiscal year.
- $121 million decrease in Foreign Exchange income driven by lower volatility and reduced customer demand for longer-tenor hedging solutions, partially offset by customer remediation provision releases.
- $49 million decrease in Commodities income driven by reduced demand for hedging solutions and less favourable trading conditions in precious metals.
- $141 million increase in Balance Sheet income from net realised gains during the period.

Share of associates' profit/(loss) (-$331 million)

- $212 million decrease driven by the Group's share of AmBank 1MDB settlement.
- $135 million decrease driven by the Group's share of AmBank goodwill impairment.
- $52 million decrease in associates' profits from AmBank ($44 million) and PT Panin ($8 million).
- $68 million increase driven by the PT Panin AASB 9 adjustment in the 2020 fiscal year.

Economic hedges (+$279 million)

- For the 2021 fiscal year, the majority of the $110 million gain on economic hedges relates to the fair value movement of lending-related swaps impacted by increases in AUD and NZD yield curves.
- For the 2020 fiscal year, the majority of the $169 million loss on economic hedges relates to the fair value movement of funding related swaps, principally from narrowing basis spreads on AUD/USD and NZD/USD currency pairs and the strengthening of the AUD against the USD.

Revenue and expense hedges (-$188 million)

- For the 2021 fiscal year, the loss of $137 million on revenue and expense hedges relates to fair value movements, mainly due to the weakening of the AUD against the NZD.
- For the 2020 fiscal year, the gain of $51 million on revenue and expense hedges relates to fair value movements, mainly due to the strengthening of the AUD against the USD.

Other (+$817 million)

- $815 million increase driven by the impairment of PT Panin ($220 million) and AmBank ($595 million) in the 2020 fiscal year.
- $116 million increase in the Group Centre division driven by higher realised gains on economic hedges against foreign currency denominated revenue streams ($91 million) which offset net unfavourable foreign currency translations elsewhere in the Group.
- $63 million increase in the Institutional division driven by favourable adjustments to loans measured at fair value in Corporate Finance.
- $38 million increase in the Australia Retail division driven by an increase in net insurance income and a gain on disposal of the offsite ATM network.
- $38 million increase driven by a loss on sale of UDC in the 2020 fiscal year.
- $238 million decrease driven by the loss on reclassification of ANZ Share Investing to held for sale ($251 million) in the Australia Retail division, partially offset by gain from the sale of a legacy insurance portfolio to Tower ($13 million) in the New Zealand division.

Operating expenses

	Years ended 30 September		
	2022 $M	**2021 $M**	**2020 $M**
Personnel	**5,296**	4,946	4,878
Premises	**721**	705	789
Technology	**1,621**	1,588	1,824
Restructuring	**101**	127	161
Other	**1,840**	1,685	1,731
Total operating expenses[1]	**9,579**	9,051	9,383
Full time equivalent staff[2]	**38,987**	39,684	37,506
Average full time equivalent staff[2]	**39,546**	38,043	37,728

1. *Includes large/notable items of $409 million for the 2022 fiscal year (2021 fiscal year: $462 million; 2020 fiscal year: $728 million). Refer to pages 51 to 54 for further details on large/notable items.*
2. *Excludes FTE of the consolidated investments managed by 1835i Group Pty Ltd.*

Comparison of 2022 with 2021

Operating expenses increased by $528 million (+6%):

- Personnel expenses increased $350 million (+7%) driven by higher average resourcing supporting investments to develop digital capabilities, meet regulatory and compliance obligations and drive volume growth. The inclusion of Cashrewards Limited (Cashrewards) after obtaining control in December 2021 and wage inflation also contributed to the increase. This was partially offset by benefits from customers continuing to embrace digital channels, productivity improvements arising from technology and back-office optimisation, higher employee leave utilisation and lower customer remediation.
- Premises expenses increased $16 million (+2%) driven by the modification of a significant lease arrangement, partially offset by ongoing optimisation of property footprint.
- Technology expenses increased $33 million (+2%) driven by higher software license costs and increased spend on investment initiatives, partially offset by lower amortisation.
- Restructuring expenses decreased $26 million (-20%) primarily driven by lower charges in the Group Centre and Australia Retail divisions.
- Other expenses increased $155 million (+9%) driven by increased spend on investment initiatives to develop digital capabilities and meet regulatory and compliance obligations.

Comparison of 2021 with 2020

Operating expenses decreased by $332 million (-4%):

- Personnel expenses increased $68 million (+1%) driven by an uplift in investment in digital capabilities, cloud-enabled simplification and meeting regulatory and compliance obligations, as well as additional resourcing for COVID-19 hardship support, regulatory mandated complaints support and Home Loans operations. This was partially offset by the continued benefits enabled by customers embracing digital channels, and favorable foreign currency translation movements.
- Premises expenses decreased $84 million (-11%) driven by ongoing optimisation of property footprint across all geographies and lower lease-related costs.
- Technology expenses decreased $236 million (-13%) driven by accelerated amortisation ($197 million) and non-recurring item on adoption of AASB 16 ($50 million) in the 2020 fiscal year, benefits from vendor contract negotiations, lower depreciation and favourable foreign currency translation movements. This was partially offset by increased spend on investment initiatives.
- Restructuring expenses decreased $34 million (-21%) driven by lower charges in the Australia Retail, Australia Commercial and New Zealand divisions, partially offset by operational changes in the Group Centre division.
- Other expenses decreased $46 million (-3%) driven by a goodwill write-off in the 2020 fiscal year ($77 million), lower travel expenses and lower freight and cartage expenses. This was partially offset by higher spend on investment initiatives, and a litigation settlement ($69 million).

Credit risk

The Group's assessment of ECL from its credit portfolio is subject to judgements and estimates made by management based on a variety of internal and external information, as well as the Group's experience of the performance of the portfolio under previously stressed conditions. Refer to Note 14 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex B) for further information.

Allowance for expected credit losses

	As at 30 September		
	2022 $M	2021 $M	2020 $M
Collectively assessed allowance for ECL	**3,853**	4,195	5,008
Individually assessed allowance for ECL	**542**	687	891
Total allowance for ECL	**4,395**	4,882	5,899

Credit impairment charge/(release)

	Years ended 30 September		
	2022 $M	2021 $M	2020 $M
Collectively assessed credit impairment charge/(release)	**(311)**	(823)	1,717
Individually assessed credit impairment charge/(release)	**79**	256	1,021
Total credit impairment charge/(release)	**(232)**	(567)	2,738

Credit impairment charge/(release) by division

	Years ended 30 September		
	2022 $M	2021 $M	2020 $M
Collectively assessed			
Australia Retail	**(169)**	(349)	510
Australia Commercial	**(170)**	(272)	541
Institutional	**13**	(159)	373
New Zealand	**35**	(61)	248
Pacific	**(19)**	15	45
Group Centre	**(1)**	3	-
Total collectively assessed	**(311)**	(823)	1,717
Individually assessed			
Australia Retail	**40**	122	311
Australia Commercial	**37**	73	285
Institutional	**(31)**	70	321
New Zealand	**1**	(15)	97
Pacific	**13**	6	7
Group Centre	**19**	-	-
Total individually assessed	**79**	256	1,021
Total credit impairment charge/(release)			
Australia Retail	**(129)**	(227)	821
Australia Commercial	**(133)**	(199)	826
Institutional	**(18)**	(89)	694
New Zealand	**36**	(76)	345
Pacific	**(6)**	21	52
Group Centre	**18**	3	-
Total credit impairment charge/(release)	**(232)**	(567)	2,738

Credit impairment charge/(release) by division, cont'd

	Collectively assessed				Individually assessed			
2022 Fiscal Year	**Stage 1 $M**	**Stage 2 $M**	**Stage 3 $M**	**Total $M**	**Stage 3 - New and increased $M**	**Stage 3 - Recoveries and write-backs $M**	**Total $M**	**Total $M**
Australia Retail	6	(159)	(16)	**(169)**	218	(178)	**40**	**(129)**
Australia Commercial	71	(214)	(27)	**(170)**	194	(157)	**37**	**(133)**
Institutional	112	(99)	-	**13**	23	(54)	**(31)**	**(18)**
New Zealand	34	(3)	4	**35**	66	(65)	**1**	**36**
Pacific	(2)	(13)	(4)	**(19)**	19	(6)	**13**	**(6)**
Group Centre	(1)	-	-	**(1)**	-	19	**19**	**18**
Total	220	(488)	(43)	**(311)**	520	(441)	**79**	**(232)**
2021 Fiscal Year								
Australia Retail	(171)	(155)	(23)	**(349)**	345	(223)	**122**	**(227)**
Australia Commercial	3	(264)	(11)	**(272)**	266	(193)	**73**	**(199)**
Institutional	(103)	(49)	(7)	**(159)**	145	(75)	**70**	**(89)**
New Zealand	2	(40)	(23)	**(61)**	55	(70)	**(15)**	**(76)**
Pacific	(3)	4	14	**15**	13	(7)	**6**	**21**
Group Centre	3	-	-	**3**	-	-	**-**	**3**
Total	(269)	(504)	(50)	**(823)**	824	(568)	**256**	**(567)**
2020 Fiscal Year								
Australia Retail	158	338	14	**510**	544	(234)	310	**820**
Australia Commercial	70	467	4	**541**	421	(135)	286	**827**
Institutional	203	178	(8)	**373**	451	(130)	321	**694**
New Zealand	20	190	38	**248**	147	(50)	97	**345**
Pacific	4	37	4	**45**	12	(5)	7	**52**
Group Centre	-	-	-	**-**	-	-	-	**-**
Total	455	1,210	52	**1,717**	1,575	(554)	1,021	**2,738**

Comparison of 2022 with 2021

- The collectively assessed credit impairment release of $311 million for the 2022 fiscal year was driven by improvements in credit risk, favourable changes in portfolio composition, and a net release of management temporary adjustments. This was partially offset by an increase for the downside risks associated with the economic outlook.

  The collectively assessed credit impairment release of $823 million for the 2021 fiscal year was driven by improving economic outlook, lower lending volumes, favourable changes in portfolio composition, and improvements in credit risk. This was partially offset by a net increase in management temporary adjustments.
- The individually assessed credit impairment charge decreased $177 million (-69%) driven by decreases in the Institutional division (-$101 million) with no material impairments during the 2022 fiscal year, the Australia Retail (-$82 million) and Australia Commercial (-$36 million) divisions with underlying delinquency and impairment flows remaining subdued with the benefit from previous government and bank COVID-19 support packages persisting.

Comparison of 2021 with 2020

- The collectively assessed credit impairment release of $823 million for the 2021 fiscal year was driven by improving economic outlook, lower lending volumes, favourable changes in portfolio composition, and improvements in credit risk. This was partially offset by a net increase in management temporary adjustments.

  The collectively assessed credit impairment charge of $1,717 million for the 2020 fiscal year was driven by changes in economic outlook including impact of scenario weights, COVID-19 related management adjustment, deterioration in credit risk and unfavourable portfolio composition. This was partially offset by decrease from divestments.
- The individually assessed credit impairment charge decreased by $765 million (-75%) driven by decreases across the Australia Retail (-$189 million); Australia Commercial (-$212 million), Institutional (-$251 million), and New Zealand (-$112 million) divisions. The decrease in the Australia Retail and Australia Commercial divisions was driven by lower impairments as the underlying flows remained subdued due to the impact of various COVID-19 support initiatives. The decrease in the Institutional division was driven by a number of impairments in the 2020 fiscal year. The decrease in the New Zealand division was driven by lower transitions to impairment and the write-back of a large Agri customer.

Allowance for expected credit losses by division[1]

	As at 30 September		
	2022 $M	2021 $M	2020 $M
Collectively assessed			
Australia Retail	**899**	1,068	1,417
Australia Commercial	**976**	1,157	1,428
Institutional	**1,381**	1,346	1,513
New Zealand	**519**	526	570
Pacific	**77**	95	80
Group Centre	**1**	3	-
Total collectively assessed	**3,853**	4,195	5,008
Individually assessed			
Australia Retail	**75**	116	192
Australia Commercial	**188**	290	418
Institutional	**176**	195	158
New Zealand	**70**	63	102
Pacific	**33**	23	21
Group Centre	**-**	-	-
Total individually assessed	**542**	687	891
Allowance for ECL			
Australia Retail	**974**	1,184	1,609
Australia Commercial	**1,164**	1,447	1,846
Institutional	**1,557**	1,541	1,671
New Zealand	**589**	589	672
Pacific	**110**	118	101
Group Centre	**1**	3	-
Total allowance for ECL	**4,395**	4,882	5,899

1. *Includes allowance for ECL for Net loans and advances - at amortised cost, Investment securities - debt securities at amortised cost and Off-balance sheet commitments undrawn and contingent facilities. For Investment securities - debt securities at FVOCI, the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.*

Allowance for expected credit losses by division, cont'd[1]

	Collectively assessed				Individually assessed	
As at September 2022	**Stage 1 $M**	**Stage 2 $M**	**Stage 3 $M**	**Total $M**	**Stage 3 $M**	**Total $M**
Australia Retail	145	583	171	**899**	75	**974**
Australia Commercial	352	511	113	**976**	188	**1,164**
Institutional	1,083	273	25	**1,381**	176	**1,557**
New Zealand	175	289	55	**519**	70	**589**
Pacific	16	36	25	**77**	33	**110**
Group Centre	1	-	-	**1**	-	**1**
Total	1,772	1,692	389	**3,853**	542	**4,395**
As at September 2021						
Australia Retail	140	741	187	**1,068**	116	**1,184**
Australia Commercial	290	726	141	**1,157**	290	**1,447**
Institutional	949	373	24	**1,346**	195	**1,541**
New Zealand	154	317	55	**526**	63	**589**
Pacific	18	48	29	**95**	23	**118**
Group Centre	3	-	-	**3**	-	**3**
Total	1,554	2,205	436	**4,195**	687	**4,882**
As at September 2020						
Australia Retail	310	897	210	**1,417**	192	**1,609**
Australia Commercial	287	989	152	**1,428**	418	**1,846**
Institutional	1,056	426	31	**1,513**	158	**1,671**
New Zealand	147	346	77	**570**	102	**672**
Pacific	20	46	14	**80**	21	**101**
Group Centre	-	-	-	**-**	-	**-**
Total	1,820	2,704	484	**5,008**	891	**5,899**

1. *Includes allowance for ECL for Net loans and advances - at amortised cost, Investment securities - debt securities at amortised cost and Off-balance sheet commitments undrawn and contingent facilities. For Investment securities - debt securities at FVOCI, the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.*

Gross impaired assets

	As at 30 September		
	2022 $M	**2021 $M**	**2020 $M**
Gross impaired assets			
Impaired loans[1]	**1,043**	1,549	2,001
Restructured items[2]	**376**	355	254
Non-performing commitments, contingencies and derivatives[1]	**26**	61	204
Gross impaired assets	**1,445**	1,965	2,459
Gross impaired assets by division			
Australia Retail	**390**	377	583
Australia Commercial	**360**	664	1,051
Institutional	**385**	704	434
New Zealand	**133**	164	347
Pacific	**177**	56	44
Gross impaired assets	**1,445**	1,965	2,459
Gross impaired assets by size of exposure			
Less than $10 million	**1,084**	1,289	1,713
$10 million to $100 million	**131**	222	339
Greater than $100 million	**230**	454	407
Gross impaired assets	**1,445**	1,965	2,459
Individually assessed provisions			
Impaired loans	**(533)**	(666)	(851)
Non-performing commitments, contingencies and derivatives	**(9)**	(21)	(40)
Net impaired assets	**903**	1,278	1,568

1. *Impaired loans and non-performing commitments, contingencies and derivatives do not include exposures that are collectively assessed for Stage 3 ECL, which comprise unsecured retail exposures of 90+ days past due and defaulted but well secured exposures.*
2. *Restructured items are facilities where the original contractual terms have been modified for reasons related to the financial difficulties of the customer and are collectively assessed for Stage 3 ECL. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered for new facilities with similar risk.*

Comparison of 2022 with 2021

- Gross impaired assets decreased $520 million (-26%) driven by decreases in the Institutional division (-$319 million) driven by the upgrade and repayments of several single name exposures, and the Australia Commercial division (-$304 million) due to underlying delinquency flows remaining subdued with the benefit from previous government and bank COVID-19 support packages persisting and the upgrade and repayments of several single name exposures. This was partially offset by the Pacific division ($121 million) driven by exposures rolling off local COVID-19 support packages during the 2022 fiscal year being classified as restructures.

Comparison of 2021 with 2020

- Gross impaired assets decreased $494 million (-20%) driven by decreases across the Australia Retail (-$206 million), Australia Commercial (-$387 million) and New Zealand (-$183 million) divisions, partially offset by an increase in the Institutional ($270 million) division. The decrease in the Commercial division was driven by the repayment of a single name restructured exposure. The decrease in Australia Retail was driven by decreases in the retail portfolio as underlying delinquency flows remained subdued due to the impact of various COVID-19 support initiatives. The decrease in the New Zealand division was driven by upgrade of a large Agri customer and a number of Agri asset sales. The increase in the Institutional division was driven by impairments of a small number of well secured single name exposures in the 2021 fiscal year.

The Group's individually assessed provision coverage ratio on impaired assets was 37.5% at 30 September 2022 (2021: 35.0%; 2020: 36.2%).

New impaired assets

	As at 30 September		
	2022 $M	2021 $M	2020 $M
New impaired assets			
Impaired loans[1]	**798**	1,306	2,488
Restructured items[2]	**412**	309	70
Non-performing commitments, contingencies and derivatives[1]	**28**	117	231
Total new impaired assets	**1,238**	1,732	2,789
New impaired assets by division			
Australia Retail	**481**	475	950
Australia Commercial	**300**	407	695
Institutional	**185**	664	768
New Zealand	**141**	144	361
Pacific	**131**	42	15
Total new impaired assets	**1,238**	**1,732**	**2,789**

1. *Impaired loans and non-performing commitments, contingencies and derivatives do not include exposures that are collectively assessed for Stage 3 ECL, which comprise unsecured retail exposures of 90+ days past due and defaulted but well secured exposures.*
2. *Restructured items are facilities where the original contractual terms have been modified for reasons related to the financial difficulties of the customer and are collectively assessed for Stage 3 ECL. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered for new facilities with similar risk.*

Comparison of 2022 with 2021

- New impaired assets decreased $494 million (-29%) driven by decreases in the Institutional division (-$479 million) reflecting the small number of well secured single name exposures recognised in the 2021 fiscal year, and the Australia Commercial division (-$107 million) with underlying delinquency flows remaining subdued with the benefit of previous government and bank COVID-19 support packages persisting. This was partially offset by an increase in the Pacific division ($89 million) driven by exposures rolling off local COVID-19 support packages during the 2022 fiscal year being classified as restructures.

Comparison of 2021 with 2020

- New impaired assets decreased $1,057 million (-38%) driven by the Australia Retail (-$475 million), Australia Commercial (-$288 million), New Zealand (-$217 million) and Institutional (-$104 million) divisions. The decreases in the Australia Retail and Australia Commercial divisions were due to the underlying delinquency flows remaining subdued due to the impact of various COVID-19 support initiatives. The decrease in the New Zealand division was driven by the new impairment of a large Agri customer in the 2020 fiscal year. The decrease in the Institutional division was driven by the higher impairment volumes in September 2020.

Other potential problem loans

The Group does not use the category “potential problem loans” for loans that continue to accrue interest. The Group’s risk grading systems identify customers that attract a higher probability of default and where necessary these customers receive specialist management attention.

Accruing loans - past due 90 days or more[1]

Set out below are net loans and advances that are past due by 90 days or more. A facility is past due when a contracted payment (principal or interest) has not been met or the facility is outside of contractual arrangements (e.g., an overdraft is over the limit). This category comprises loans that are past due 90 days or more, loans that are well secured and continue to accrue interest, or loans that are past due 90 days or more and are portfolio managed (typically unsecured personal loans and credit cards) that can be held on an accrual basis (continuing to accrue interest) for up to 180 days.

	As at 30 September		
	2022 $M	2021 $M	2020 $M
Australia Retail	**1,478**	1,950	2,634
Australia Commercial	**426**	617	673
Institutional	**50**	19	9
New Zealand	**401**	357	486
Pacific	**45**	120	40
Group Centre	**2**	2	2
Total accruing loans - past due 90 days or more	**2,402**	3,065	3,844

1. *Excludes eligible customers impacted by COVID-19 who applied for and were granted 6-month repayment deferral packages for the duration of the deferral. Customers who were 30 days past due or greater were not eligible for the 6 month repayment deferral packages.*

Comparison of 2022 with 2021

- The accruing loans - past due 90 days or more decreased by $663 million (-22%) primarily driven by decreases in home loans in the Australia Retail division and commercial portfolios in the Australia Commercial division as the underlying delinquency flows remained subdued with the benefit from previous government and bank COVID-19 packages persisting.

Comparison of 2021 with 2020

- The accruing loans - past due 90 days or more decreased by $779 million (-20%) primarily driven by decreases in the Australia Retail, Australia Commercial and New Zealand divisions home loans portfolios as underlying delinquency flows remained subdued due to the impact of various COVID-19 support initiatives.

Concentrations of credit risk/loans and advances by industry category

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region - therefore, these customers may be similarly affected by changes in economic or other conditions. The Group monitors its credit portfolios to manage risk concentration and rebalance the portfolio. The Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

For further information relating to the Group's credit risk exposures, refer to Note 18 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and Note 17 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex B).

Income tax expense

	Years ended 30 September		
	2022 $M	2021 $M	2020 $M
Income tax expense	2,940	2,756	1,840
Effective tax rate	29.2%	30.8%	33.4%
Australian corporate tax rate	30.0%	30.0%	30.0%

Comparison of 2022 with 2021

- The effective tax rate decreased from 30.8% to 29.2%. The decrease of 160 bps was driven by the non-tax assessable gain on completion of the Worldline partnership in the 2022 fiscal year (-120 bps), lower net gain/loss from divestments/closures (-42 bps) and equity accounted earnings (-112 bps). This was partially offset by higher withholding tax expense mainly due to the dividend payment from ANZ PNG (+112 bps).

Comparison of 2021 with 2020

- The effective tax rate decreased from 33.4% to 30.8%. The decrease of 260 bps was primarily driven by the non-tax deductible impairment of investments in AmBank and PT Panin in the 2020 fiscal year (-444 bps) partially offset by lower equity accounted earnings (+145 bps) in the 2021 fiscal year.

CONDENSED BALANCE SHEET INFORMATION

	As at 30 September		
	2022 $B	2021 $B	2020 $B
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**185.6**	168.0	129.7
Trading assets and investment securities	**121.4**	127.8	144.3
Derivative financial instruments	**90.2**	38.7	135.3
Net loans and advances	**672.4**	629.7	617.1
Other	**16.0**	14.7	15.9
Total assets	**1,085.6**	978.9	1,042.3
Liabilities			
Settlement balances owed by ANZ / Collateral received	**30.0**	23.1	31.5
Deposits and other borrowings	**797.3**	743.1	682.3
Derivative financial instruments	**85.1**	36.0	134.7
Debt issuances	**93.7**	101.1	119.7
Other	**13.2**	11.9	12.8
Total liabilities	**1,019.3**	915.2	981.0
Total equity	**66.4**	63.7	61.3

Comparison of 2022 with 2021

- Cash / Settlement balances owed to ANZ / Collateral paid increased $17.6 billion (+10%) driven by increases in balances with central banks.
- Trading assets and investment securities decreased $6.4 billion (-5%) primarily driven by lower revaluations in Markets as a result of interest rate increases.
- Derivative financial assets and liabilities increased $51.5 billion and $49.1 billion respectively driven by the impact of market rate movements, primarily the significant strengthening of the USD.
- Net loans and advances increased $42.7 billion (+7%) driven by higher lending volumes in the Institutional (+$34.6 billion) and Australia Commercial (+$2.5 billion) divisions, and increased home loan growth in the Australia Retail (+$6.4 billion) and New Zealand (+$5.2 billion) divisions, partially offset by the impact of foreign currency translation movements.
- Settlement balances owed by ANZ / Collateral received increased $6.9 billion (+30%) driven by higher collateral received, partially offset by lower cash clearing account balances.
- Deposits and other borrowings increased $54.2 billion (+7%) driven by increases in customer deposits across the Institutional (+$11.6 billion), Australia Retail (+$8.5 billion) and New Zealand (+$5.0 billion) divisions, increases in deposits from banks and repurchase agreements (+$14.5 billion) and commercial paper (+$13.9 billion), and the impact of foreign currency translation movements. This was partially offset by decreases in certificates of deposit (-$3.9 billion).
- Debt issuances decreased $7.4 billion (-7%) primarily driven by the maturity of unsubordinated debt and movement in hedge revaluations.

Comparison of 2021 with 2020

- Cash / Settlement balances owed to ANZ / Collateral paid increased $38.3 billion (+30%) driven by an increase in balances with central banks, partially offset by decreases in reverse repurchase agreements, collateral paid and the impact of foreign currency translation movements.
- Trading and investment securities decreased $16.5 billion (-11%) driven by a decrease in liquid assets in Markets.
- Derivative financial assets and liabilities decreased $96.6 billion (-71%) and $98.7 billion (-73%) respectively driven by a reduction following a change in legal arrangements for the settlement of derivative transactions with a central clearing counterparty (reduction of $55.1 billion in derivative assets and $55.2 billion in derivative liabilities), and the impact of market rate movements.
- Net loans and advances increased $12.6 billion (+2%) driven by increases across the New Zealand (+$8.2 billion) and Australia Retail (+$2.4 billion) divisions reflecting home loan growth, and the impact of foreign currency translation movements.
- Settlement balances owed by ANZ / Collateral received decreased $8.4 billion (-27%) driven by decreases in collateral received and cash clearing account balances.
- Deposits and other borrowings increased $60.8 billion (+9%) driven by increases in customer deposits across the Institutional (+$17.6 billion), Australia Commercial (+$10.0 billion), Australia Retail (+$7.9 billion) and New Zealand (+$3.9 billion) divisions, an increase in commercial paper (+$16.5 billion) and certificates of deposit (+$5.2 billion), a further $8.1 billion drawdown of the RBA Term Funding Facility ("TFF") and a $1.2 billion drawdown of the RBNZ Funding for Lending Programme ("FLP") and Term Lending Facility ("TLF"), and the impact of foreign currency translation movements. This was partially offset by decreases in deposits from banks and repurchase agreements (-$10.0 billion).
- Debt issuances decreased $18.6 billion (-16%) driven by lower senior debt issuances which were partially replaced by the further drawdown of the TFF, which is classified in Deposits and other borrowings.

RESULTS BY DIVISION

For further information on the composition of the divisions refer to “Section 2: Information on the Group - Principal Activities”.

This Results by division section is reported on a continuing operations basis. For information on discontinued operations please refer to “Section 1: Key Information - Basis of Preparation - Discontinued Operations”.

On 1 March 2022, the Group announced a structural change to the existing Australia Retail and Commercial division, and the digital businesses in the Group Centre division (formerly known as the Technology, Services & Operations (TSO) and Group Centre division). This involved the integration of the Australian retail and digital businesses, and the separation of the Australian commercial business into a new division to improve productivity and accountability within the organisation. As a result of these changes there are now six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific and Group Centre, aligned to distinct strategies and opportunities within the Group. Comparative information has been restated accordingly.

In addition to the structural change as discussed above, the presentation of divisional results has also been impacted by the following changes during the period. Prior period comparatives have been restated:

- Institutional division - a number of small operations were transferred from Markets to Central Functions within the division; and
- the completion of the transfer of Banking Services operations from the Group Centre division to the Institutional division. As the associated costs were previously recharged, there is no change to the previously reported divisional profits, however divisional balance sheets and FTEs have been restated to reflect this change.

2022 Fiscal Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other Items[1] $M	Group $M
Net interest income	5,527	2,568	3,401	3,168	96	114	-	**14,874**
Other operating income	622	652	1,648	461	68	222	879	**4,552**
Operating income	6,149	3,220	5,049	3,629	164	336	879	**19,426**
Operating expenses	(3,210)	(1,346)	(2,503)	(1,324)	(153)	(1,043)	-	**(9,579)**
Profit/(Loss) before credit impairment and income tax	2,939	1,874	2,546	2,305	11	(707)	879	**9,847**
Credit impairment (charge)/release	129	133	18	(36)	6	(18)	-	**232**
Profit/(Loss) before income tax	3,068	2,007	2,564	2,269	17	(725)	879	**10,079**
Income tax (expense)/benefit and non-controlling interests	(928)	(497)	(803)	(636)	(8)	187	(256)	**(2,941)**
Profit/(Loss) after tax from continuing operations	2,140	1,510	1,761	1,633	9	(538)	623	**7,138**
Balance Sheet								
Net loans and advances	290,322	59,727	196,782	123,747	1,754	75	-	**672,407**
Other external assets	2,503	304	336,668	3,172	1,953	68,722	-	**413,322**
External assets	292,825	60,031	533,450	126,919	3,707	68,797	-	**1,085,729**
Customer deposits	149,953	112,195	259,444	95,122	3,776	(61)	-	**620,429**
Other external liabilities	3,538	6,168	210,562	23,249	289	155,093	-	**398,899**
External liabilities	153,491	118,363	470,006	118,371	4,065	155,032	-	**1,019,328**

2021 Fiscal Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other Items[1] $M	Group $M
Net interest income	5,708	2,281	3,105	2,870	96	101	-	**14,161**
Other operating income	433	456	1,878	469	65	(15)	(27)	**3,259**
Operating income	6,141	2,737	4,983	3,339	161	86	(27)	**17,420**
Operating expenses	(2,948)	(1,353)	(2,447)	(1,325)	(144)	(834)	-	**(9,051)**
Profit/(Loss) before credit impairment and income tax	3,193	1,384	2,536	2,014	17	(748)	(27)	**8,369**
Credit impairment (charge)/release	227	199	89	76	(21)	(3)	-	**567**
Profit/(Loss) before income tax	3,420	1,583	2,625	2,090	(4)	(751)	(27)	**8,936**
Income tax (expense)/benefit and non-controlling interests	(1,104)	(476)	(738)	(582)	1	134	8	**(2,757)**
Profit/(Loss) after tax from continuing operations	2,316	1,107	1,887	1,508	(3)	(617)	(19)	**6,179**
Balance Sheet								
Net loans and advances	283,988	57,245	158,231	128,466	1,771	18	-	**629,719**
Other external assets	2,578	236	271,131	3,766	1,984	69,443	-	**349,138**
External assets	286,566	57,481	429,362	132,232	3,755	69,461	-	**978,857**
Customer deposits	141,404	111,100	239,628	97,719	3,767	(35)	-	**593,583**
Other external liabilities	2,305	6,639	144,478	24,280	131	143,765	-	**321,598**
External liabilities	143,709	117,739	384,106	121,999	3,898	143,730	-	**915,181**

2020 Fiscal Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other Items[1] $M	Group $M
Net interest income	5,466	2,450	3,182	2,731	109	111	-	**14,049**
Other operating income	698	463	2,649	473	84	(664)	(115)	**3,588**
Operating income	6,164	2,913	5,831	3,204	193	(553)	(115)	**17,637**
Operating expenses	(2,814)	(1,431)	(2,558)	(1,435)	(205)	(940)	-	**(9,383)**
Profit/(Loss) before credit impairment and income tax	3,350	1,482	3,273	1,769	(12)	(1,493)	(115)	**8,254**
Credit impairment (charge)/release	(821)	(826)	(694)	(345)	(52)	-	-	**(2,738)**
Profit/(Loss) before income tax	2,529	656	2,579	1,424	(64)	(1,493)	(115)	**5,516**
Income tax (expense)/benefit and non-controlling interests	(759)	(199)	(725)	(407)	2	215	32	**(1,841)**
Profit/(Loss) after tax from continuing operations	1,770	457	1,854	1,017	(62)	(1,278)	(83)	**3,675**
Balance Sheet								
Net loans and advances	281,570	57,811	157,634	116,625	1,866	1,587	-	**617,093**
Other external assets	3,462	214	392,226	4,186	1,533	23,572	-	**425,193**
External assets	285,032	58,025	549,860	120,811	3,399	25,159	-	**1,042,286**
Customer deposits	133,536	101,058	223,288	91,004	3,534	(57)	-	**552,363**
Other external liabilities	2,329	6,880	256,926	23,266	140	139,085	-	**428,626**
External liabilities	135,865	107,938	480,214	114,270	3,674	139,028	-	**980,989**

1. *Certain items that are not considered integral to the ongoing performance of the operating segments are removed from the operating segments and presented as other items. The resulting profit after tax from continuing operations by operating segment, referred to as cash profit, is a non-IFRS measure which represents how the segments are managed internally. These other items, comprise unrealised gains and losses on economic hedges and revenue and expense hedges, are not considered to be integral to the ongoing performance of the segment. Refer to Note 8 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex B) for further information.*

Australia Retail

Australia Retail	Years ended 30 September 2022 $M	2021 $M	2020 $M
Net interest income	**5,527**	5,708	5,466
Other operating income	**622**	433	698
Operating income	**6,149**	6,141	6,164
Operating expenses	**(3,210)**	(2,948)	(2,814)
Profit before credit impairment and income tax	**2,939**	3,193	3,350
Credit impairment (charge)/release	**129**	227	(821)
Profit before income tax	**3,068**	3,420	2,529
Income tax expense and non-controlling interests	**(928)**	(1,104)	(759)
Profit after income tax	**2,140**	2,316	1,770
Balance Sheet			
Net loans and advances[1]	**290,322**	283,988	281,570
Other external assets	**2,503**	2,578	3,462
External assets	**292,825**	286,566	285,032
Customer deposits	**149,953**	141,404	133,536
Other external liabilities	**3,538**	2,305	2,329
External liabilities	**153,491**	143,709	135,865
Risk weighted assets	**125,516**	112,172	112,150
Average gross loans and advances[2]	**286,270**	287,304	275,610
Average deposits and other borrowings[2]	**145,794**	135,487	123,883
Ratios			
Return on average assets	**0.74%**	0.80%	0.64%
Net interest margin	**2.25%**	2.27%	2.21%
Operating expenses to operating income	**52.2%**	48.0%	45.7%
Operating expenses to average assets	**1.12%**	1.02%	1.01%
Individually assessed credit impairment charge/(release)	**40**	122	311
Individually assessed credit impairment charge/(release) as a % of average GLA[3]	**0.01%**	0.04%	0.11%
Collectively assessed credit impairment charge/(release)	**(169)**	(349)	510
Collectively assessed credit impairment charge/(release) as a % of average GLA[3]	**(0.06%)**	(0.12%)	0.19%
Gross impaired assets	**390**	377	583
Gross impaired assets as a % of GLA	**0.13%**	0.13%	0.21%
Total full time equivalent staff	**11,846**	11,764	11,255

1. *Net loans and advances increased $1,226 million at 30 September 2022 due to the revised treatment of ongoing trail commission payable to mortgage brokers. Comparative information has not been restated.*
2. *Averages are calculated using predominantly daily averages.*
3. *Credit impairment charge/(release) used in the ratio relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

Comparison of 2022 with 2021

Profit after income tax decreased by $176 million (-8%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth, partially offset by lower unsecured lending.
- Net interest margin decreased 2 bps driven by asset margin contraction from competitive pressure and unfavourable lending mix from stronger growth in lower margin fixed rate home loans. This was partially offset by improvement in deposit margins from a rising interest rate environment and favourable deposit mix.
- Other operating income increased $189 million (+44%) driven by the loss on divestment of ANZ Share Investing business in the prior year and higher cards revenue due to recovery in consumer spending, partially offset by Breakfree package fee changes.
- Operating expenses increased $262 million (+9%) driven by higher investment spend on ANZ Plus and home loans momentum, partially offset by lower restructuring expenses.
- Credit impairment release decreased $98 million (-43%) driven by a lower collectively assessed credit impairment release, partially offset by lower individually assessed credit impairment charge with underlying delinquency and impairment flows remaining subdued with the benefit from previous government and bank COVID-19 support packages persisting.

Comparison of 2021 with 2020

Profit after income tax increased by $546 million (+31%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth, partially offset by lower unsecured lending due to COVID-19 lockdown impacts.
- Net interest margin increased 6 bps driven by deposit and asset repricing benefits, favourable funding deposit mix due to strong deposit growth, lower funding costs and lower customer remediation. This was partially offset by unfavourable lending mix from stronger growth in lower margin fixed rate home loans, deposit margin compression and lower earnings on capital.
- Other operating income decreased $265 million (-38%) driven by the loss on divestment of ANZ Share Investing and lower credit card and international transaction volumes due to COVID-19 impacts.
- Operating expenses increased $134 million (+5%) driven by higher investment spend and customer remediation, partially offset by productivity benefits, lower restructuring expenses, lease-related items and accelerated software amortisation in the prior year.
- Credit impairment decreased $1,048 million driven by a collectively assessed credit impairment release reflecting an improved economic outlook, and lower individually assessed credit impairment charge as the underlying flows remained subdued due to the impact of various COVID-19 support initiatives.

Australia Commercial

Australia Commercial	Years ended 30 September 2022 $M	2021 $M	2020 $M
Net interest income	**2,568**	2,281	2,450
Other operating income	**652**	456	463
Operating income	**3,220**	2,737	2,913
Operating expenses	**(1,346)**	(1,353)	(1,431)
Profit before credit impairment and income tax	**1,874**	1,384	1,482
Credit impairment (charge)/release	**133**	199	(826)
Profit before income tax	**2,007**	1,583	656
Income tax expense and non-controlling interests	**(497)**	(476)	(199)
Profit after income tax	**1,510**	1,107	457
Balance Sheet			
Net loans and advances	**59,727**	57,245	57,811
Other external assets	**304**	236	214
External assets	**60,031**	57,481	58,025
Customer deposits	**112,195**	111,100	101,058
Other external liabilities	**6,168**	6,639	6,880
External liabilities	**118,363**	117,739	107,938
Risk weighted assets	**54,043**	51,637	54,521
Average gross loans and advances[1]	**59,120**	58,650	59,355
Average deposits and other borrowings[1]	**115,097**	107,111	91,933
Ratios			
Return on average assets	**1.24%**	0.97%	0.46%
Net interest margin[2]	**2.10%**	1.98%	2.45%
Operating expenses to operating income	**41.8%**	49.4%	49.1%
Operating expenses to average assets	**1.11%**	1.19%	1.44%
Individually assessed credit impairment charge/(release)	**37**	73	285
Individually assessed credit impairment charge/(release) as a % of average GLA[3]	**0.06%**	0.12%	0.48%
Collectively assessed credit impairment charge/(release)	**(170)**	(272)	541
Collectively assessed credit impairment charge/(release) as a % of average GLA[3]	**(0.29%)**	(0.46%)	0.91%
Gross impaired assets	**360**	664	1,051
Gross impaired assets as a % of GLA	**0.59%**	1.13%	1.77%
Total full time equivalent staff	**2,799**	3,095	3,030

1. *Averages are calculated using predominantly daily averages.*
2. *Australia Commercial division generates positive net interest income from surplus deposits held. Accordingly, $63.4 billion for the 2022 fiscal year (2021 fiscal year: $56.8 billion; 2020 fiscal year: $40.9 billion) have been included with average net interest earning assets for the net interest margin calculation to align with internal management reporting view.*
3. *Credit impairment charge/(release) used in the ratio relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

Comparison of 2022 with 2021

Profit after income tax increased by $403 million (+36%).

Key factors affecting the result were:

- Lending volumes increased driven by Specialist Business lending growth.
- Net interest margin increased 12 bps driven by improvement in deposit margins from a rising interest rate environment and favourable deposit mix. This was partially offset by unfavourable lending mix with stronger growth in lower margin large commercial customers, and asset margin contraction from competitive pressure.
- Other operating income increased $196 million (+43%) driven by the gain on sale relating to the ANZ Worldline partnership. This was partially offset by the loss on sale of the financial planning and advice business and divested business results impact following ANZ Worldline partnership.
- Operating expenses decreased $7 million (-1%) driven by lower restructuring expenses and lower impact of divested business results.
- Credit impairment release decreased $66 million (-33%) driven by a lower collectively assessed credit impairment release, partially offset by lower individually assessed credit impairment charge with underlying delinquency and impairment flows remaining subdued with the benefit from previous government and bank COVID-19 support packages persisting.

Comparison of 2021 with 2020

Profit after income tax increased by $650 million.

Key factors affecting the result were:

- Lending volumes decreased driven by reduced lending in SME Banking.
- Net interest margin decreased 47 bps driven by deposit margin compression, unfavourable lending mix from contraction in higher margin small commercial customers and lower earnings on capital. This was partially offset by deposit and asset repricing benefits, favourable funding deposit mix due to strong deposit growth, and lower funding costs.
- Other operating income decreased $7 million (-2%).
- Operating expenses decreased $78 million (-5%) driven by productivity benefits, lower restructuring expenses, and accelerated software amortisation in the prior year. This was partially offset by higher customer remediation.
- Credit impairment decreased $1,025 million driven by a collectively assessed credit impairment release reflecting an improved economic outlook, and lower individually assessed credit impairment charge as the underlying flows remained subdued due to the impact of various COVID-19 support initiatives.

Institutional

Institutional	2022 $M	2021 $M	2020 $M
	Years ended 30 September		
Net interest income	**3,401**	3,105	3,182
Other operating income	**1,648**	1,878	2,649
Operating income	**5,049**	4,983	5,831
Operating expenses	**(2,503)**	(2,447)	(2,558)
Profit before credit impairment and income tax	**2,546**	2,536	3,273
Credit impairment (charge)/release	**18**	89	(694)
Profit before income tax	**2,564**	2,625	2,579
Income tax expense and non-controlling interests	**(803)**	(738)	(725)
Profit after income tax	**1,761**	1,887	1,854
Consisting of:			
Transaction Banking	**638**	436	285
Corporate Finance	**952**	843	419
Markets	**324**	640	1,180
Central Functions	**(153)**	(32)	(30)
Profit after income tax	**1,761**	1,887	1,854
Balance Sheet			
Net loans and advances	**196,782**	158,231	157,634
Other external assets	**336,668**	271,131	392,226
External assets	**533,450**	429,362	549,860
Customer deposits	**259,444**	239,628	223,288
Other external liabilities	**210,562**	144,478	256,926
External liabilities	**470,006**	384,106	480,214
Risk weighted assets	**198,271**	172,065	186,502
Average gross loans and advances[1]	**177,894**	151,597	177,252
Average deposits and other borrowings[1]	**330,839**	297,527	313,625
Ratios			
Return on average assets	**0.37%**	0.37%	0.32%
Net interest margin	**0.85%**	0.81%	0.76%
Net interest margin (excluding Markets)	**1.88%**	1.86%	1.78%
Operating expenses to operating income	**49.6%**	49.1%	43.9%
Operating expenses to average assets	**0.52%**	0.48%	0.45%
Individually assessed credit impairment charge/(release)	**(31)**	70	321
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.02%)**	0.05%	0.18%
Collectively assessed credit impairment charge/(release)	**13**	(159)	373
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**0.01%**	(0.10%)	0.21%
Gross impaired assets	**385**	704	434
Gross impaired assets as a % of GLA	**0.19%**	0.44%	0.27%
Total full time equivalent staff	**6,236**	6,196	6,102

1. *Averages are calculated using predominantly daily averages.*
2. *Credit impairment charge/(release) used in the ratio relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

Comparison of 2022 with 2021

Profit after income tax decreased by $126 million (-7%).

Key factors affecting the result were:

- Lending volumes increased across Corporate Finance, Markets and Transaction Banking following strong core lending and customer flows during the period. Customer deposits increased predominantly in Transaction Banking.
- Net interest margin ex-Markets increased 2 bps primarily driven by improvement in deposit margins from a rising interest rate environment.
- Other operating income decreased $230 million (-12%) driven by lower Markets revenues as Balance Sheet and Derivative Valuation Adjustments were impacted by high volatility and yield curve movements.
- Operating expenses increased $56 million (+2%) driven by higher technology costs, partially offset by lower litigation settlements.
- Credit impairment release decreased $71 million (-80%) driven by collectively assessed credit impairment release in the prior period, partially offset by release of individually assessed credit impairment charges in Transaction Banking.
- Income tax expense increased driven by the dividend withholding tax on the dividend payment from ANZ PNG to ANZBGL, partially offset by tax rate differentials on profits earned in International, and tax refunds and write-backs.

Comparison of 2021 with 2020

Profit after income tax increased by $33 million (+2%).

Key factors affecting the result were:

- Lending volumes increased in Corporate Finance and Transaction Banking, partially offset by a decrease in Markets. Customer deposits increased in Transaction Banking and Markets.
- Net interest margin ex-Markets increased 8 bps driven by improved lending margins.
- Other operating income decreased $771 million (-29%) driven by lower Markets revenue following normalisation of financial market conditions and the impact of surplus system liquidity, partially offset by lower customer remediation.
- Operating expenses decreased $111 million (-4%) driven by productivity benefits and accelerated software amortisation in the prior year, partially offset by a litigation settlement and higher restructuring expenses.
- Credit impairment decreased $783 million driven by a collectively assessed credit impairment release reflecting an improved economic outlook, and lower individually assessed credit impairment charges in Transaction Banking.

New Zealand

Table reflects NZD for New Zealand.

AUD results shown on page 80.

	Years ended 30 September		
New Zealand	**2022 NZD M**	**2021 NZD M**	**2020 NZD M**
Net interest income	**3,429**	3,060	2,895
Other operating income	**498**	499	501
Operating income	**3,927**	3,559	3,396
Operating expenses	**(1,432)**	(1,413)	(1,520)
Profit before credit impairment and income tax	**2,495**	2,146	1,876
Credit impairment (charge)/release	**(39)**	81	(366)
Profit before income tax	**2,456**	2,227	1,510
Income tax expense and non-controlling interests	**(688)**	(620)	(431)
Profit after income tax	**1,768**	1,607	1,079
Consisting of:			
Personal[1]	**1,004**	978	673
Business[1]	**742**	631	402
Central Functions	**22**	(2)	4
Profit after income tax	**1,768**	1,607	1,079
Balance Sheet			
Net loans and advances	**140,445**	134,537	125,981
Other external assets	**3,600**	3,944	4,522
External assets	**144,045**	138,481	130,503
Customer deposits	**107,957**	102,336	98,304
Other external liabilities	**26,387**	25,428	25,133
External liabilities	**134,344**	127,764	123,437
Risk weighted assets	**76,659**	74,524	71,348
Average gross loans and advances[2]	**139,102**	131,363	128,358
Average deposits and other borrowings[2]	**113,223**	104,651	97,032
Net funds management income	**196**	225	219
Funds under management	**34,313**	39,043	35,223
Average funds under management	**37,129**	36,687	34,809
Ratios			
Return on average assets	**1.24%**	1.19%	0.82%
Net interest margin	**2.47%**	2.33%	2.26%
Operating expenses to operating income	**36.5%**	39.7%	44.8%
Operating expenses to average assets	**1.01%**	1.05%	1.15%
Individual credit impairment charge/(release)	**1**	(17)	103
Individual credit impairment charge/(release) as a % of average GLA[3]	**0.00%**	(0.01%)	0.08%
Collective credit impairment charge/(release)	**38**	(64)	263
Collective credit impairment charge/(release) as a % of average GLA[3]	**0.03%**	(0.05%)	0.20%
Gross impaired assets	**151**	173	374
Gross impaired assets as a % of GLA	**0.11%**	0.13%	0.30%
Total full time equivalent staff	**6,873**	7,060	6,679

1. *During the 2021 fiscal year and continued into the 2022 fiscal year, the New Zealand division reorganised its business units from Retail and Commercial to Personal and Business which resulted in some customer re-segmentation to better meet the needs of our customers. These changes were applied on a prospective basis as implemented.*
2. *Averages are calculated using predominantly daily averages.*
3. *Credit impairment charge/(release) used in the ratio relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

New Zealand results and commentary are reported in NZD. AUD results are shown on page 80.

Comparison of 2022 with 2021

Profit after income tax increased by NZD 161 million (+10%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth.
- Net interest margin increased 14 bps driven by improvement in deposit margins from a rising interest rate environment, partially offset by lower home loan margins due to competition, and a higher mix of fixed rate home loans.
- Other operating income is flat as gains on sale of government securities was offset by lower fees from the removal or reduction of funds under management fees.
- Operating expenses increased NZD 19 million (+1%) driven by higher investment spend and inflation impacts, partially offset by productivity gains and other savings.
- Credit impairment increased NZD 120 million primarily driven by a collectively assessed credit impairment charge in the current year as opposed to a release in the prior year.

Comparison of 2021 with 2020

Profit after income tax increased by NZD 528 million (+49%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth.
- Net interest margin increased 7 bps driven by favourable deposit mix, lower funding costs and deposit repricing benefits, partially offset by headwinds from lower home loan margins due to competition, unfavourable lending mix with growth weighted to fixed rate home loans, and lower income post UDC sale completion in September 2020.
- Operating expenses decreased NZD 107 million (-7%) driven by lower customer remediation and restructuring expenses, lower expenses post UDC sale completion, realisation of productivity benefits, and goodwill impairment and accelerated software amortisation in the prior year. This was partially offset by higher personnel costs and investment spend.
- Credit impairment decreased NZD 447 million driven by collectively assessed credit impairment release reflecting an improved economic outlook, and lower individually assessed credit impairment charge due to lower transitions to impairment and the write-back of a large Agri customer.

New Zealand

Table reflects AUD for New Zealand.

NZD results shown on page 78.

New Zealand	2022 $M	2021 $M	2020 $M
	Years ended 30 September		
Net interest income	**3,168**	2,870	2,731
Other operating income	**461**	469	473
Operating income	**3,629**	3,339	3,204
Operating expenses	**(1,324)**	(1,325)	(1,435)
Profit before credit impairment and income tax	**2,305**	2,014	1,769
Credit impairment (charge)/release	**(36)**	76	(345)
Profit before income tax	**2,269**	2,090	1,424
Income tax expense and non-controlling interests	**(636)**	(582)	(407)
Profit after income tax	**1,633**	1,508	1,017
Consisting of:			
Personal[1]	**928**	917	635
Business[1]	**686**	591	378
Central Functions	**19**	-	4
Profit after income tax	**1,633**	1,508	1,017
Balance Sheet			
Net loans and advances	**123,747**	128,466	116,625
Other external assets	**3,172**	3,766	4,186
External assets	**126,919**	132,232	120,811
Customer deposits	**95,122**	97,719	91,004
Other external liabilities	**23,249**	24,280	23,266
External liabilities	**118,371**	121,999	114,270
Risk weighted assets	**67,544**	71,161	66,049
Average gross loans and advances[2]	**128,533**	123,216	121,096
Average deposits and other borrowings[2]	**104,621**	98,161	91,542
Net funds management income	**182**	211	207
Funds under management	**30,234**	37,280	32,608
Average funds under management	**34,309**	34,412	32,839
Ratios			
Return on average assets	**1.24%**	1.19%	0.82%
Net interest margin	**2.47%**	2.33%	2.26%
Operating expenses to operating income	**36.5%**	39.7%	44.8%
Operating expenses to average assets	**1.01%**	1.05%	1.15%
Individual credit impairment charge/(release)	**1**	(15)	97
Individual credit impairment charge/(release) as a % of average GLA[3]	**0.00%**	(0.01%)	0.08%
Collective credit impairment charge/(release)	**35**	(61)	248
Collective credit impairment charge/(release) as a % of average GLA[3]	**0.03%**	(0.05%)	0.20%
Gross impaired assets	**133**	164	347
Gross impaired assets as a % of GLA	**0.11%**	0.13%	0.30%
Total full time equivalent staff	**6,873**	7,060	6,679

1. *During the 2021 fiscal year and continued into the 2022 fiscal year, the New Zealand division reorganised its business units from Retail and Commercial to Personal and Business which resulted in some customer re-segmentation to better meet the needs of our customers. These changes were applied on a prospective basis as implemented.*
2. *Averages are calculated using predominantly daily averages.*
3. *Credit impairment charge/(release) used in the ratio relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

LIQUIDITY AND CAPITAL RESOURCES

Funding

The Group targets a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.

$15.7 billion of term wholesale funding (excluding Additional Tier 1 Capital) with a remaining term greater than one year as at 30 September 2022 was issued during the period. In addition, the Group issued $1.3 billion of Additional Tier 1 Capital during the period (excluding ANZ Bank New Zealand Perpetual Shares[1], which are classified as a non-controlling interest in the Group).

The following table shows the Group's total funding composition:

	As at 30 September		
	2022 $B	2021 $B	2020 $B
Customer deposits and other liabilities			
Australia Retail	**150.0**	141.4	133.5
Australia Commercial	**112.2**	111.1	101.1
Institutional	**259.4**	239.6	223.3
New Zealand	**95.1**	97.7	91.0
Pacific	**3.8**	3.8	3.5
Group Centre	**(0.1)**	-	-
Customer deposits	**620.4**	593.6	552.4
Other funding liabilities[2]	**8.0**	8.1	8.9
Total customer liabilities (funding)	**628.4**	601.7	561.3
Wholesale funding			
Unsubordinated debt and central bank term funding[3]	**89.0**	97.1	110.6
Subordinated debt[4]	**27.3**	25.3	21.1
Certificates of deposit	**34.0**	37.7	32.5
Commercial paper	**39.2**	25.7	9.1
Other wholesale borrowings[5]	**110.8**	88.5	104.2
Total wholesale funding	**300.3**	274.3	277.5
Shareholders' equity[1]	**66.4**	63.7	61.3
Total funding	**995.1**	939.7	900.1

1. *During the 2022 fiscal year, ANZ Bank New Zealand Limited has issued $484 million of perpetual preference shares that are considered non-controlling interests to the Group. Refer to Note 24 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) for further details.*
2. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, and excludes liability for acceptances, as they do not provide net funding.*
3. *Includes RBA TFF of $20.1 billion (2021: $20.1 billion; 2020: $12.0 billion), RBNZ FLP of $2.3 billion (2021: $0.9 billion; 2020: nil) and TLF of $0.3 billion (2021: $0.3 billion; 2020: nil).*
4. *Includes subordinated debt issued by ANZ New Zealand which constitutes Tier 2 capital under RBNZ requirements but does not meet the APRA Tier 2 requirements, and USD 300 million perpetual subordinated notes which ceased to be treated as Basel 3 transitional Tier 2 capital under APRA's capital framework from 1 January 2022.*
5. *Includes borrowings from banks, securities sold under repurchase agreements, net derivative balances, special purpose vehicles and other borrowings, and RBA open repurchase arrangements netted down by the corresponding exchange settlement account cash balance.*

Term debt maturity profile

The amounts disclosed below represent the outstanding principal of term debt issued by the Group under its term funding programs, and drawdowns under the RBA's TFF and RBNZ's TLF and FLP on or before 30 September 2022. For the avoidance of doubt, this profile excludes commercial paper issuance and short-dated issuance of the Group's long-term programs, and the amounts do not include interest cash flows. For the purposes of this maturity profile, foreign currency denominated term debt has been translated into Australian Dollars using spot foreign exchange rates as at 30 September 2022.

Contractual maturity ($M)[1]	FY23	FY24	FY25	FY26	FY27	After 2027	Total
Unsubordinated debt and central bank term funding[2]	30,879	24,347	13,408	5,314	5,071	4,910	83,929
Subordinated debt[3]	107	2,983	3,437	6,292	3,379	5,109	21,307
Total	**30,986**	**27,330**	**16,845**	**11,606**	**8,450**	**10,019**	**105,236**

1. *The maturity profile is presented as the total amount of term debt scheduled to mature in the relevant fiscal year ending 30 September. Maturities for the fiscal year ending 30 September 2023 ("FY23") relate to term debt maturing in the period from 1 October 2022 to 30 September 2023.*
2. *Includes transferable certificates of deposit, drawdowns of the RBA's TFF and the RBNZ's TLF and FLP included as "Deposits and other borrowings" in the balance sheet.*
3. *The maturity profile for all non-perpetual subordinated debt is presented based on the next callable date. The maturity profile excludes additional Tier 1 capital.*

	As at 30 September 2022		
Credit Ratings of ANZBGL	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investors Service	P-1	Aa3	Stable
Standard & Poor's	A-1+	AA-	Stable
Fitch Ratings	F1	A+	Stable

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

Capital management

	APRA Basel 3		
	As at 30 September		
Qualifying Capital	2022 $M	2021 $M	2020 $M
Tier 1			
Shareholders' equity and non-controlling interests	**66,401**	63,676	61,297
Prudential adjustments to shareholders' equity	**(175)**	3	189
Gross Common Equity Tier 1 capital	**66,226**	63,679	61,486
Deductions	**(10,354)**	(12,320)	(12,784)
Common Equity Tier 1 capital	**55,872**	51,359	48,702
Additional Tier 1 capital	**7,686**	8,114	7,779
Tier 1 capital	**63,558**	59,473	56,481
Tier 2 capital	**19,277**	17,125	13,957
Total qualifying capital	**82,835**	76,598	70,438
Capital adequacy ratios (Level 2)			
Common Equity Tier 1	**12.3%**	12.3%	11.3%
Tier 1	**14.0%**	14.3%	13.2%
Tier 2	**4.2%**	4.1%	3.3%
Total capital ratio	**18.2%**	18.4%	16.4%
Risk weighted assets	**454,718**	416,086	429,384

APRA implementation of Basel 3 capital reforms

APRA has adopted the majority of Basel 3 capital reforms in Australia. APRA views the Basel 3 reforms as a minimum requirement and hence has not incorporated some of the concessions proposed in the Basel 3 rules and has also set higher requirements in other areas. As a result, Australian banks' Basel 3 reported capital ratios will not be directly comparable with international peers.

The Group's interpretation of the material differences in APRA's implementation of Basel 3 and Basel 3 as implemented in major offshore jurisdictions (referred to below as "Internationally Comparable basis") include:

Deductions

- Investments in insurance and banking associates - APRA requires a full deduction against CET1. On an Internationally Comparable basis, these investments are subject to a concessional threshold before a deduction is required.
- Deferred tax assets - APRA requires a full deduction from CET1 for deferred tax assets ("DTA") relating to temporary differences. On an Internationally Comparable basis, this is first subject to a concessional threshold before the deduction is required.

RWA

- Mortgages RWA - APRA imposes a floor of 20% on the downturn loss given default ("LGD") used in credit RWA ("CRWA") calculations for residential mortgages. The Internationally Comparable Basel 3 framework requires a downturn LGD floor of 10%. Additionally, APRA requires a higher correlation factor than the Basel framework.
- IRRBB RWA - APRA requires inclusion of Interest Rate Risk in the Banking Book ("IRRBB") within the RWA base for the CET1 ratio calculation. This is not required on an Internationally Comparable basis.
- Specialised Lending - APRA requires the supervisory slotting approach be used in determining credit RWA for specialised lending exposures. The Internationally Comparable basis allows for the advanced internal ratings based approach to be used when calculating RWA for these exposures.
- Unsecured Corporate Lending LGD - an adjustment to align the Group's unsecured corporate lending LGD to 45% to be consistent with banks in other jurisdictions. The 45% LGD rate is also used in the Foundation Internal Ratings-Based approach ("FIRB").
- Undrawn Corporate Lending exposure at default ("EAD") - an adjustment to the Group's credit conversion factors for undrawn corporate loan commitments to 75% (used in FIRB approach) to align with banks in other jurisdictions.

Comparison of 2022 with 2021

The Group's CET1 ratio decreased -5 bps to 12.29% during the year. Key drivers of the movement in the CET1 ratio were:

- Statutory profit excluding large/notable items increased the CET1 ratio by +175 bps.
- Higher underlying CRWA usage (excluding foreign currency translation movements, regulatory changes and other one-offs) decreased the CET1 ratio by -59 bps primarily driven by lending growth in the Institutional division.
- Higher underlying non-CRWA usage (excluding foreign currency translation movements) decreased the CET1 ratio by -61 bps primarily from increases in Interest Rate Risk in the Banking Book (IRRBB) RWA due to increases in embedded losses from higher term rates.
- Capital deductions of -4 bps mainly comprises movements in retained earnings in deconsolidated entities, share in associates' profit and changes in software and capitalised expense deductions.
- Payment of the 2021 final dividend (net of Bonus Option Plan ("BOP") issuance, Dividend Reinvestment Plan ("DRP") neutralised) and the 2022 interim dividend (net of BOP and DRP issuance) reduced the ratio by -91 bps.
- Completion of $791 million of the announced $1.5 billion share buy-back reduced the CET1 ratio by -19 bps.
- Other impacts totalling -30 bps primarily reflecting net movements in foreign currency translation, large/notable items, FVOCI reserve movements, deferred tax assets and other items.

- Equity raise of $3.5 billion to support the acquisition of Suncorp Bank increased the ratio by +84 bps. The proposed acquisition of Suncorp Bank remains subject to certain conditions and has not been completed as at the date of this U.S. Disclosure Document. As a result, the presentation of the Group's capital as at 30 September 2022 does not reflect the anticipated capital impact from the consummation of the acquisition, if completed.

Comparison of 2021 with 2020

The Group's CET1 ratio increased 100 bps to 12.34% during the year. Key drivers of the movement in the CET1 ratio were:

- Statutory profit excluding large/notable items and credit impairment charge/(release) ("CIC") increased the ratio by +156 bps.
- Benefits from credit impairment release including the associated DTA impacts, along with RWA risk migration benefits, in part driven by lower RWA intensity in the Australian mortgages portfolio from ongoing changes in household saving and spending patterns, increased the CET1 ratio +47 bps.
- Lower business RWA usage (excluding foreign currency translation movements, regulatory changes, risk migration and other one-offs) increased the CET1 ratio by +17 bps. This was a result of a decrease in underlying CRWA primarily in the Institutional division partially offset by higher non-CRWA (mainly IRRBB RWA).
- Capital deductions of -11 bps mainly comprises movements in retained earnings in deconsolidated entities, capitalised expenses, and minority equity investments during the period.
- Payment of the 2020 final dividend (net of BOP and DRP issuance) and the 2021 interim dividend (net of BOP issuance, with DRP neutralised) reduced the ratio by -66 bps.
- Completion of ~$709 million of the announced $1.5 billion share buy-back (of which $55 million settled after 30 September 2021) reduced the CET1 ratio by -17 bps.
- Large/notable items from customer remediation, restructuring and litigation costs reduced the ratio by -8 bps.
- Other impacts totalling -18 bps including Net RWA Imposts of -5 bps, movements in net deferred tax assets not relating to CIC (-12 bps) and net other impacts of -1 bps

Leverage ratio

At 30 September 2022, the Group's APRA Leverage Ratio was 5.4% which is above the 3.5% APRA minimum for internal ratings-based approach ADIs ("IRB ADIs") which includes ANZ. The following table summarises the Group's Leverage Ratio calculation:

	As at 30 September		
	2022 $M	2021 $M	2020 $M
Tier 1 Capital (net of capital deductions)	**63,558**	59,473	56,481
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**954,088**	901,969	841,830
Derivative exposures	**51,800**	37,769	32,296
Securities financing transaction exposures	**35,570**	30,484	58,416
Other off-balance sheet exposures	**126,853**	117,848	114,128
Total exposure measure	**1,168,311**	1,088,070	1,046,670
APRA Leverage Ratio	**5.4%**	5.5%	5.4%

Comparison of 2022 with 2021

APRA leverage ratio decreased -3 bps during the year. Key drivers of the movement were:

- Net organic capital generation (largely from statutory profit excluding large/notable items and movements in capital deductions), less dividends paid (+33 bps).
- Net increase from ANZ Capital Notes 2 and ANZ New Zealand Capital Notes redemptions partially offset by AT1 issuance of ANZ Capital Notes 7 (-7 bps).
- On-balance sheet exposure growth, mainly from higher loan growth reduced the leverage ratio by -28 bps.
- Off-balance sheet, securities financing transactions and derivatives exposures increases, reduced the leverage ratio by -14 bps.
- Share buy-backs reduced leverage ratio by -7 bps.
- Net other impacts (including large/notable items) of -12 bps.
- Equity raise of $3.5 billion to support the acquisition of Suncorp Bank increased the leverage ratio by +32 bps. The proposed acquisition of Suncorp Bank remains subject to certain conditions and has not been completed as at the date of this U.S. Disclosure Document. As a result, the presentation of the Group's leverage ratio as at 30 September 2022 does not reflect any impact of the acquisition, if completed.

Comparison of 2021 with 2020

APRA leverage ratio increased 7 bps during the year. Key drivers of the movement were:

- Net organic capital generation (largely from statutory profit excluding large/notable items and movements in capital deductions), less dividends paid (+33 bps).
- Net increase from AT1 issuance of ANZ Capital Notes 6 partially offset by ANZ Capital Notes 1 redemption (+4 bps). The A$1.5 billion ANZ Capital Notes 6 were issued by ANZBGL on 8 July 2021. The A$1.12 billion ANZ Capital Notes 1 were issued by ANZBGL on 7 August 2013.
- On-balance sheet exposure growth in liquids and loan growth in the Institutional and New Zealand divisions partially offset by collateral (-29 bps).
- Reduction in securities financing transactions were partially offset by growth in off-balance sheet exposures and derivatives (+9 bps).
- Share buy-backs reduced leverage ratio by -7 bps.
- Net other impacts (including large/notable items) of -3 bps

GUARANTEES AND CONTINGENT LIABILITIES

Details of the estimated maximum amount of guarantees, letters of credit and performance related contingencies that may become payable are disclosed in the following table.

These guarantees, letters of credit and performance related contingencies relate to transactions that the Group has entered into as principal, including guarantees, standby letters of credit and documentary letters of credit.

Documentary letters of credit involve the Group issuing of letters of credit guaranteeing payment in favor of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the Group to make payments to a third party if the customer fails to fulfill its non-monetary obligations under the contract.

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply for loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

	Years ended 30 September		
	2022 $M	**2021 $M**	**2020 $M**
Contract amount of:			
Guarantees and letters of credit	23,729	30,027	22,778
Performance related contingencies	26,036	18,303	17,017
Total	49,765	48,330	39,795

For further information on Group's other contingent liabilities, refer to Note 33 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Directors

In accordance with the rules of the ANZ Constitution, as amended December 17, 2010 and December 19, 2018 (the "Constitution"), and except as otherwise required by the Corporations Act, any other applicable law, and the Listing Rules of the ASX, the Board of Directors has power to manage the business of the Group and may exercise all powers not required to be exercised at a general meeting of shareholders.

As of the date of this U.S. Disclosure Document, the Directors were:

Director's Name	Position held	Year appointed	Age
Mr. P. O'Sullivan	Chairman, Independent Non-Executive Director	2019	62
Mr. S. C. Elliott	Chief Executive Officer	2016	58
Ms. I. R. Atlas, AO	Independent Non-Executive Director	2014	68
Ms. S. J. Halton, AO PSM	Independent Non-Executive Director	2016	62
Sir J. Key, GNZM AC	Independent Non-Executive Director	2018	61
Mr. G. R. Liebelt	Independent Non-Executive Director	2013	68
Mr. J. T. Macfarlane	Independent Non-Executive Director	2014	62
Ms. C. E. O'Reilly	Independent Non-Executive Director	2021	61
Mr J. P Smith	Independent Non-Executive Director	2022	60

Under the Constitution, a non-executive Director must retire from office at the third annual general meeting after being elected or last re-elected and may seek re-election. As of the date of this U.S. Disclosure Document, the Board was comprised of eight Non-Executive Directors and one Executive Director, the Chief Executive Officer. The names of the Directors, together with details of their qualifications, experience and special responsibilities are set out below.

Directors' Profiles

MR P. O'SULLIVAN, Chairman, Independent Non-Executive Director and Chair of the Ethics, Environment, Social and Governance Committee and the Nomination and Board Operations Committee.
BA(MOD) ECONOMICS, ADVANCED MANAGEMENT PROGRAM OF HARVARD

Chairman since October 2020 and a Non-Executive Director since November 2019. Mr. O'Sullivan is an ex-officio member of all Board Committees including Chair of the Ethics, Environment, Social and Governance Committee and the Nomination and Board Operations Committee.

Career

Mr. O'Sullivan has experience in the telecommunications and oil and gas sectors, both in Australia and overseas. He has held senior executive roles with Singapore Telecommunications (Singtel) and was previously the CEO of Optus. He has also held management roles with the Colonial Group and the Royal Dutch Shell Group in Canada, the Middle East, Australia and United Kingdom.

Relevant other directorships

Chairman: Singtel Optus Pty Limited (from 2014, Director from 2004) and Western Sydney Airport Corporation (from 2017).
Director: St Vincent's Health Australia (from 2019) and Australian Tower Network Pty Ltd (from 2021).

Relevant former directorships held in last three years include

Former Director: Telkomsel Indonesia (2010-2020), Healthscope Limited (2016-2019), National Disability Insurance Agency (2017-2020) and Coca-Cola Amatil (2017-2021).

Age: 62. **Residence:** Sydney, Australia.

MR S. C. ELLIOTT, Chief Executive Officer and Executive Director
BCOM

Chief Executive Officer and Executive Director since January 1, 2016.

Career

Mr. Elliott has over 30 years' experience in banking in Australia and overseas, in all aspects of the industry. Mr. Elliott joined ANZ as CEO Institutional in June 2009 and was appointed Chief Financial Officer in 2012.

Prior to joining ANZ, Mr. Elliott held senior executive roles at EFG Hermes, the largest investment bank in the Middle East, which included Chief Operating Officer. He started his career with Citibank New Zealand and worked with Citibank/Citigroup for 20 years, holding various senior positions across the UK, USA, Egypt, Australia and Hong Kong.

Mr. Elliott is a Director of the Financial Markets Foundation for Children and a member of the Australian Banking Association, the Business Council of Australia and the Australian Customs Advisory Board.

Relevant other directorships

Director: ANZ Bank New Zealand Limited (from 2009) and the Financial Markets Foundation for Children (from 2016).
Member: Business Council of Australia (from 2016), the Australian Banking Association (from 2016, Chairman 2017-2019) and the Australian Customs Advisory Board (from 2020).

Age: 58. **Residence:** Melbourne, Australia.

MS I. R. ATLAS, AO, Independent Non-Executive Director and Chair of the Human Resources Committee.
BJURIS (HONS), LLB (HONS), LLM

Non-Executive Director since September 2014. Ms. Atlas is a member of the Audit Committee, Ethics, Environment, Social and Governance Committee and the Nomination and Board Operations Committee.

Career

Ms. Atlas brings a strong financial services background and legal experience to the Board. Ms. Atlas was a partner at law firm Mallesons Stephen Jaques (now King & Wood Mallesons), where in addition to her practice in corporate law, she held a number of management roles in the firm including Executive Partner, People and Information, and Managing Partner. She also worked at Westpac for 10 years, where her roles included Group Secretary and General Counsel and Group Executive, People, where she was responsible for human resources, corporate affairs and sustainability. Ms. Atlas has a strong commitment to the community, in particular the arts and education.

Relevant other directorships

Chairman: Jawun (from 2017, Director from 2014).
Director: Paul Ramsay Foundation (from 2017), Scentre Group (from 2021) and Origin Energy Limited (from 2021).
Member: Council of the National Gallery of Australia (from 2021) and Panel of Adara Partners (from 2015).

Relevant former directorships held in last three years include

Former Chairman: Coca-Cola Amatil Limited (2017-2021, Director from 2011).
Former Director: OneMarket Limited (2018-2019).
Former Fellow: Senate of the University of Sydney (2015-2019).

Age: 68. **Residence:** Sydney, Australia.

MS S. J. HALTON, AO PSM, Independent Non-Executive Director and Chair of the Digital Business and Technology Committee.
BA (HONS) PSYCHOLOGY, FIPAA, HON. FAAHMS, HON. FACHSE, HON. DLITT, FAIM, FAICD, FAIIA.

Non-Executive Director since October 2016. Ms. Halton is a member of the Human Resources Committee, Ethics, Environment, Social and Governance Committee and Nomination and Board Operations Committee.

Career

Ms. Halton's 33-year career in the public service includes the positions of Secretary of the Australian Department of Finance, Secretary of the Australian Department of Health, Secretary of the Department of Health and Ageing, and Executive Coordinator (Deputy Secretary) of the Department of the Prime Minister and Cabinet. She brings to the Board extensive experience in finance, insurance, risk management, information technology, human resources, health and ageing and public policy. She also has significant international experience.

Jane has contributed extensively to community health through local and international organizations including the World Health Organization and as co-chair of the COVAX coordination mechanism.

Relevant other directorships

Chairman: Vault Systems (from 2017), Coalition for Epidemic Preparedness Innovations (Norway) (from 2018, Member from 2016) and Council on the Ageing Australia (from 2017).
Director: Clayton Utz (from 2017).
Member: Executive Board of the Institute of Health Metrics and Evaluation at the University of Washington (from 2007).
Honorary Professor: Australian National University Research School of Psychology.
Adjunct Professor: University of Sydney and University of Canberra.
Council Member: Australian Strategic Policy Institute (from 2016).

Relevant former directorships held in last three years include

Former Director: Crown Resorts Limited (2018-2022) and Naval Group Australia Pty Ltd (2021-2022).
Former Member: National COVID-19 Commission Advisory Board (2020-2021).

Age: 62. **Residence:** Canberra, Australia.

RT HON. SIR JOHN KEY GNZM AC, Independent Non-Executive Director
BCOM, DCOM (HONORIS CAUSA)
Non-Executive Director since February 2018. Sir John is a member of the Risk Committee, Ethics, Environment, Social and Governance Committee, Digital Business and Technology Committee and Nomination and Board Operations Committee.

Career

Sir John was Prime Minister of New Zealand from 2008 to 2016, having commenced his political career in 2002. Sir John had a long career in international finance, primarily for Bankers Trust in New Zealand and Merrill Lynch in Singapore, London and Sydney. He was previously a member of the Foreign Exchange Committee of the Federal Reserve Bank of New York (from 1999-2001).

Sir John was made a Knight Grand Companion of the New Zealand Order of Merit in the 2017 Queen's Birthday Honours. In 2017 Sir John became a Companion of the Order of Australia for advancing the Australia-New Zealand bilateral relationship.

Relevant other directorships

Chairman: ANZ Bank New Zealand Limited (from 2018, Director from 2017).
Director: Palo Alto Networks (from 2019).

Relevant former directorships held in last three years include

Former Director: Air New Zealand Limited (2017-2020).

Age: 61. **Residence:** Auckland, New Zealand.

MR G. R. LIEBELT, Independent Non-Executive Director and Chair of the Risk Committee
BEC (HONS), FAICD, FTSE, FIML

Non-Executive Director since July 2013. Mr. Liebelt is a member of the Audit Committee, Human Resources Committee and Nomination and Board Operations Committee.

Career

Mr. Liebelt brings to the Board his experience of a 23-year executive career with Orica Limited (including a period as Chief Executive Officer), a global mining services company with operations in more than 50 countries. He has extensive international experience and a strong record of achievement as a senior executive including in strategy development and implementation.
Mr. Liebelt is committed to global trade and co-operation, as well as community education.

Relevant other directorships

Chairman: Amcor Limited (from 2013, Director from 2012).
Director: Australian Foundation Investment Company Limited (from 2012) and Carey Baptist Grammar School (from 2012).

Relevant former directorships held in last three years include

Former Chairman: DuluxGroup Limited (2018-2019, Director from 2016).

Age: 68. **Residence:** Melbourne, Australia.

MR J. T. MACFARLANE, Independent Non-Executive Director
BCOM, MCOM (HONS)

Non-Executive Director since May 2014. Mr. Macfarlane is a member of the Audit Committee, Risk Committee, Digital Business and Technology Committee and Nomination and Board Operations Committee.

Career

Mr. Macfarlane is one of Australia's most experienced international bankers having previously served as Executive Chairman of Deutsche Bank Australia and New Zealand, and CEO of Deutsche Bank Australia. Mr. Macfarlane has also worked in the USA, Japan and PNG, and brings to the Board a depth of banking experience in ANZ's key markets in Australia, New Zealand and the Asia Pacific.

He is committed to community health, and is a Director of the Aikenhead Centre of Medical Discovery Limited (from 2016).

Relevant other directorships

Director: Colmac Group Pty Ltd (from 2014), AGInvest Holdings Limited (MyFarm Limited) (from 2014, Chairman 2014-2016), Balmoral Pastoral Investments (from 2017) and L1 Long Short Fund (from 2018).

Relevant former directorships held in last three years include

Former Director: Craigs Investment Partners Limited (2013-2020).

Age: 62. **Residence:** Melbourne, Australia.

MS C. E. O'REILLY, Independent Non-Executive Director and Chair of the Audit Committee
BBus

Non-Executive Director since November 2021. Ms. O'Reilly is a member of the Risk Committee, Human Resources Committee and Nomination and Board Operations Committee.

Career

Ms. O'Reilly is one of Australia's leading non-executive directors. Ms. O'Reilly has held executive roles in the infrastructure and financial services industries. This includes being CEO of GasNet Australia and Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management and follows an early career including investment banking and audit experience at Price Waterhouse.

Relevant other directorships

Director: The Baker Heart & Diabetes Institute (from 2013), Stockland (from 2018) and BHP Group Limited (from 2020).

Relevant former directorships held in last three years include

Former Director: Medibank Private Limited (2014-2021), CSL Limited (2011-2020) and Transurban Group (2012-2020).

Age: 61. **Residence:** Melbourne, Australia.

MR J. P. SMITH, Independent Non-Executive Director
BAppSc, MBA

Non-Executive Director since August 2022. Mr. Smith is a member of the Nomination and Board Operations Committee.

Career

Mr. Smith is an experienced global business and technology executive, with over 30 years corporate experience which includes senior executive roles in a number of companies including Telstra, Honeywell and Toyota. Mr. Smith was previously Chief Information Officer at IBM Corporation where he was globally responsible for IT strategy, resources, systems and infrastructure and also led the company's Agile transformation. Mr. Smith was also CEO of Suncorp Business Services and Suncorp Chief Information Officer. Since 2017, Mr. Smith has been Chief Operating Officer of World Fuel Services Corporation, a role he will step down from at the end of 2022.

Mr. Smith also served on the Australian Fulbright Commission awarding Australian post-graduate scholarships to US universities.

He was previously a member of ANZ's International Technology and Digital Business Advisory Panel until 2019.

Relevant other directorships

Director: Sonrai Security Inc (from 2021).

Advisor: Zoom Video Communications, Inc. (from 2018) and Box, Inc. (from 2018).

Relevant former directorships held in last three years include

Former Member: ANZ International Technology and Digital Business Advisory Panel (2016-2019).

Age: 60. **Residence:** USA.

Senior Management and Executives

As of the date of this U.S. Disclosure Document, the senior management and executives (excluding non-executive directors) of ANZ were:

Executive Officers	Position held	Appointed to position	Joined Group
S Elliott Age – 58	Chief Executive Officer Over 30 years' experience in banking in Australia and overseas, in all aspects of the industry. Previous roles within ANZ include: Chief Financial Officer; Chief Financial Officer (Designate); Chief Executive Officer, Institutional. Roles prior to ANZ include: Head of Business Development, EFG Hermes; Chief Operating Officer, EFG Hermes; various senior positions at Citigroup across geographies and business sectors over the course of 20 years which include: CEO Global Transaction Services Asia Pacific; CEO Corporate Bank Australia/NZ & Country Corporate Officer; CEO Egypt; Vice President Strategic Planning New York; Head of Investor Derivative Sales London; and Head of NZ Derivatives Sales and Trading. Shayne is a Director of the Financial Markets Foundation for Children and a member of the Australian Banking Association, the Business Council of Australia and the Australian Customs Advisory Board.	January 2016	June 2009
M Carnegie Age – 53	Group Executive, Australia Retail Previous roles within ANZ include: Group Executive, Digital and Australia Transformation; Group Executive, Digital Banking. Roles prior to ANZ include: Managing Director, Google Australia and New Zealand; Managing Director, Proctor and Gamble, Australia and New Zealand.	March 2022	June 2016
K Corbally Age - 52	Group Chief Risk Officer Previous roles within ANZ include: Group General Manager Internal Audit; Managing Director, Head of Credit and Capital Management; Head of Institutional Relationship Banking Australia; Head of Diversified Industrials. Roles prior to ANZ include: Managing Director and Head of Corporate and Commercial Banking Australia and New Zealand, Citigroup.	March 2018	July 2009
F Faruqui Age – 58	Chief Financial Officer Over 25 years' experience in the financial services industry Previous roles within ANZ include: Group Executive, International; CEO International Banking. Roles prior to ANZ include: Head of Corporate and Commercial Banking, Asia Pacific – Citi; Head of Global Loans & Leveraged Finance, Asia Pacific and Head of Fixed Income, Capital Markets – Citi.	October 2021	August 2014
G Florian Age – 57	Group Executive, Technology & Group Services Over 30 years' experience in technology. Roles prior to ANZ include: Chief Strategy Officer: ITaaS, Dimension Data; Senior Vice President – Strategy and Engagement: ITaaS, Dimension Data; Chief Product Officer: Cloud Business Unit, Dimension Data; Chief Marketing Office, Dimension Data; Chief Technology Officer, Dimension Data.	January 2017	January 2017
A Strong Age - 51	Group Executive, Strategy & Transformation Previous roles within ANZ include: Group General Manager, Group Strategy; General Manager, Institutional Strategy & Marketing; Head of Institutional Strategy. Roles prior to ANZ include: 12 years at BCG working predominantly with Financial Services companies.	November 2022	January 2009
K van der Merwe Age – 48	Group Executive, Talent & Culture and Service Centres Over 15 years' experience focused on leading business transformations. Roles prior to ANZ include: Vice President, Bain & Company	May 2017	May 2017
A Watson Age – 53	Group Executive and Chief Executive Officer, New Zealand Over 25 years' experience in the professional services and financial services sector in New Zealand, the United Kingdom, Australia and Hungary. Previous roles within ANZ include: Group Executive and Chief Executive Officer, New Zealand (acting); Managing Director, Retail & Business Banking; Chief Financial Officer, New Zealand; Financial Controller, New Zealand.	December 2019	April 2009
M Whelan Age – 62	Group Executive, Institutional Over 35 years' experience in banking and has vast experience in the Asian Market and Institutional Banking. Previous roles within ANZ include: Chief Executive Officer, Australia; Managing Director, Commercial Banking Australia; Managing Director, Asia, Europe & America, Institutional; Managing Director, Institutional Asia; Managing Director Markets; Head of Sales, Markets.	February 2016	November 2004

There are no family relationships between or among any key management personnel. All executives can be contacted through our Company Secretary on +61 3 8654 7597 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Corporate Governance

ANZ is committed to maintaining a high standard in its governance framework. ANZ confirms it has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) during the 2022 fiscal year. ANZ's Corporate Governance Statement, together with the ASX Appendix 4G which relates to the Corporate Governance Statement, has been lodged with the ASX. They can be found on our website at: https://www.anz.com/debtinvestors/usdebtinvestors-files/ and are incorporated by reference and form part of this U.S. Disclosure Document. Information incorporated by reference into, or contained in or accessible through any web site referred to in, the Corporate Governance Statement or the related ASX Appendix 4G does not form part of this U.S. Disclosure Document unless we specifically state that it is incorporated by reference and forms part of this U.S. Disclosure Document.

Employees - including discontinued operations

As at 30 September 2022, ANZ employed 39,196 people worldwide (30 September 2021: 40,221; 30 September 2020: 38,579) on a full time equivalent ("FTE") basis.

Division	Years ended 30 September		
	2022	**2021**	**2020**
Australia Retail	**11,846**	11,764	11,255
Australia Commercial	**2,799**	3,095	3,030
Institutional	**6,236**	6,196	6,102
New Zealand	**6,873**	7,060	6,661
Pacific	**1,086**	1,089	1,113
Group Centre[1]	**10,147**	10,480	9,345
Total FTE from continuing operations	**38,987**	39,684	37,506
Discontinued operations[2]	**209**	537	1,073
Total FTE	**39,196**	40,221	38,579

1. *Excludes FTE of the consolidated investments managed by 1835i Group Pty Ltd.*
2. *The discontinued operations FTE is based on an estimate of the staff working in the divested businesses based on an allocation methodology and includes staff retained in the Group working on transitioning the sold businesses to the purchasers.*

Industrial Relations Developments

Australia

In Australia, terms and conditions of employment of most non-management staff, including salaries, may be negotiated between unions and management as part of a collective enterprise bargaining agreement ("EBA") subject to majority employee approval.

The *ANZ Enterprise Agreement 2015-2016 (Australia)* commenced operation on 29 December 2015. The agreement was approved by the Fair Work Commission following an employee ballot in which a majority of 89% voted to endorse it. The agreement replaced the *ANZ Enterprise Agreement 2013-2014 (Australia)* and set the minimum terms and conditions of employment for ANZ's Australian Group 4, 5 and 6 employees (i.e. junior management and non-management employees). The agreement also governed the pay increase arrangements for eligible "non-market rated" Australian Group 5 and 6 employees (i.e. non-management employees) in respect of the 2015 and 2016 performance and remuneration reviews and contains the salary ranges applicable to these employees.

On September 19, 2017, a 94% majority of employees voted to endorse a proposed variation to the agreement which would extend its operation for another year and provide pay increases for eligible "non-market rated" Australian Group 5 and 6 employees in respect of the 2017 performance and remuneration reviews and include updated salary ranges for these employees. The Fair Work Commission approved this variation on 31 October 2017. As of the date of this U.S. Disclosure Document, the agreement continues to apply and will do so indefinitely – although in each year from 2018 to 2022 the pay increases for eligible "non-market rated" Australian Group 5 and 6 employees have been managed outside of the agreement given that the agreement's pay increase provisions have now expired.

In Australia, there are no significant disputes between management and labor unions.

New Zealand

The large majority of New Zealand employees are covered by individual employment agreements. ANZ New Zealand's collective employment agreement with FIRST Union, which covers approximately 12% of New Zealand employees, was renewed effective as of 1 August 2022, expiring on 31 July 2024.

There are no significant disputes between management and labor unions.

Asia Pacific, Europe & America

There are no significant disputes between management and labor unions in any of the countries located in the Asia Pacific, Europe or America geography.

Superannuation

The Group has established a number of pension, superannuation and post-retirement medical benefit schemes throughout the world. For further information on ANZ's superannuation obligations, refer to Note 30 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Employee Equity

ANZ operates a number of employee share and option schemes that operate under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan. For further information on ANZ's employee share and option plans, refer to Note 31 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Major Shareholders

ANZBGL is not directly or indirectly controlled by another corporation, any government or any other natural or legal person(s), separately or jointly.

As at 11 November 2022, ANZBGL is aware of three entities which are the beneficial owners of 5% or more of its ordinary shares.

ANZBGL was made aware that on 12 May 2017 BlackRock Group became a substantial shareholder, with an interest in 148,984,864 ordinary shares (5.07%) in ANZBGL, and that on 2 December 2019, BlackRock Group's interest increased to 172,225,527 ordinary shares (6.07%) in ANZBGL.

ANZBGL was made aware that on 22 April 2022 Vanguard Group became a substantial shareholder, with an interest in 139,745,231 ordinary shares (5.001%) in ANZBGL.

ANZBGL was made aware that on 20 July 2022 State Street Corporation became a substantial shareholder, with an interest in 142,312,309 ordinary shares (5.08%) in ANZBGL.

Refer to the 2022 Remuneration Report (attached this U.S. Disclosure Document as part of Annex A) for further information (as at the relevant dates referred to therein) regarding share and option holdings by key management personnel (including directors).

Refer to "Section 6: Additional Information - Limitations affecting security holders" for details of the Australian law limitations on the right of non-residents or non-citizens of Australia to hold, own or vote on shares in ANZBGL.

Description of Ordinary Shares and Constituent Documents

Constitution

A copy of ANZBGL's Constitution, as adopted by shareholders on 18 December 2007 and incorporating amendments approved by shareholders on 17 December 2010 and 19 December 2018 is available on ANZBGL's website at: *https://www.anz.com/debtinvestors/usdebtinvestors-files/*. There have been no changes to the Constitution subsequently. ANZBGL's Constitution does not contain a limit on how many shares ANZBGL may have on issue at any time. However, ANZBGL must not issue shares or grant options if the issue or grant would result in a breach of the Listing Rules.

Dividend rights

Holders of ordinary shares are entitled to receive such dividends as may be determined by the directors from time to time in accordance with ANZBGL's Constitution. Dividends that are not claimed are required to be dealt with in accordance with laws relating to unclaimed monies.

ANZBGL must not pay a dividend unless:

- ANZBGL's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to ANZBGL's shareholders as a whole; and
- the payment of the dividend does not materially prejudice ANZBGL's ability to pay its creditors.

Payment of a dividend on ordinary shares may also be restricted by the terms of preference shares and other hybrid securities carrying a prior right to the payment of a dividend or distribution. Before paying any dividend, directors must ensure that they are in compliance with APRA prudential standards. See "Information on the Group - Supervision and Regulation" for more information on APRA prudential standards.

Voting rights

Subject to any applicable laws, as described further below in "Section 6: Additional Information - Limitations affecting security holders" and agreements to the contrary, each ordinary shareholder present at a general meeting (whether in person or by proxy, attorney or representative) is entitled to one vote on a show of hands (unless the shareholder has appointed two proxies in which case neither can vote) or, on a poll, one vote for each fully paid ordinary share held.

Right to share in surplus assets

In the event of a winding-up of ANZBGL, ordinary shareholders rank after creditors and preference shareholders and are fully entitled to any surplus proceeds on liquidation.

Rights to redemption

Ordinary shareholders have no right to redeem their shares.

Further calls

Holders of fully paid ordinary shares have no liability for further capital calls by ANZBGL. There are no partly paid ordinary shares.

There is no provision of ANZBGL's Constitution that discriminates against any existing or prospective holder of ordinary shares as a result of such shareholder owning a substantial number of shares on issue.

Preference shares

ANZBGL's Constitution authorises the Board of Directors to issue preference shares with any rights attaching to them that the Board of Directors determines prior to their issue. These include rights to dividends that are cumulative or non-cumulative and that are in priority to the rights of ordinary shareholders, and rights to a return of capital and to participate in surplus assets in a winding up in priority to the rights of ordinary shareholders. Preference shareholders have rights to vote only in limited circumstances unless the Board of Directors otherwise determines prior to issue of the preference shares. There is no limit on the amount of preference shares which ANZBGL may issue.

Changes to the rights of shareholders

ANZBGL's Constitution has effect as a contract between ANZBGL and each shareholder, and between each shareholder, under which each person agrees to observe and perform ANZBGL's Constitution as it applies to that person. In accordance with the Corporations Act, ANZBGL may modify or repeal its Constitution, or a provision of its Constitution, by a special resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

A Banking Act statutory manager appointed by APRA has power under the Banking Act to, among other things, cancel shares or rights to acquire shares in ANZBGL or vary or cancel rights or restrictions attached to shares, notwithstanding the Constitution, the Corporations Act, the terms of any contract or arrangement to which ANZBGL is party or the listing rules of any financial market in whose official list ANZBGL is included.

Should the proposed Restructure proceed, substantially the same Australian law provisions will apply to shares in ANZ NOHC.

Share rights - American Depositary Shares ("ADSs")

Each ADS confers an interest in 1 fully paid ordinary share in ANZBGL which has been deposited with a depositary or custodian. The rights attaching to each fully paid ordinary share represented by an ADS are the same as the rights attaching to fully paid ordinary shares as described above. These rights are legally vested in the custodian or depositary as the holder of the fully paid ordinary shares, although holders of American Depositary Receipts ("ADRs"), which evidence ADSs, have certain rights against the depositary or custodian under the terms governing the issue of the ADRs.

Convening of and admission to general meetings

The Board of Directors may call a meeting of ANZBGL's shareholders. The directors must call and arrange to hold a general meeting of ANZBGL if requested to do so by shareholders who hold at least 5% of the votes that may be cast at the general meeting. Shareholders who hold at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting of ANZBGL at their own expense.

At least 28 days' notice must be given of a meeting of ANZBGL's shareholders. Written notice must be given to all shareholders entitled to attend and vote at a meeting. All ordinary shareholders except for holders of partly paid ordinary shares (if any) who have failed to pay a call in respect of such shares are entitled to attend to vote at general meetings of ANZBGL. Voting rights attaching to other classes of shares in ANZBGL may differ.

The directors may, in accordance with the Constitution and the Corporations Act, determine a time before a meeting at which membership in ANZBGL (for the purposes of the meeting) is to be ascertained in respect of holding of shares that are quoted on the stock market of the ASX.

Transfer

A holder of a share may transfer it by any means permitted by the Corporations Act, subject to limited restrictions in the Constitution and applicable law. See further "Section 6: Additional Information - Limitations affecting security holders" below.

Limitations on ownership and changes in control

The Constitution contains certain limitations on the rights to own securities in ANZBGL. However, there are detailed Australian laws and regulations which govern the acquisition of interests in ANZBGL, and a summary of those is set out in "Section 6: Additional Information - Limitations affecting security holders".

The Constitution requires any sale or disposal of ANZBGL's main undertaking to be subject to ratification by ANZBGL in a general meeting. The ASX Listing Rules may also require ANZBGL to obtain shareholder approval to effect any such sale or disposal. Except for that provision, there are no provisions in the Constitution which would have the effect of delaying, deferring or preventing a change in control of ANZBGL which would operate only with respect to a merger, acquisition or corporate restructuring involving ANZBGL or its controlled entities.

If ANZBGL issues partly paid shares to a person and that person fails to pay a call on those shares when required, the Board of Directors may give that person a notice which requires the member to pay the called amount and provides information in respect of how and when the called amount is to be paid. If the requirements of the notice are not satisfied, the Board of Directors, via resolution, may forfeit the partly paid share (and all dividends, interest and other money payable in respect of that share and not actually paid before the forfeiture) by resolution before the called amount is paid.

In addition, unless the terms of issue provide otherwise, under the Constitution ANZBGL has a first and paramount lien on each share for all money called or payable at a fixed time in respect of that share that is due and unpaid, and certain amounts paid by ANZBGL for which ANZBGL is indemnified under the terms of the Constitution. If ANZBGL has a lien on a share, and an amount secured by the lien is due and payable, ANZBGL may give notice to the person registered as the holder of the share requiring payment of the amount and specifying how and when the payment must be made. If the requirements of that notice are not fulfilled, ANZBGL may sell the share as if it had been forfeited.

The Board of Directors may also direct the sale of a share that is part of a "non-marketable parcel". For these purposes, a "non-marketable parcel" is a parcel of shares of a single class registered in the same name or same joint names which is less than the number that constitutes a marketable parcel of shares of that class under the ASX Listing Rules, or, subject to applicable law as specified in the Constitution, any other number determined by the Board of Directors from time to time.

Should the proposed Restructure proceed, substantially the same Australian law provisions will apply to shares in ANZ NOHC.

Constitution provisions governing disclosure of shareholdings

There are no provisions of the Constitution which provide an ownership threshold above which share ownership must be disclosed. However, the Corporations Act requires a person to disclose certain prescribed information to ANZBGL and the ASX if the person has or ceases to have a "substantial holding" in ANZBGL. The term 'substantial holding' is defined in the Corporations Act as broadly, a relevant interest in 5% or more of the total number of votes attaching to voting shares and is not limited to direct shareholdings.

The Corporations Act also permits ANZBGL or ASIC to direct any member of ANZBGL to make certain disclosures in respect of their interest in ANZBGL's shares and the interest held by any other person in those shares.

Changes in capital

The Constitution does not make any provision governing changes in the capital of ANZBGL that is more stringent than is required by Australian law.

Change in Control

There are no arrangements known to the Group, the operation of which may at a subsequent date result in a change in control of the Group.

However, please see "Section 2: Information on the Group – Non-Operating Holding Company" for information relating to the Group's intention to establish a non-operating company.

Related Party Transactions

Key management personnel loan transactions

Loans made to directors of ANZBGL and other Key Management Personnel ("KMP") of the Group are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including: the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provision raised in respect of these balances.

Other transactions of key management personnel and their related parties

All other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers.

There have been no transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since 30 September 2022.

Associates

Transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

For further information on related party transactions, refer to Note 32 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

CHESS

CHESS stands for the "Clearing House Electronic Subregister System" and is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. ASX Settlement Pty Limited authorises certain participants such as brokers, custodians, institutional investors and settlement agents to access CHESS and settle trades made by themselves or on behalf of clients. Following consultation on a replacement for CHESS, ASX confirmed in May 2022 that the initial a go-live date of April 2023 for the replacement system was no longer viable. The ASX remains committed to deliver the replacement in the future although the date of implementation currently remains uncertain.

Any public documents referred to in this U.S. Disclosure Document may be inspected by contacting the Company Secretary on +61 3 8654 7597 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

LEGAL PROCEEDINGS

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 23 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A)) and/or disclosures as deemed appropriate have been made. In some instances, we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

Refer to Note 33 of the 2022 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) for a description of contingent liabilities and contingent assets as of 30 September 2022.

A summary of some of those contingent liabilities is set out below.

- **Regulatory and customer exposures**
  The Group regularly engages with its regulators in relation to regulatory investigations, surveillance and reviews, reportable situations, civil enforcement actions (whether by court action or otherwise), formal and informal inquiries and regulatory supervisory activities in Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, include or have included in recent years a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

- **Benchmark/rate actions**
  In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including ANZBGL. The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on certain benchmark rates. The claimants sought damages or compensation in amounts not specified, and alleged that the defendant banks, including ANZBGL, violated US anti-trust laws, antiracketeering laws, and (in one case only), the Commodity Exchange Act and unjust enrichment principles. As at 30 September 2022, ANZBGL has reached agreements to settle each of these matters. The financial impact is not material. The settlements are without admission of liability and remain subject to finalisation and court approval.
  In February 2017, the South African Competition Commission commenced proceedings against local and international banks including ANZBGL alleging breaches of the cartel provisions of the South African Competition Act in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain.

- **Capital raising action**
  In September 2018, ASIC commenced civil penalty proceedings against ANZBGL alleging failure to comply with continuous disclosure obligations in connection with ANZBGL's August 2015 underwritten institutional equity placement. ASIC alleges ANZBGL should have advised the market that the joint lead managers took up approximately 25.5 million ordinary shares of the placement. ANZBGL is defending the allegations.

- **Consumer credit insurance litigation**
  In February 2020, a class action was brought against ANZBGL alleging breaches of financial advice obligations, misleading or deceptive conduct and unconscionable conduct in relation to the distribution of consumer credit insurance products. The issuers of the insurance products, QBE and OnePath Life, are also defendants to the claim. On 14 November 2022, ANZBGL announced it has reached an agreement to settle the claim. ANZBGL will contribute A$42 million to the settlement, which is covered by provision held at 30 September 2022. The settlement is without admission of liability and remains subject to court approval.

- **Esanda dealer car loan litigation**
  In August 2020, a class action was brought against ANZBGL alleging unfair conduct, misleading or deceptive conduct and equitable mistake in relation to the use of flex commissions in dealer arranged Esanda car loans. ANZBGL is defending the allegations.

- **OnePath superannuation litigation**
  In December 2020, a class action was brought against OnePath Custodians, OnePath Life and ANZBGL alleging that OnePath Custodians breached its obligations under superannuation legislation, and its duties as trustee, in respect of superannuation investments and fees. The claim also alleges that ANZBGL was involved in some of OnePath Custodians' investment breaches. ANZBGL is defending the allegations.

- **New Zealand loan information litigation**
  In September 2021, a representative proceeding was brought against ANZ New Zealand, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ New Zealand is defending the allegations.

- **Credit cards litigation**
  In November 2021, a class action was brought against ANZBGL alleging that certain interest terms in credit card contracts were unfair contract terms and that it was unconscionable for ANZBGL to rely on them. ANZBGL is defending the allegations.

- **Unlicensed third parties action**

In November 2021, ASIC commenced civil penalty proceedings against ANZBGL alleging that three unlicensed third parties provided home loan application documents to ANZBGL's lenders, including in connection with ANZBGL's home loan introducer program. ASIC alleges that ANZBGL contravened its obligations under credit legislation.

- **Available funds action**

  In May 2022, ASIC commenced civil penalty proceedings against ANZBGL in relation to fees charged to customers in some circumstances for credit card cash advance transactions made using recently deposited unprocessed funds. ASIC alleges that ANZBGL made false or misleading representations, engaged in misleading or deceptive conduct and breached certain statutory obligations as a credit licensee. ANZBGL is defending the allegations.

- **Royal Commission**

  The Royal Commission released its final report on 4 February 2019. Following the Royal Commission there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

- **Security recovery actions**

  Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

- **Warranties and indemnities**

  The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

DIVIDEND DISTRIBUTION POLICY

The Board of Directors of ANZBGL will determine the amount and timing of dividend distributions to holders of ordinary shares based on the financial performance and financial position of the Group.

ANZBGL has a Dividend Reinvestment Plan ("DRP") and a Bonus Option Plan ("BOP") that will operate in respect of the proposed 2022 final dividend. For the 2022 final dividend, ANZBGL intends to provide shares under the DRP and BOP through the issue of new shares. The "Acquisition Price" to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZBGL ordinary shares sold in the ordinary course of trading on the ASX and Cboe Australia during the ten trading days commencing on 11 November 2022, and then rounded to the nearest whole cent. Shares provided under the DRP and BOP will rank equally in all respects with existing fully paid ANZBGL ordinary shares. Eligibility criteria applies to the participation in the DRP and BOP. In particular, until the Board otherwise determines, participation in the DRP and BOP is not available directly or indirectly to any entity or person, including any legal or beneficial owner of the ordinary shares of ANZBGL, who is (or who is acting on behalf of or for the account or benefit of an entity or person who is) in or resident in the U.S. or its possessions or territories, or in Canada.

EXCHANGE CONTROLS

There are currently no general Australian exchange control regulations in force that restrict the payment of dividends, interest or other remittances to holders of ANZBGL's securities. Economic and trade sanctions are, however, implemented in Australia from time to time to reflect Australian public policy, and operate to prohibit the entry into certain transactions with specified persons or entities without the consent of the applicable Australian regulatory body. These include the following:

1. The Autonomous Sanctions Act 2011 of Australia and Autonomous Sanctions Regulations 2011 of Australia prohibit dealing with certain "sanctioned" vessels and "designated" persons or entities by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit, including:
   (a) persons who have been indicted for an offence by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia ("ICTY") or who are subject to an Interpol arrest warrant related to such an offence within the jurisdiction of the ICTY, persons who are suspected of assisting persons who have been indicted by the ICTY and are not currently detained by the ICTY, as well as certain supporters of the former Milosevic regime;
   (b) persons or entities engaging (or who have engaged) in activities that seriously undermine democracy, respect for human rights and the rule of law in Zimbabwe;
   (c) certain persons or entities associated with the weapons of mass destruction or missiles program of North Korea, or have assisted or are assisting North Korea to violate or evade certain United Nations Resolutions;
   (d) certain persons associated with the Myanmar regime, including current and former ministers, senior officials in security or corrections agencies, senior officials or executives in a state-owned or military owned enterprise and current or former military officers of particular ranks, and immediate family members of such persons;
   (e) certain persons or entities who have contributed or are contributing to Iran's nuclear or missile programs, or have assisted or are assisting Iran to violate certain United Nations Resolutions;
   (f) certain close associates of the former Qadhafi regime, entities under the control of the Qadhafi family and persons or entities who have assisted or are assisting in the violation of certain United Nations Resolutions with respect to Libya and immediate family members of such persons;
   (g) certain persons or entities providing support to the Syrian regime or responsible for human rights abuses in Syria;

   (h) certain persons or entities associated with the Russian government, including current or former ministers, senior government officials, persons who are or have been engaged in an activity or performing a function that is of economic or strategic significance to Russia, and immediate family members of such persons; and
   (i) persons or entities responsible for, or complicit in, the threat to the sovereignty and territorial integrity of Ukraine.

2. The Minister for Foreign Affairs also has the ability to designate a person or entity that, for the purposes of the Autonomous Sanctions Regulations 2011 of Australia:
   (a) has contributed to the proliferation of weapons of mass destruction;
   (b) has caused or attempted to cause, assisted with causing or with attempting cause, or has otherwise been complicit in a significant cyber incident;
   (c) has engaged in, has been responsible for or has been complicit in an act that constitutes a serious violation or serious abuse of a person's right to life, right not to be subjected to torture or degrading treatment or punishment, or right not to be held in slavery; or
   (d) has engaged in, has been responsible for or has been complicit in an act of corruption that is serious,

   and in certain circumstances immediate family members or persons or entities that have obtained a financial or other benefit.

3. Under Part 4 of the Charter of the United Nations Act 1945 of Australia, the Charter of the United Nations (Dealing with Assets) Regulations 2008 of Australia provide for sanctions against using or dealing with financial or other assets of persons or entities listed by the Minister for Foreign Affairs in the Commonwealth of Australia Gazette from time to time. Under Part 3 of the Charter of the United Nations Act 1945 of Australia and pursuant to specific regulations, it is prohibited to make certain supplies (which may include financial supplies) in respect of certain countries, including:
   (a) Democratic Republic of the Congo (see the Charter of the United Nations (Sanctions – Democratic Republic of the Congo) Regulations 2008 of Australia);
   (b) North Korea (see the Charter of the United Nations (Sanctions – Democratic People's Republic of Korea) Regulations 2008 of Australia);
   (c) Sudan (see the Charter of the United Nations (Sanctions – Sudan) Regulations 2008 of Australia);
   (d) Iran (see the Charter of the United Nations (Sanctions – Iran) Regulation 2016 of Australia);
   (e) Iraq (see the Charter of the United Nations (Sanctions – Iraq) Regulations 2008 of Australia);
   (f) Al-Qaida, ISIL and the Taliban (see the Charter of the United Nations (Sanctions – ISIL (Da'esh) and Al-Qaida) Regulations 2008 of Australia and the Charter of the United Nations (Sanctions – the Taliban) Regulation 2013 of Australia);
   (g) Somalia (see the Charter of the United Nations (Sanctions – Somalia) Regulations 2008 of Australia);
   (h) Lebanon (see the Charter of the United Nations (Sanctions – Lebanon) Regulations 2008 of Australia);
   (i) Libya (see the Charter of the United Nations (Sanctions – Libya) Regulations 2011 of Australia);
   (j) Central African Republic (see the Charter of the United Nations (Sanctions – Central African Republic) Regulation 2014 of Australia);
   (k) Yemen (see the Charter of the United Nations (Sanctions – Yemen) Regulation 2014 of Australia);
   (l) South Sudan (see the Charter of the United Nations (Sanctions – South Sudan) Regulation 2015 of Australia);
   (m) Syria (see the Charter of the United Nations (Sanctions – Syria) Regulation 2015 of Australia); and
   (n) Mali (see the Charter of the United Nations (Sanctions – Mali) Regulations 2018 of Australia).
4. Under the AML Act (or, where applicable, the Financial Transaction Reports Act 1988 of Australia), transfer of physical currency or digital currency (cryptocurrency) of $10,000 (or the foreign equivalent) and above must be reported by certain persons (including ANZ) to AUSTRAC.

LIMITATIONS AFFECTING SECURITY HOLDERS

The following Australian laws impose limitations on the right of persons to hold, own or vote on shares in ANZBGL. Should the proposed Restructure proceed, corresponding Australian law limitations will apply to shares in ANZ NOHC.

- Foreign Acquisitions and Takeovers Act 1975 of Australia

  The acquisition of shares in Australian companies by foreign interests is regulated by the Foreign Acquisitions and Takeovers Act 1975 of Australia. The Foreign Acquisitions and Takeovers Act 1975 of Australia applies (subject to certain monetary thresholds) to, among other things, any acquisition or issue of shares which results in either:

  - a foreign person or foreign-controlled corporation alone or together with any associates being in a position to control 20% or more of the voting power or potential voting power or hold any legal or equitable interest in 20% or more of the issued shares or rights to issued shares in a corporation carrying on an Australian business; or
  - two or more foreign persons or foreign-controlled corporations, together with any associates of any of those foreign persons or foreign-controlled corporations being in a position to control 40% or more of the voting power or potential voting power or hold any legal or equitable interest in 40% or more of the issued shares or rights to issued shares in a corporation carrying on an Australian business.

  In either of these cases, and in certain other circumstances, the Federal Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

- Financial Sector (Shareholdings) Act 1998 of Australia

  The Financial Sector (Shareholdings) Act 1998 of Australia prohibits a person (together with their associates, if any), or two or more persons under an arrangement, from acquiring shares in a financial sector company if the acquisition would result in a person, together with their associates, holding a stake in the company of more than 20%. However, the Federal Treasurer may grant approval to a person to hold a stake of greater than 20% but only if satisfied that it is in the Australian national interest.

  No such approvals have been granted in respect of ANZBGL's shares, except in connection with a restructure arrangement that involves ANZBGL entering into an arrangement, to be approved by an order of the Court under subsection 411(4) of the Corporations Act 2001, that would result in ANZBGL becoming a subsidiary of ANZ Group Holdings Limited (ACN 659 510 791), a non-operating holding company. On 30 September 2022, the Federal Treasurer granted approval to each of ANZ Group Holdings Limited (ACN 659 510 791) and ANZ BH Pty Ltd (ACN 658 939 952) to hold a 100% stake in ANZBGL, and for ANZ Group Holdings Limited (ACN 659 510 791) to hold a 100% stake in ANZ BH Pty Ltd (ACN 658 939 952). See "Section 2: Information on the Group – Non-Operating Holding Company" for further information on the Restructure.

- Corporations Act and ASX Listing Rules

  Shareholding restrictions

  Any person acquiring voting shares in a listed company or an unlisted company with more than 50 members is subject to the provisions contained in Chapter 6 of the Corporations Act relating to the acquisition of relevant interests in voting shares. Subject to certain exceptions (and among other prohibitions), section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in such a company if, because of the acquisition, the person's or someone else's voting power in the company increases:

  - from 20% or below to more than 20%; or
  - from a starting point that is above 20% and below 90%.

  One of the exceptions to section 606 allows a person to acquire voting power of an additional 3% in a company if:

  - throughout the six months before the acquisition that person, or any other person, has had voting power in the company of at least 19%; and
  - as a result of the acquisition, neither that person, nor any other person who has had voting power of at least 19% in the preceding six months, would have voting power in the company more than 3% higher than they had six months before the acquisition.

  For the purposes of the Corporations Act, a person's voting power in a company is the total number of votes attached to voting shares in respect of which the person and its associates (which are broadly defined) have a 'relevant interest' as a proportion of the total number of votes attached to all voting shares in the company. Broadly speaking, subject to certain qualifications, a person has a 'relevant interest' in securities if the person is the holder of the securities; has the power to exercise, or control the exercise of, a right to vote attached to the securities; or has the power to dispose of, or control the exercise of a power to dispose of, a security.

  In addition, under the Corporations Act, any person who begins to have or ceases to have, a substantial holding in ANZBGL, or who already has a substantial holding and there is a movement of at least 1% in their holding, or who makes a takeover bid for ANZBGL securities, is required to give a notice to ANZBGL and to ASX Limited providing certain prescribed information, including their name and address and details of their relevant interests in ANZBGL's voting shares. Generally, such notice must be provided within two business days after the person becomes aware of the information.

  The sale of shares may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of shares to investors within 12 months of their issue (except where certain exemptions apply) on account of the shares, or the securities which convert into those shares, being issued without disclosure as required by the Corporations Act.

  Divestment of shares in relation to control transactions

  The Corporations Act also enables persons to compulsorily acquire shares in a company in certain circumstances, including where they obtain a relevant interest in 90% or more of the issued voting shares of a company through a takeover bid or other means. A person may also compulsorily acquire shares pursuant to a court order in connection with a scheme of arrangement under the Corporations Act, following approval of the scheme of arrangement by the requisite number of shareholders at a prior vote.

The Australian Takeovers Panel also has the ability to make orders requiring persons to divest interests in shares, or to seize shares from persons, or restrict voting rights, where the Takeovers Panel finds (on an application by an interested party) where they make a decision that unacceptable circumstances exist in relation to the affairs of a company that warrant the granting of such an order.

Restrictions on voting under the Corporations Act and ASX Listing Rules

The Corporations Act and ASX Listing Rules impose restrictions on certain persons and their associated or related entities from voting at general meetings of ANZBGL in certain circumstances. These restrictions include, to the extent applicable to a shareholder, voting on: related party transactions involving the shareholder; change of control transactions involving the shareholder; capital actions involving the shareholder (including issues of shares requiring shareholder approval, share consolidations, splits and buy-backs); remuneration related resolutions presented to shareholders for approval, and other similar corporate actions.

Other restrictions relating to shares

Australian securities laws impose prohibitions of general application on misconduct in financial markets and dealings relating to financial products in Australia. These laws may prevent a person from acquiring or selling shares in ANZBGL in certain circumstances (for example, where such conduct would constitute “insider trading”).

Competition and Consumer Act 2010 of Australia

The Competition and Consumer Act 2010 of Australia regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia.

WITHHOLDING TAXES

Australia imposes withholding taxes on certain payments to recipients outside Australia including certain dividend payments (to the extent such dividends are unfranked) and certain interest payments.

CONSTITUTION

ANZBGL’s Constitution was most recently amended on 19 December 2018. There have been no changes to the Constitution subsequently.

MATERIAL CONTRACTS

There have been no material contracts entered into by the Group in the past two years, other than in the ordinary course of its business, upon which it is substantially dependent.

AASB - Australian Accounting Standards Board. The term “AASB” is commonly used when identifying Australian Accounting Standards issued by the AASB.

ADI - Authorised Deposit-taking Institution as defined by APRA.

APRA - Australian Prudential Regulation Authority.

APRA Leverage Ratio compares Tier 1 Capital to the “exposure measure” (expressed as a percentage) as defined by APS110. It is a designed as a non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

APS - ADI Prudential Standard.

Cash and cash equivalents comprise coins, notes, money at call, balances held with central banks, liquid settlement balances (readily convertible to known amounts of cash which are subject to insignificant risk of changes in value) and securities purchased under agreements to resell (reverse repurchase agreements) in less than three months.

Collectively assessed allowance for expected credit loss represents the ECL, which incorporates forward-looking information and does not require an actual loss event to have occurred for a credit loss provision to be recognised.

Committed Liquidity Facility (“CLF”) is a facility with the RBA that was established to offset the shortage of available High Quality Liquid Assets (“HQLA”) in Australia and provides an alternative form of contingent liquidity. The CLF is collateralised by assets, including internal residential mortgage-backed securities, that are eligible to be pledged as security with the RBA. The total amount of the CLF available to a qualifying ADI is set annually by APRA. In September 2021, APRA wrote to ADIs to advise that APRA and the RBA consider there to be sufficient HQLA for ADIs to meet their Liquidity Coverage Ratio (“LCR”) requirements, and therefore the use of the CLF should no longer be required beyond 2022.

Coronavirus (“COVID-19”) is a respiratory illness which was declared a Public Health Emergency of International Concern. COVID-19 was characterised as a pandemic by the World Health Organisation on 11 March 2020.

Covered bonds are bonds issued by an ADI to external investors secured against a pool of the ADI’s assets (the cover pool) assigned to a bankruptcy remote special purpose entity. The primary assets forming the cover pool are mortgage loans. The mortgages remain on the issuer’s balance sheet. The covered bond holders have dual recourse to the issuer and the cover pool assets. The mortgages included in the cover pool cannot be otherwise pledged or disposed of but may be repurchased and substituted in order to maintain the credit quality of the pool. The Group issues covered bonds as part of its funding activities.

Credit risk is the risk of financial loss resulting from the failure of the Group’s customers and counterparties to honour or perform fully the terms of a loan or contract.

Credit risk weighted assets (“CRWA”) represent assets which are weighted for credit risk according to a set formula as prescribed in APS 112/113.

Customer deposits represent term deposits, other deposits bearing interest, deposits not bearing interest and borrowing corporations’ debt excluding securitisation deposits.

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation outcomes.

Derivative credit valuation adjustment (“CVA”) - Over the life of a derivative instrument, the Group uses a model to adjust fair value to take into account the impact of counterparty credit quality. The methodology calculates the present value of expected losses over the life of the financial instrument as a function of probability of default, loss given default, expected credit risk exposure and an asset correlation factor. Impaired derivatives are also subject to a CVA.

Dividend payout ratio is the total ordinary dividend payment divided by profit attributable to shareholders of the Company.

Embedded losses - In relation to interest rate risk in the banking book, APRA requires ADIs to give consideration to embedded gains or losses in banking book items that are not accounted for on a marked-to-market basis when determining regulatory capital. The embedded loss or gain measures the difference between the book value and the economic value of banking book activities at a point in time.

Fair value is an amount at which an asset or liability could be exchanged between knowledgeable and willing parties in an arm’s length transaction.

Funding for Lending Programme (“FLP”) refers to three-year funding announced by the RBNZ in November 2020 and offered to New Zealand banks, which aimed to lower the cost of borrowing for New Zealand businesses and households.

FX means foreign exchange.

Gross loans and advances (“GLA”) is made up of loans and advances, capitalised brokerage and other origination costs less unearned income.

Group’s Position refers to the business, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition of the Group.

Impaired assets are those financial assets where doubt exists as to whether the full contractual amount will be received in a timely manner, or where concessional terms have been provided because of the financial difficulties of the customer.

Impaired loans comprise of drawn facilities where the customer’s status is defined as impaired.

Individually assessed allowance for expected credit losses is assessed on a case-by-case basis for all individually managed impaired assets taking into consideration factors such as the realisable value of security (or other credit mitigants), the likely return available upon liquidation or bankruptcy, legal uncertainties, estimated costs involved in recovery, the market price of the exposure in secondary markets and the amount and timing of expected receipts and recoveries.

Interest rate risk in the banking book (“IRRBB”) relates to the potential adverse impact of changes in market interest rates on the Group’s future net interest income. The risk generally arises from:

1. Repricing and yield curve risk - the risk to earnings or market value as a result of changes in the overall level of interest rates and/or the relativity of these rates across the yield curve;
2. Basis risk - the risk to earnings or market value arising from volatility in the interest margin applicable to banking book items; and
3. Optionality risk - the risk to earnings or market value arising from the existence of stand-alone or embedded options in banking book items.

Internationally comparable basis refers to the Group's interpretation of the regulations documented in the Basel Committee publications: 'Basel 3: A global regulatory framework for more resilient banks and banking systems' (June 2011) and 'International Convergence of Capital Measurement and Capital Standards' (June 2006). They also include differences identified in APRA's information paper entitled International Capital Comparison Study (13 July 2015).

Level 1 in the context of APRA supervision - Australia and New Zealand Banking Group Limited consolidated with certain approved subsidiaries.

Level 2 in the context of APRA supervision - the consolidated Group excluding associates, insurance and funds management entities, commercial non-financial entities and certain securitisation vehicles.

Level 3 in the context of APRA supervision - the consolidated Group.

Major Bank Levy refers to a levy that was introduced by the Australian Government with effect from July 2017 and is imposed on liabilities for certain large banks, including the Group.

Net interest margin is net interest income as a percentage of average interest earning assets.

Net loans and advances represent gross loans and advances less allowance for expected credit losses.

Net Stable Funding Ratio ("NSFR") is the ratio of the amount of available stable funding ("ASF") to the amount of required stable funding ("RSF") defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADIs must maintain an NSFR of at least 100%.

Net tangible assets equal share capital and reserves attributable to shareholders of the Company less unamortised intangible assets (including goodwill and software).

RBA - Reserve Bank of Australia, Australia's central bank.

RBNZ - Reserve Bank of New Zealand, New Zealand's central bank.

Regulatory deposits are mandatory reserve deposits lodged with local central banks in accordance with statutory requirements.

Restructured items comprise facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.

Return on average assets is the profit attributable to shareholders of the Company, divided by average total assets.

Return on average ordinary shareholders' equity is the profit attributable to shareholders of the Company, divided by average ordinary shareholders' equity.

Risk weighted assets ("RWA") are risk weighted according to each asset's inherent potential for default and what the likely losses would be in the case of default. In the case of non-asset backed risks (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.

Settlement balances owed to/by ANZ represent financial assets and/or liabilities which are in the course of being settled. These may include trade dated assets and liabilities, vostro accounts and securities settlement accounts.

Term Funding Facility ("TFF") refers to three-year funding announced by the RBA on 19 March 2020 and offered to ADIs in order to support lending to Australian businesses at low cost.

Term Lending Facility ("TLF") refers to three to five-year funding offered by the RBNZ between May 2020 and July 2021 to promote lending to New Zealand businesses.

ANNEX A: THE 2022 REMUNERATION REPORT, THE 2022 FINANCIAL REPORT OF THE GROUP AND THE COMPANY, AND THE INDEPENDENT AUDITOR'S REPORT ON THE 2022 FINANCIAL REPORT OF THE GROUP AND THE COMPANY (EXTRACTS FROM THE GROUP'S 2022 ANNUAL REPORT)

ANNEX B: THE 2021 REMUNERATION REPORT, THE 2021 FINANCIAL REPORT OF THE GROUP AND THE COMPANY, AND THE INDEPENDENT AUDITOR'S REPORT ON THE 2021 FINANCIAL REPORT OF THE GROUP AND THE COMPANY (EXTRACTS FROM THE GROUP'S 2021 ANNUAL REPORT)

WE'RE CONTINUING TO
SHAPE A WORLD WHERE PEOPLE
AND COMMUNITIES THRIVE

Ilana Atlas, AO
Chair – Human Resources Committee

Remuneration report

2022 Remuneration Report – audited

Dear Shareholder,

As outlined in the Chairman's message, ANZ delivered a strong financial outcome for shareholders particularly in the second half of the year.

This was achieved as we supported our customers through the lingering effects of COVID in an inflationary environment, while at the same time investing for the future.

While the environment remains volatile, our margin performance along with our disciplined focus on 'run the bank' costs enabled us to invest at record levels in new initiatives that will benefit shareholders, customers and our employees in the long term.

A particular highlight this year was the agreement to acquire Suncorp Bank. Suncorp Bank is a quality business and strategically aligned to ANZ. While still subject to government and regulatory approvals, Suncorp Bank will add more than one million retail customers and provide a platform for growth in the fast-growing Queensland market.

Similarly, there was good progress made on the establishment of a new Non-Operating Holding Company (NOHC) structure. If approved by shareholders at the upcoming Scheme Meeting, following our 2022 Annual General Meeting (AGM), this will create distinct banking and non-banking groups within the organisation, providing greater flexibility to create value for shareholders.

During the year we also made changes to improve productivity and accountability within the organisation. As part of these changes, we combined Australia Retail with our Digital Division, while also separating Commercial Australia as a stand-alone business. Together with New Zealand and Institutional, we now have four core business lines with distinct strategies and opportunities.

Operational improvements within Australia Retail have already resulted in home loan processing times being back in-line with market.

Our technology continues to be modernised and we exceeded our target of 9,000 systems migrated to the Cloud or decommissioned with 31% of ANZ applications now hosted in the Cloud.

The successful launch of our new retail banking platform in Australia, ANZ Plus, was a key milestone for the Group. While uptake was initially tracking slower than planned, momentum has improved following the commencement of marketing and branch activity.

From a risk perspective, there were no material credit events, no major regulatory breaches and no overdue regulatory issues. While we are progressed on the development of our Group wide non-financial risk framework we are behind schedule with some elements and a $500m capital overlay remains in place. Improvements in this area will be a key focus for the Board and management over the next 12-months.

2022 variable remuneration outcomes

As a Board, we believe we have struck a balance between rewarding good performance while also holding management to account for areas that did not achieve expectations.

Our Chief Executive Officer (CEO) performed well this year. In the Board's view he met expectations in relation to his personal objectives. He also has accountability for the Group's performance which was slightly below expectations.

The Board determined the appropriate 2022 Short Term Variable Remuneration (STVR) outcome was 74% of his maximum opportunity.

There was no 2022 Long Term Variable Remuneration (LTVR) award made as we transition to awarding LTVR at the beginning of the year rather than the end. The CEO's proposed 2023 LTVR of $3.375m ($3.5m in 2021) will be subject to a shareholder vote at the upcoming AGM.

For Disclosed Executives, the Board determined their 2022 STVR outcomes at an average outcome of 78% of maximum opportunity (ranging from 71% to 96% of maximum opportunity). This reflects the assessment of 'slightly below expectations' within the ANZ Group Performance Framework and their individual and Divisional performance.

51.6% of the performance rights granted in 2018 to the CEO and Disclosed Executives (excluding the Chief Risk Officer (CRO)) vested when their performance was tested in November 2021 against their performance hurdles. The remaining 48.4% of rights lapsed and executives received no value from this proportion of the awards.

Changes to the way we remunerate executives

The introduction of a new remuneration Prudential Standard (*CPS 511 Remuneration*) by our regulator APRA has driven a review of how we reward our executives.

While the new regulatory standard does not come into effect until 1 January 2023, a range of changes were implemented in 2022.

Importantly, these changes were designed not only to meet both the letter and spirit of APRA's new prudential standard, but also to maintain our strong focus on performance and risk management, and attract, motivate and keep great people.

In line with *CPS 511*, the key structural changes for the CEO and Disclosed Executives include:

- Restructuring long term variable remuneration to now provide material weight to non-financial measures through the LTVR restricted rights award.
- Longer deferral (up to 6 years for CEO) with around 80% of variable remuneration deferred to ensure long-term focus.
- The ability to 'clawback' vested cash and equity variable remuneration where appropriate.

Additionally, we:

- Separated STVR and LTVR for Disclosed Executives, bringing them in-line with the structure for our CEO.
- Determined a fixed remuneration (FR) structural increase of approximately 4% for Disclosed Executives (excluding the CEO) so as to not materially disadvantage Disclosed Executives as a result of the structural changes. Note the Board decided to defer the payment of this increase to 2023, and also decided that the 2022 STVR opportunity would be based on the FR had the structural increase been effective for 2022.

As the likelihood of vesting is higher for the LTVR restricted rights for the CEO and Disclosed Executives, we have significantly reduced their total remuneration opportunity.

It is important to note that the change in structure, and in particular, the change in the award of LTVR from the end of the year to the beginning of the year (i.e., resulting in no 2022 LTVR), makes comparisons with prior year difficult. A summary of the new remuneration structure for 2022 can be found in section 3.

Fixed remuneration

A market FR adjustment was provided for the CRO, effective 1 October 2021.

There were no other changes to FR, noting that the ~4% structural adjustment for Disclosed Executives as part of the structural changes will only apply from 1 October 2022.

Following a market review, the Non-Executive Director (NED) base fee remained unchanged however fees were increased for the Chairman and for the Chairs/members of most Committees from 1 April 2022.

Finally, while there is more to be done, this was a year where we made good progress towards our strategic ambition. Thank you to all our employees for their commitment and contribution this year.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders at the 2022 AGM.

Ilana Atlas, AO
Chair – Human Resources Committee

The Remuneration Report for the Group outlines our remuneration strategy and structure and the remuneration practices that apply to Key Management Personnel (KMP). This report has been prepared, and audited, as required by the *Corporations Act 2001*. It forms part of the Directors' Report.

1. Who is covered by this report

KMP are Directors of Australia and New Zealand Banking Group Limited (ANZBGL) (whether executive directors or otherwise), and those personnel with a key responsibility for the strategic direction and management of the Group (i.e., members of the Group Executive Committee (ExCo)) who have Banking Executive Accountability Regime (BEAR) accountability and who report to the Chief Executive Officer (CEO) (referred to as Disclosed Executives).

1.1 Disclosed Executive and NED changes

There were several changes to our KMP during the 2022 year:

- Christine O'Reilly commenced as a Non-Executive Director (NED) on 1 November 2021.
- Paula Dwyer retired as a NED on 16 December 2021, at the conclusion of the 2021 Annual General Meeting (AGM).
- Jeff Smith commenced as a NED on 1 August 2022.
- Farhan Faruqui commenced as ANZ's Chief Financial Officer (CFO) in October 2021. Shane Buggle concluded acting at this time.
- ANZ's Digital and Australia Retail businesses were combined, with Maile Carnegie commencing in the new Group Executive, Australia Retail role on 1 March 2022, and Mark Hand concluding in the Group Executive, Australia Retail and Commercial Banking role on 28 February 2022. As part of these changes the commercial business in Australia is now a separate Division. While this Division will report into the CEO in the future, the CEO has also been acting as the Group Executive for this business.

1.2 Key Management Personnel (KMP)

The KMP whose remuneration is disclosed in this year's report are:

2022 Non-Executive Directors (NEDs) – Current

P O'Sullivan	Chairman
I Atlas	Director
J Halton	Director
J Key	Director
G Liebelt	Director
J Macfarlane	Director
C O'Reilly	Director from 1 November 2021
J Smith	Director from 1 August 2022

2022 Non-Executive Directors (NEDs) – Former

P Dwyer	Former Director – retired 16 December 2021

2022 Chief Executive Officer (CEO) and Disclosed Executives – Current

S Elliott	CEO and Executive Director
M Carnegie	Group Executive, Australia Retail from 1 March 2022 (previously Group Executive, Digital and Australia Transformation to 28 February 2022)
K Corbally	Chief Risk Officer (CRO)
F Faruqui	CFO from 11 October 2021
G Florian	Group Executive, Technology
K van der Merwe	Group Executive, Talent & Culture and Service Centres (GE T&C)
A Watson	Group Executive and CEO, New Zealand
M Whelan	Group Executive, Institutional

2022 Disclosed Executives – Former

S Buggle	Former acting CFO – concluded in role 10 October 2021
M Hand	Former Group Executive, Australia Retail and Commercial Banking – concluded in role 28 February 2022

Changes to KMP since the end of 2022 up to the date of signing the Directors' Report, as announced:

- Gerard Florian appointed to the expanded role of Group Executive, Technology & Group Services, and Antony Strong appointed to ExCo as Group Executive, Strategy & Transformation, effective 1 November 2022.

2. 2022 outcomes at a glance

Chief Executive Officer (CEO) remuneration

FOR 2022, OUR CEO:

- Had no increase to fixed remuneration (FR).
- Was awarded Short Term Variable Remuneration (STVR) of 74% of maximum opportunity, having met most but not all performance expectations (see section 4).
- No Long Term Variable Remuneration (LTVR) award was made for 2022, as we transition to awarding LTVR at the beginning of the year rather than at the end. Instead, shareholder approval will be sought at the 2022 AGM for a 2023 LTVR award of $3.375m.
- Received total remuneration of $6m in 2022 (i.e., includes the value of prior equity awards which vested in 2022 as per section 4.1).

Disclosed Executive remuneration

FOR 2022:

- There were no increases to FR for Disclosed Executives effective for 2022 except for the CRO who received a market adjustment on 1 October 2021.
- Disclosed Executives' STVR outcomes averaged 78% of maximum opportunity, with individual outcomes ranging from 71% to 96% of maximum opportunity.
- Consistent with the CEO, no 2022 LTVR awards have been made to Disclosed Executives, as we transition to awarding LTVR at the start of the 2023 year under the new executive remuneration structure (see section 5.2).

Performance rights outcomes (CEO and Disclosed Executives)

51.6% of the 2018 performance rights (PR) granted in late 2018 to the CEO and Disclosed Executives (excluding the CRO) vested and the remaining 48.4% lapsed when tested against the performance hurdles at the end of the performance period in November 2021 (see section 4.4.3).

Non-Executive Director (NED)

Following a market review, the NED base fee remained unchanged (see section 7.1), however fees were increased for the Chairman and for the Chairs/members of most Committees from 1 April 2022.

The Chairman's shareholding requirement increased to $850,000, 100% of the Chairman fee (from $480,000, 200% of NED base fee), to better align to market.

3. Overview of ANZ's remuneration structure

3.1 Context for change

As communicated in our 2021 Remuneration Report, the introduction of a new Prudential Standard *CPS 511 Remuneration* by our regulator APRA drove a detailed review of how we reward our CEO and Disclosed Executives. As a result, the Board approved changes to the executive remuneration structure in line with the following design principles, with those changes being effective for the 2022 financial year.

Meet the letter and spirit of the new APRA Prudential Standard

- Structure promotes effective management of financial and non-financial risks
- APRA requires material weight to non-financial metrics for variable remuneration outcomes
- Introduction of clawback
- Longer deferral

Shareholder alignment

- A significant proportion of variable remuneration is deferred over a long period with ~80% delivered as deferred equity to ensure long-term focus
- Total shareholder return (TSR) performance continues to be a key LTVR performance metric

Maintain a strong focus on performance and risk management

- All components of variable remuneration linked to performance and sound risk management
- Focus on long-term outcomes by ensuring consequences may be applied for risk issues even if they emerge several years after the event
- Remuneration outcomes continue to be subject to Board discretion with supporting decision-making frameworks

Attract, motivate and keep great people

- Balance meeting the *CPS 511* requirements and having a market competitive remuneration structure
- Maintain reasonably comparable value[1] so that individuals are not materially advantaged or disadvantaged by the structural changes
- Simplify by having CEO and Disclosed Executives on a more aligned structure

1. Takes into consideration the differences between the new and former remuneration structures (including aspects such as expected vesting of variable remuneration awards, and changes to reward opportunity and deferral periods).

3.2 Key changes at a glance

Significantly reduced remuneration opportunity	Maximum remuneration opportunity down reflecting improved probability of LTVR vesting: • **CEO:** -$1.375m / -14% • **Disclosed Executives:** -30%[1] (CRO -16%)
Simplified	Aligned CEO and Disclosed Executive structures by moving Disclosed Executives onto separate STVR and LTVR (previously combined variable remuneration)
Modified deferral periods	More balanced vesting over short and long term: • STVR over years 2 to 3 • LTVR over years 4 to 5/6
Redesigned LTVR	To now provide material weight to non-financial measures (as per APRA requirement), with two equally weighted LTVR components • **Restricted rights (RR):** Pre grant and pre vest assessments focused on risk measures • **Performance rights (PR):** TSR hurdles
Introduced clawback	Strengthened risk and remuneration consequences, with clawback now applicable for two years post the payment/vesting of variable remuneration

1. **Variance in CEO vs Disclosed Executives reduction due to differences in previous structure** where maximum opportunity for Disclosed Executives was 150% of combined Variable Remuneration (VR) component, compared to only the STVR component for CEO. In the new structure, maximum opportunity has reduced to 125% of target, and applies to STVR component only. See charts in section 3.4 for individual change in remuneration opportunity.

3.3 Overview of new remuneration structure

CEO and Disclosed Executives (DEs) (excluding CRO[1])

	Fixed Remuneration (FR)	Short Term Variable Remuneration (STVR)		Long Term Variable Remuneration (LTVR)	
Maximum mix	30%	30%		40%	
Maximum opportunity	100% of FR	100% of FR		135% of FR	
Delivery	**CEO** No change to FR **DE** ~4% structural increase	50% Cash	50% Deferred shares (DS)	50% Restricted rights (RR)	50% Performance rights (PR)
Timing/ deferral	**YEAR 1** Cash 100%	Awarded at end of year based on Group and individual performance **YEAR 1** Cash 50% **YEAR 2** DS 25% **YEAR 3** DS 25%		• Awarded at start of year subject to – **RR:** Pre grant assessment (risk-based measures) – **RR & PR:** Shareholder approval at AGM for CEO award • Performance condition tested at end of 4-year performance period – **RR:** Pre vest assessment (risk-based measures) – **PR:** Relative and absolute TSR hurdles For **both** RR and PR: Deferral period = 4-year Performance Period + Holding Period (HP) 4-year Performance Period / ~1 yr HP / ~2 yr HP **YEAR 4** CEO: 33% / DE: 50% **YEAR 5** CEO: 33% / DE: 50% **YEAR 6** CEO: 34%	

All variable remuneration is subject to the Board's ongoing discretion to apply in-year adjustments, malus and clawback

1. CRO mix: 33.3% FR / 33.3% STVR / 33.3% LTVR. STVR maximum opportunity: the same as CEO/DE at 100% of FR, LTVR maximum opportunity: 100% of FR and delivered as 100% RR (consistent with former structure) to support independence.

Key differences from FORMER structure

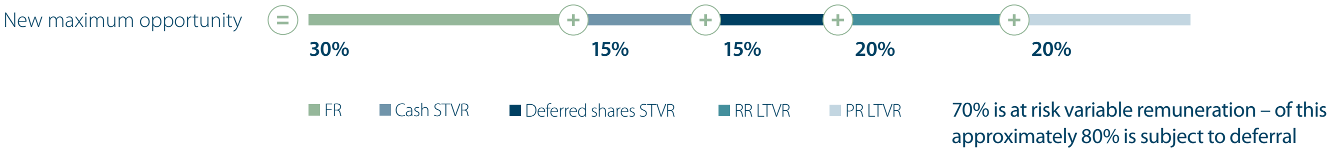
Mix:	CEO and Disclosed Executives now on separate STVR and LTVR (previously Disclosed Executives were on combined VR). CEO and Disclosed Executives now have the same STVR and LTVR maximum opportunity of 100% and 135% of FR respectively. CEO previously had STVR maximum opportunity of 150% of FR and LTVR maximum opportunity of 140% of FR/Disclosed Executives previously had a combined VR maximum opportunity of 402% of FR.
Maximum opportunity:	Previously, the opportunity to earn above target (up to 150% of target) applied to just the STVR for the CEO, and to the combined VR for Disclosed Executives. Under the new structure, the maximum opportunity has been reduced to 125% of STVR target (i.e., 100% of FR) and applies to just the STVR for both the CEO and Disclosed Executives.
FR:	A ~4% structural FR adjustment (uplift) applies to Disclosed Executives (not CEO), so as to not materially disadvantage Disclosed Executives as part of the structural changes. The Board decided to exercise its discretion and deferred the 'structural' FR adjustment to 2023 rather than 2022 when the other remuneration structure changes were made, however they determined that the STVR opportunity would be based on the FR had the structural increase been effective for 2022.
STVR:	Shares now deferred evenly over years 2 and 3 (rather than staggered vesting over years 2 to 5).
LTVR:	Now awarded at start of financial year rather than end of financial year. Half now delivered as RR, subject to pre grant and pre vest assessments (based on risk measures) and the balance as PR (previously 100% PR). LTVR still tested after 4-year performance period and now also subject to additional holding periods up to the 4th, 5th and 6th (for the CEO) anniversary of grant. Former LTVR equivalent deferred for four years from grant.

3.4 2022 maximum remuneration opportunity

The chart below illustrates the reduction in the maximum remuneration opportunity for the CEO and Disclosed Executives.

Maximum remuneration opportunity

CEO AND DISCLOSED EXECUTIVES (EXCLUDING CRO)

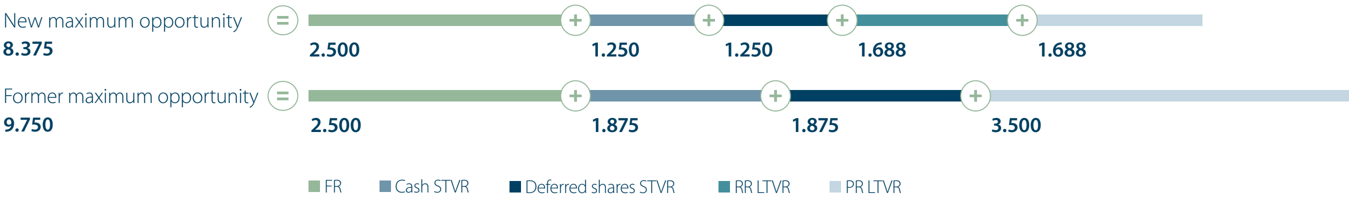


CEO

The chart below illustrates that the CEO's maximum remuneration opportunity has decreased from $9.75m to $8.375m (-$1.375m or -14%), largely due to the reduction in the STVR maximum opportunity from 150% to 100% of FR, and the reduction in the LTVR opportunity from 140% to 135% of FR. These reductions (which maintain a strong weighting on LTVR), reflect the increased certainty of the LTVR RR, while seeking to ensure the total remuneration opportunity remains market competitive.

Maximum remuneration opportunity – CEO ($m)

S ELLIOTT



Disclosed Executives

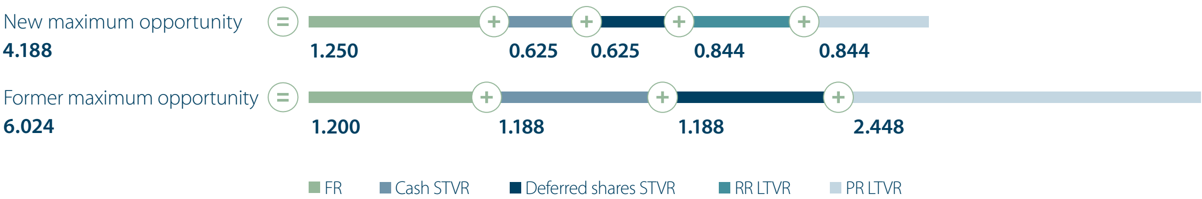
The charts below illustrate the significant reduction in maximum remuneration opportunity for Disclosed Executives, primarily due to the reduction in their maximum variable remuneration opportunity from 402% to 235% of FR. This reduction reflects the various structural changes – particularly the increased certainty of the LTVR RR component and the ~4% FR structural adjustment.

While the new structure applied for 2022, the Board determined that the structural FR adjustment would not be effective until 2023, and that the 2022 STVR opportunity would be based on FR had the structural increase been effective for 2022. The Board will consider any market FR adjustments (where appropriate) in due course.

FR in the 'former maximum opportunity' remuneration structures in the charts is as at 1 October 2021.

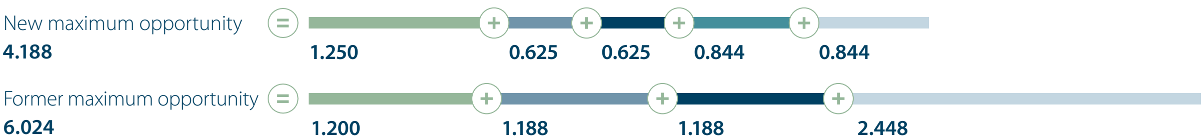
Maximum remuneration opportunity – Group Executive, Australia Retail ($m)

M CARNEGIE



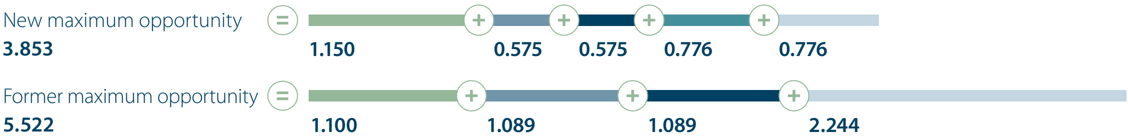
Maximum remuneration opportunity – CFO ($m)

F FARUQUI



Maximum remuneration opportunity – Group Executive, Technology ($m)

G FLORIAN

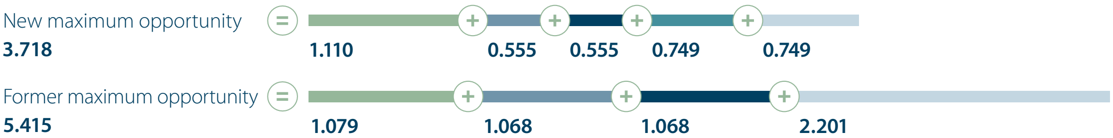


Maximum remuneration opportunity – Group Executive, Talent & Culture and Service Centres ($m)

K VAN DER MERWE

Maximum remuneration opportunity – Group Executive and CEO, New Zealand ($m)

A WATSON



Maximum remuneration opportunity – Group Executive, Institutional ($m)

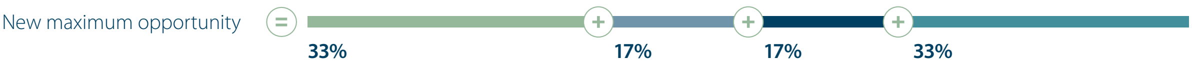
M WHELAN

CRO

To preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation, the CRO's remuneration arrangements differ to other Disclosed Executives. While the STVR opportunity (100% of FR) is the same as the CEO and Disclosed Executives, the LTVR opportunity is different (100% of FR instead of 135% of FR) reflecting the delivery of LTVR as 100% RR (instead of 50% RR and 50% PR). Maximum variable remuneration opportunity has reduced from 270% to 200% of FR for the CRO.

Maximum remuneration opportunity

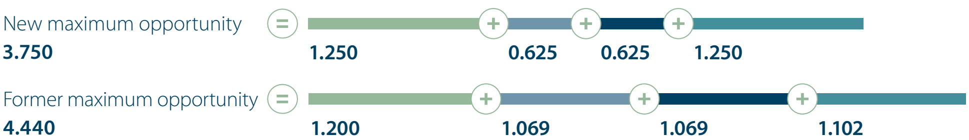
CRO



67% is at risk variable remuneration – of this approximately 75% is subject to deferral

Maximum remuneration opportunity – CRO ($m)

K CORBALLY



3.5 Remuneration framework overview

The following overview highlights how the executive remuneration framework supports ANZ's purpose and strategy, reinforces ANZ's focus on risk management, and aligns to shareholder value.

ANZ's purpose and strategy[1]

Is underpinned by our Remuneration Policy which includes our Reward Principles:

Attract, motivate and keep great people	Reward our people for doing the right thing having regard to our customers and shareholders	Focus on **how** things are achieved as much as **what** is achieved	Fair and simple to understand

With remuneration delivered to our CEO and Disclosed Executives through:

See section 3.3 for overview of remuneration

Fixed remuneration (FR)	Variable remuneration	
	Short Term Variable Remuneration (STVR)	Long Term Variable Remuneration (LTVR)

Reinforced by aligning remuneration and risk:

Assessing behaviours based on ANZ's values and risk/compliance standards (including the BEAR)	Determining variable remuneration outcomes with risk as a multiplier – impacting outcomes at both a pool and individual level	Weighting remuneration toward the longer-term with a significant proportion at risk	Emphasising risk in the determination and vesting of LTVR RR (see section 5.2.4)	Reinforcing the importance of risk culture in driving sustainable long-term performance in the LTVR design
Providing material weight to non-financial metrics (particularly risk) in line with APRA requirements	Ensuring risk measures are considered over a long time horizon (up to 5 and 6 years)	Determining accountability and applying consequences where appropriate	Strengthening risk consequences with clawback (see section 5.3)	Prohibiting the hedging of unvested equity

While supporting the alignment of executives and shareholders through:

Substantial shareholding requirements	Significant variable remuneration deferral up to 5 and 6 years in ANZ equity	Use of relative and absolute TSR hurdles	Consideration of cash profit and economic profit in determining the ANZ Incentive Plan (ANZIP) variable remuneration pool	Consideration of the shareholder experience (in respect of the share price and dividend) in determining ANZIP pool and individual outcomes

While governed by:

The Human Resources (HR) Committee and the Board determining FR and the variable remuneration outcomes for the CEO and each Disclosed Executive. Additionally, the CEO's LTVR outcome is also subject to shareholder approval at the AGM.

Board discretion is applied when determining performance and remuneration outcomes (including grant of short and long-term variable remuneration awards), before any scheduled release of previously deferred remuneration (see section 5.3), before the vesting of LTVR RR (see section 5.2.4), and in applying any required consequences (see section 6).

1. See the 'About our business' and 'Achieving our strategy' sections of the Annual Report.

4. 2022 outcomes

Variable remuneration is 'at risk' remuneration and can range from zero to maximum opportunity. Annual performance objectives are set at the Group and also at the Divisional/individual level at the start of each year. They are designed to be stretching yet achievable. The HR Committee and the Board make variable remuneration outcome decisions for the CEO and Disclosed Executives following lengthy and detailed discussions and assessment, supported by comprehensive analysis of performance from a number of sources. Where expectations are met, STVR is likely to be awarded around 80% of maximum opportunity. Where performance is below expectations, STVR will be less (potentially down to zero), and where above expectations, STVR will be more (potentially up to maximum opportunity). LTVR will be awarded at the beginning of the year, based on maximum opportunity unless the LTVR RR pre grant assessment results in any reduction (and also subject to shareholder approval for the CEO).

Remuneration outcomes have been presented in the following three ways:

i. **Actual remuneration received** (see section 4.1): Reflects the actual remuneration **received** in 2022 (i.e., cash paid and the value of **prior** equity awards which vested in 2022).

ii. **Year-on-year STVR awarded** (see section 4.2): Reflects actual cash and deferred shares components of STVR (or Annual Variable Remuneration (AVR)/Variable Remuneration (VR) in prior years) **awarded** in respect of the relevant financial year. As non-cash components are subject to future vesting outcomes, the awarded value may be higher or lower than the future realised value.

iii. **Statutory remuneration** (see section 9.1): Reflects remuneration in accordance with Australian Accounting Standards which includes FR and the amortised accounting value of variable remuneration (not the actual awarded or received value in respect of the relevant financial year).

4.1 2022 actual remuneration received

This table shows the remuneration the CEO and Disclosed Executives actually received in relation to the 2022 financial year as cash, or in the case of prior equity awards, the value which vested in 2022. The final column also shows the value of prior equity awards which lapsed/were forfeited in 2022 (these are the 2018 PR awards which partially met their performance hurdles when tested in November 2021).

FR was increased for the CRO on 1 October 2021 from \$1.1m to \$1.2m to improve alignment with the market. There were no other market adjustments to FR for Disclosed Executives in 2022.

Actual remuneration received in 2022 – CEO and Disclosed Executives:

Received value includes the value of prior equity awards which vested in that year

	Fixed remuneration $	Cash variable remuneration $	Total cash $	Deferred variable remuneration which vested during the year[1,2] $	Actual remuneration received[3] $	Deferred variable remuneration which lapsed/ forfeited during the year[1,4] $
CEO and Current Disclosed Executives						
S Elliott	2,500,000	930,000	**3,430,000**	2,570,069	**6,000,069**	(1,476,258)
M Carnegie	1,200,000	460,000	**1,660,000**	1,213,496	**2,873,496**	(557,157)
K Corbally	1,200,000	442,500	**1,642,500**	775,802	**2,418,302**	–
F Faruqui[5]	1,164,000	579,575	**1,743,575**	1,747,173	**3,490,748**	(731,262)
G Florian	1,100,000	442,500	**1,542,500**	788,778	**2,331,278**	(348,210)
K van der Merwe	1,000,000	400,000	**1,400,000**	831,518	**2,231,518**	(383,026)
A Watson[6]	1,062,629	422,742	**1,485,371**	426,037	**1,911,408**	(40,188)
M Whelan	1,400,000	535,000	**1,935,000**	1,697,449	**3,632,449**	(757,400)
Former Disclosed Executives						
S Buggle[5]	33,000	n/a	**33,000**	–	**33,000**	–
M Hand[5]	492,000	n/a	**492,000**	770,215	**1,262,215**	(348,210)

1. The point in time value of previously deferred remuneration granted as deferred shares/deferred share rights and/or performance rights is based on the one day Volume Weighted Average Price (VWAP) of the Company's shares traded on the ASX on the date of vesting or lapsing/forfeiture multiplied by the number of deferred shares/deferred share rights and/or performance rights. **2.** The vested value includes 51.6% of the performance rights awarded in November/December 2018 which vested in November/December 2021, noting that for the CEO they were settled by delivery of shares, which remain subject to a further one-year restriction period. **3.** The sum of fixed remuneration, cash variable remuneration and deferred variable remuneration which vested during the year. **4.** The lapsed/forfeited values relate to 48.4% of the performance rights awarded in November/December 2018 which lapsed in November/December 2021 due to the performance hurdles not being fully met. **5.** FR prorated for time as a Disclosed Executive. **6.** Paid in NZD and converted to AUD. Year to date average exchange rate used to convert NZD to AUD as at 30 September for the relevant year.

4.2 Year-on-year STVR awarded

These tables show a year-on-year comparison of STVR awarded to the CEO (previously referred to as AVR), and Disclosed Executives for the 2021 and 2022 performance periods (noting that for Disclosed Executives the STVR equivalent in previous periods relates to the cash and deferred shares component of variable remuneration).

2022 remuneration outcomes reflect both the overall performance of the Group and the performance of each individual/Division.

CEO

Year-on-year comparisons of maximum opportunity on a percentage basis (as shown in the below table) are not comparable – as the maximum opportunity has been reduced from 150% to 125% of STVR target in 2022. However when comparing outcomes as a percentage of target, the table highlights that despite the CEO's 2022 STVR outcome being higher as a % of target than 2021 (reflecting his better performance in 2022), his actual 2022 STVR dollar outcome is lower due to the reduced STVR opportunity in the new remuneration structure.

Year-on-year STVR awarded in the relevant financial year – CEO

			Actual STVR			STVR as % of	
	Financial year	STVR maximum opportunity $	Total STVR $	STVR cash $	STVR deferred shares $	Target opportunity	Maximum opportunity
CEO							
S Elliott	**2022**	**2,500,000**	**1,860,000**	**930,000**	**930,000**	**93%**	**74%**
	2021	3,750,000	2,000,000	1,000,000	1,000,000	80%	53%

Disclosed Executives

- The average STVR outcome for current Disclosed Executives is 78% of maximum opportunity, reflecting the overall ANZ Group performance assessment of 'slightly below expectations' (see section 4.5.3). Outcomes as a percentage of maximum opportunity range from 71% to 96%, with the variability at the lower end of the range largely due to being behind schedule on building a Group wide non-financial risk framework (currently more Divisionally focused), weaker than expected revenue performance in Markets and some below target customer outcomes (in particular delays in the delivery of our digital innovation product ANZ Plus and home loan performance across the full year), and at the higher end, recognition of the successful execution of the Suncorp Bank purchase agreement and the progress made on the establishment of the new Non-Operating Holding Company (NOHC) structure.
- For the 2022 Disclosed Executives who were in role for full year 2021 and 2022, the year-on-year STVR dollar outcome has reduced on average by 31%, primarily due to the lower STVR opportunity in the new structure. For example as shown below, even where performance as a percentage of target is similar year-on-year, Disclosed Executives are receiving substantially reduced dollar outcomes. However, the outcomes as a percentage of maximum opportunity appear higher year-on-year because the maximum opportunity has been reduced from 150% to 125% of target in the new structure.
- Variable remuneration continues to differ both year-on-year and between different executives demonstrating the at risk nature of this element of remuneration and the variability in Group and individual performance year-on-year. See section 4.4 for details.

Year-on-year comparisons of maximum opportunity on a percentage basis (as shown in the below table) are not comparable – as the maximum opportunity has been reduced from 150% of the combined variable remuneration target under the previous structure, to 125% of just the STVR target under the new structure. The 2022 STVR opportunity is significantly lower in 2022 due to the changes in the remuneration structure.

Year-on-year STVR awarded in the relevant financial year – Disclosed Executives

	Financial year	STVR maximum opportunity[1] $	Actual STVR (STVR equivalent for 2021) Total STVR $	STVR cash $	STVR deferred shares $	STVR as % of Target opportunity	Maximum opportunity
Current Disclosed Executives							
M Carnegie	2022	1,250,000	920,000	460,000	460,000	92%	74%
	2021	2,376,000	1,138,500	569,250	569,250	72%	48%
K Corbally	2022	1,250,000	885,000	442,500	442,500	89%	71%
	2021	1,960,200	1,227,600	613,800	613,800	94%	63%
F Faruqui[2]	2022	1,212,500	1,159,150	579,575	579,575	120%	96%
G Florian	2022	1,150,000	885,000	442,500	442,500	96%	77%
	2021	2,147,310	1,353,000	676,500	676,500	95%	63%
K van der Merwe	2022	1,040,000	800,000	400,000	400,000	96%	77%
	2021	1,795,860	1,188,000	594,000	594,000	99%	66%
A Watson[3]	2022	1,108,830	845,483	422,742	422,742	95%	76%
	2021	2,135,790	1,374,335	687,167	687,167	97%	64%
M Whelan	2022	1,460,000	1,070,000	535,000	535,000	92%	73%
	2021	2,526,480	1,620,300	810,150	810,150	96%	64%
Former Disclosed Executives							
S Buggle[2,4]	2022	41,250	n/a	n/a	n/a	n/a	n/a
	2021	1,393,920	924,000	462,000	462,000	99%	66%
M Hand[2]	2022	615,000	n/a	n/a	n/a	n/a	n/a
	2021	2,376,000	1,089,000	544,500	544,500	69%	46%

1. The 2022 maximum STVR opportunity is based on the Disclosed Executive's new FR (as shown in charts in section 3.4). **2.** STVR prorated for time as a Disclosed Executive. **3.** Paid in NZD and converted to AUD. Year to date average exchange rate used to convert NZD to AUD as at 30 September for the relevant year. **4.** S Buggle's 2021 and 2022 STVR reflects the period he acted as CFO.

4.3 Application of Reward Principles

In considering variable remuneration outcomes the HR Committee and Board reflect on the application of ANZ's Reward Principles:

- **Reward our people for doing the right thing having regard to our customers and shareholders:** Variable remuneration should be primarily based on 'outcomes' rather than 'effort' and proportionate relative to performance. It also needs to consider the experience and expectations of a range of stakeholders (including shareholders, customers, employees, community and regulators).
- **Attract, motivate and keep great people:** In determining remuneration outcomes, the Board acknowledge the importance of balancing performance with being market competitive to ensure retention of key talent – particularly in a competitive talent landscape.
- **Focus on how things are achieved as much as what is achieved:** The Board ensures that appropriate consideration and weight is given to performance against objectives (which includes a risk modifier), a risk standards assessment (capturing financial and non-financial risks), and how that performance was achieved (i.e., in accordance with our values and purpose).
- **Fair and simple to understand:** Variable remuneration should be fair and consistent through the cycle and have regard to external influences outside of management's control.

4.4 Variable remuneration – detail

4.4.1 CEO PERFORMANCE, STVR AND LTVR

Performance

With regard to STVR, the CEO is assessed 50% on the ANZ Group Performance Framework and 50% on achievement of individual strategic objectives aligned to ANZ's strategy. Both the ANZ Group Performance Framework and individual strategic objectives are agreed by the Board at the start of the financial year and are stretching.

WEIGHTING OF FINANCIAL METRICS

STVR

The CEO's STVR is not formulaic – outcomes are moderated by the Risk element of the ANZ Group Performance Framework and the Board's judgement on the appropriate STVR considering all aspects of performance.

LTVR

TSR (both relative and absolute) continue to determine the outcome of LTVR PR (50% LTVR weighting). However, LTVR now also includes a 50% weighted RR award that is primarily focused on risk-based measures (as part of the pre grant and pre vest assessments – see section 5.2.4). This ensures LTVR has a material weight to non-financial measures as required under the new APRA Prudential Standard *CPS 511 Remuneration*.

At the end of the financial year, ANZ's performance is assessed against the ANZ Group Performance Framework, and the CEO's performance is also assessed against this, along with his individual strategic objectives, the ANZ values (behaviours), delivery of the BEAR obligations and ANZ's risk and compliance standards. In conducting the CEO's performance assessment, the HR Committee seeks input from the Chairman, CRO (on risk management), CFO (on financial performance), GE T&C (on talent and culture matters) and Group General Manager Internal Audit (GGM IA) (on internal audit matters). Material risk, audit and conduct events that have either occurred or come to light in the year are also considered together with input from both the Audit Committee and the Risk Committee of the Board.

The Board has assessed the CEO's 2022 performance as follows:

ANZ Group Performance Framework	=	Slightly below expectations (see section 4.5.3)
Individual strategic objectives	=	Met expectations (see Board assessment below)
ANZ values	=	Above expectations
Individual risk/compliance assessment	=	Met expectations
Overall	=	Met most but not all expectations

The Board has considered the CEO's performance in determining the appropriate STVR outcome for 2022. The Board determined that an STVR outcome of 74% of maximum opportunity was appropriate.

2022 CEO individual strategic objectives

- Lead and role model the culture and accountability required to transform ANZ
- Enhance the reputation of ANZ across all stakeholder groups
- Drive the strategic direction of the organisation with a particular focus on growth, restore Home Lending momentum in Australia and embed our digital transformation, Sustainability, Platforms and Ecosystems
- Focus on sound risk management, operational excellence and resilience including system stability, to ensure ANZ has robust and reliable platforms to support long-term growth
- Materially progress the productivity initiatives to improve customer and staff experience while driving the bank operating costs towards a materially reduced run rate
- Continue to build ExCo effectiveness and succession pipelines for ExCo and CEO

Board assessment of performance on individual strategic objectives:

The CEO, supported by his executive team, performed well in a challenging environment. In particular, the CEO led the team in the achievement of a number of important outcomes which will transform and position ANZ for long-term sustainable performance and growth. These include:

- Successful execution of an agreement to purchase Suncorp Bank (which is now subject to regulatory approval), with a well-supported adjacent capital raising designed to provide the fairest possible outcome for all shareholders
- Taking a lead role in developing a new Australia Commercial strategy – while also driving operational improvements in the business
- Launching and consistently demonstrating the new cultural behaviours (aligned to our strategy)
- Launching ANZ Plus – a significant step forward in ANZ's digital transformation, laying the foundations for the future of the retail bank
- Achieving meaningful progress on environmental sustainability strategies
- De-risking of the business – exiting non-core customers and products, improving the quality of our processes and tightening risk appetite, a major achievement which sets us up well for the uncertain future
- Progressing the implementation of a NOHC structure – including the relevant regulatory approvals and ensuring ANZ is ready for implementation early in the new year (subject to shareholder approval at the Scheme Meeting following the 2022 AGM)

While there were some challenges impacting what was an overall strong performance year, the CEO ensured the necessary steps were taken to position ANZ well for 2023, as evidenced by:

- Driving a reset of our delivery approach for a new Group wide non-financial risk framework designed to drive a more integrated approach across the Group
- Further improvements to home loan processing capability and capacity, which contributed to quality growth with a focus on risk adjusted returns

The CEO role models ANZ's values. His focus on reshaping ANZ, leading by example, contributed to another strong year of employee engagement at 84% (compared to the Finance & Insurance Benchmark of 79%).

He has communicated clearly and with authenticity, maintained strong and positive relationships with regulators and government, and been proactive in managing our external reputation. As part of the broader focus on our Group purpose he has engaged regularly with non-profit partners, and environmental and other community groups.

The CEO has a key role in the management of risk, including active engagement in a range of risk forums and committees to set a clear tone in driving a strong risk culture. There have been ongoing strong outcomes from risk metrics including the long run loss rate, however, there were some delivery challenges which slowed down the implementation of a Group wide non-financial risk framework.

The CEO's risk focus encompasses ensuring ANZ has stable systems, and robust and reliable platforms. ANZ's performance in this area in 2022 has been solid, with no major regulatory breaches, positioning us well for long-term growth (see section 4.5.3 for details).

His continued focus on strong cost management discipline (i.e., 'run the bank' costs were broadly flat), along with productivity initiatives, has enabled ANZ to invest at record levels and improve the customer experience (e.g., simpler home loan offering in Australia, simpler process for refinancing loans for small businesses), and the employee experience (e.g., new technology platform to enable more effective and efficient workforce execution).

Executive development continued with the movement of Farhan Faruqui into the CFO role in October 2021, and Maile Carnegie to the position of Group Executive, Australia Retail in March 2022, following the separation of the Australia Retail and Australia Commercial businesses.

Financial performance included strong revenue momentum across all Divisions and strong performance on net interest margin and cost management.

While not all initiatives progressed as quickly as we would have liked, there were many positive achievements, and from a long-term strategy perspective, the CEO has significantly moved the dial in support of our future performance and growth.

STVR and LTVR

At the end of the financial year, the HR Committee makes a recommendation to the Board for their approval in respect of the CEO's STVR outcome.

The CEO's STVR will vary up or down year-on-year, it is not guaranteed, and may range from zero to a maximum opportunity.

The Board determined that an STVR outcome of $1.86m (74% of maximum opportunity) was appropriate for 2022 having regard to both the overall performance of the CEO and also the overall performance of the Group.

No LTVR award was made for 2022 for the CEO, as we transition to awarding LTVR at the beginning of the year rather than the end. The CEO's proposed 2023 LTVR of $3.375m ($3.5m in 2021) is subject to shareholder approval at the 2022 AGM.

Summary of total remuneration

Awarded remuneration shown below is significantly lower than 2021 due to nil LTVR award in 2022 year as we transitioned to the new remuneration structure and also the lower STVR award.

Received remuneration is higher in 2022 due to the increased value at vesting of previously awarded deferred shares which vested in 2022 and the 51.6% LTVR vesting outcome in 2022 compared to 43.3% in 2021, noting that the PR which vested in 2022 were settled by delivery of shares which remain subject to a further one-year restriction period.

Statutory remuneration reflects the accounting expense value for 2022 and is thus different to the remuneration received in 2022 (which includes prior year awards which vested).

Summary of total remuneration – CEO

	Awarded				Received[1]	Statutory[2]
	Fixed remuneration $	STVR $	LTVR (full face value) $	Total remuneration $	Total remuneration $	Total remuneration $
2022	**2,500,000**	**1,860,000**	**n/a[3]**	**4,360,000**	**6,000,069**	**5,489,133**
2021	2,500,000	2,000,000	3,500,000	8,000,000	5,752,821	5,473,399

1. Includes the value of previously awarded STVR deferred shares and LTVR performance rights at the date of vesting. **2.** Includes the value of STVR and LTVR that has been expensed in the year. **3.** No 2022 LTVR award due to change of awarding LTVR at the start (rather than end) of the year. 2023 LTVR proposal is $3.375m.

Historical STVR and LTVR

This table shows the STVR as a % of maximum opportunity and LTVR vesting outcomes for the CEO over the last five years.

In prior years the maximum STVR opportunity for the CEO was 150% of target, however under the new 2022 structure this has been reduced to 125% of target, therefore the 2022 STVR % of maximum opportunity shown below of 74% is not comparable with prior years.

If the maximum opportunity had remained at 150% of target, then the 2022 STVR outcome for the CEO (on a like for like basis) would have equated to 62% of maximum opportunity.

Historical STVR and LTVR – CEO

	2018	2019	2020 (post 50% COVID-19 reduction)	2021	2022
STVR[1] outcome (% of maximum opportunity)	56%	48%	33%	53%	**74%**
LTVR vesting outcome (% vested)	0%	21.8%	0%	43.3%	**51.6%**

1. Previously referred to as AVR pre-2022.

4.4.2 DISCLOSED EXECUTIVE PERFORMANCE

Performance

At the start of each year, stretching performance objectives are set in the form of Divisional Performance Frameworks for each of our Disclosed Executives, in alignment with the ANZ Group Performance Framework approved by the Board.

At the end of the financial year, the performance of each Disclosed Executive[1] is assessed against the ANZ Group Performance Framework (25% to 50% weighting), their Divisional Performance Framework, ANZ's values (behaviours), delivery of BEAR obligations and ANZ's risk and compliance standards.

The ANZ Group Performance Framework weighting for Disclosed Executives reinforces the importance of collective accountability and contribution to Group outcomes. The respective 2022 weighting varies based on role focus:

- 50% Group performance weighting: CFO, GE T&C, and GE Technology
- 25% Group performance weighting: CRO, GE Australia Retail, GE & CEO New Zealand, GE Institutional

Similar to the ANZ Group Performance Framework, the Divisional Performance Frameworks include the key elements of Financial Discipline and Operational Resilience, Customer, and People and Culture, with Risk acting as a modifier.[2] The weighting of each element varies to reflect the responsibilities of each individual's role. The Financial Discipline and Operational Resilience element weightings range from 20% to 35%.

The HR Committee seeks input from the CEO, and independent reports from Risk, Finance, Talent and Culture, and Internal Audit, and also reviews material risk, audit and conduct events, and seeks input from both the Audit Committee and the Risk Committee of the Board.

The HR Committee reviews and recommends to the Board for approval the overall performance outcomes for each Disclosed Executive.

STVR and LTVR

At the end of the financial year, the CEO and HR Committee determine STVR recommendations for each Disclosed Executive, which are ultimately approved by the Board[3]. STVR varies year-on-year in line with performance – it is not guaranteed and may be adjusted up or down ranging from zero to a maximum opportunity.

As highlighted in section 4, performance against objectives impacts STVR outcomes (e.g., where expectations are met, STVR is likely to be awarded around target which equates to 80% of maximum opportunity).

The degree of variance in individual STVR outcomes reflect the weighting of the Group component (i.e., roles with 50% Group weighting will generally have less differentiation), and relative performance of the different areas/individuals, ensuring appropriate alignment between performance and reward. The outcomes demonstrate the at risk nature of STVR, and that outcomes vary across the Disclosed Executives and also from year to year. The average 2022 STVR for Disclosed Executives is 78% of maximum opportunity (ranging from 71% to 96%).

Consistent with the CEO, no 2022 LTVR awards have been made to Disclosed Executives, as we transition to awarding LTVR at the start of the 2023 year under the new executive remuneration structure.

1. Performance arrangements for the CRO are addressed additionally by the Risk Committee. Performance arrangements for the Group Executive and CEO, New Zealand are determined and approved by the ANZ NZ HR Committee/ANZ NZ Board in consultation with and endorsed by the HR Committee/Board, consistent with their respective regulatory obligations. **2.** Except for the CRO who has a percentage weighting assigned to risk measures. **3.** Remuneration arrangements for the Group Executive and CEO, New Zealand are determined and approved by the ANZ NZ Board in consultation with and endorsed by the Board, consistent with their respective regulatory obligations.

Historical Disclosed Executive VR

This table shows the VR as a % of maximum opportunity for the executives who were disclosed over the last five years.

In prior years the maximum VR opportunity for Disclosed Executives was 150% of combined VR target, however under the new 2022 structure this has been reduced to 125% of STVR target component only, therefore the 2022 STVR % of maximum opportunity shown below of 78% is not comparable with prior years.

If the maximum opportunity had remained at 150% of target, then the average 2022 STVR outcome for Disclosed Executives (on a like for like basis) would have equated to 65% of maximum opportunity (and a range of 59% to 80%).

Historical Disclosed Executive VR

	2018	2019	2020 (post 50% COVID-19 reduction)	2021	2022
STVR[1] outcome (average % of maximum opportunity[2])	51%	45%	36%	60%	78%
STVR[1] outcome (range % of maximum opportunity[2])	40% – 60%	0% – 74%	31% – 44%	46% – 66%	71% – 96%
VR PR vesting outcome (% vested)	0%	21.8%	0%	43.3%	51.6%

1. Previously referred to as VR pre-2022. **2.** Pre 2022, % of maximum opportunity applied to the full VR due to the combined VR structure for Disclosed Executives in those years.

4.4.3 PR OUTCOMES (CEO AND DISCLOSED EXECUTIVES)

PR granted to the CEO in December 2018 and Disclosed Executives (excluding the CRO) in November 2018 reached the end of their performance period in November 2021. Based on performance against hurdles, 51.6% of these rights vested (noting that for the CEO they remain subject to a further one-year restriction period), the remaining 48.4% lapsed and executives received no value for this portion of the award.

PR outcomes

			Over three years				
Hurdle	Grant date[1]	First date exercisable[1]	ANZ TSR/ CAGR[2] TSR	Median TSR/ CAGR[2] TSR threshold target	Upper quartile TSR/CAGR[2] TSR maximum target	% vested	Overall PR outcome
75% relative TSR Select Financial Services (SFS) comparator group[3]	22-Nov-18	22-Nov-21	17.49%	5.60%	41.02%	68.85%	51.6% vested[4] and 48.4% lapsed
25% absolute CAGR[2] TSR	22-Nov-18	22-Nov-21	5.52%	10%	15%	0%	

1. Grant date for the CEO was 19 December 2018, and date first exerciseable was 19 December 2021. The CEO's performance period was the same as the performance period for Disclosed Executives. **2.** Compound Annual Growth Rate (CAGR). **3.** See section 5.2.5 for details of the SFS comparator group. **4.** For the CEO, remain subject to a further one-year restriction period.

4.5 ANZIP variable remuneration pool and Group performance

4.5.1 ANZIP VARIABLE REMUNERATION

The ANZ Incentive Plan (ANZIP) is the variable remuneration plan operating across ANZ.

With the exception of the CEO's STVR, individual variable remuneration outcomes for all other employees including STVR for Disclosed Executives are funded under ANZIP. The Board decides the CEO's variable remuneration outcomes separately to help mitigate potential conflicts of interest. See section 8.1.3.

At the end of each financial year the Board exercise their judgement to determine a fair and reasonable ANZIP pool. An assessment of financial performance guides the pool range but it is not a formulaic outcome. The Board considers a range of factors including:

- The ANZ Group Performance Framework assessment (see section 4.5.3).
- The quality of earnings and operating environment.
- The shareholder experience during 2022 (e.g., shareholder returns and dividend comparison with prior periods).
- Our Reward Principles (e.g., attract, motivate and keep great people).

4.5.2 ANZ GROUP PERFORMANCE FRAMEWORK

The ANZ Group Performance Framework is approved by the Board at the start of each year. The key objective of our Group Performance Framework is to enable aligned focus across the organisation on delivering the critical outcomes that matter most in delivering on our strategy. It plays a key role to:

- message internally what matters most;
- reinforce the importance of sound management in addition to risk, customer, people and financial outcomes; and
- inform focus of effort, prioritisation and decision-making across ANZ.

4.5.3 ASSESSMENT AGAINST THE ANZ GROUP PERFORMANCE FRAMEWORK FOR 2022

As managing risk appropriately is fundamental to the way ANZ operates, risk forms an integral part of the assessment, directly impacting the overall ANZ Group Performance Framework outcome (a modifier ranging from 0% to 110% of the ANZ Group Performance assessment).

RISK

modifier 0 to 110%

Overall assessment
Slightly below

×

CUSTOMER		PEOPLE & CULTURE		FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE
35% weight	+	**30%** weight	+	**35%** weight
Overall assessment Below		**Overall assessment** Met		**Overall assessment** Slightly above

=

OVERALL

Group Performance

Assessment
Slightly below expectations – but many objectives met or above target

Overall, this was another volatile year with a lot of economic uncertainty. COVID continued to provide challenges operationally and for our customers. The hard work de-risking and simplifying the Bank over the previous 5 years and the lessons from COVID in 2020 and 2021 meant ANZ was well positioned to manage through a fast-changing environment.

Despite these challenging circumstances, the achievement of many important initiatives position us well for 2023 and beyond (e.g., the agreement to acquire Suncorp Bank which will add more than one million retail customers and provide a platform for growth in the fast-growing Queensland market, the progress made on establishing the NOHC structure which if approved by shareholders will provide greater flexibility to grow value for shareholders, the new Australia Commercial strategy, sustainability investments), Australia home lending has also been returned to quality growth.

Despite many achievements, we assess our 2022 performance as slightly below expectations primarily due to the slower than expected progress on the build of a Group wide non-financial risk framework (the current framework is more Divisionally focused), and the later than expected launch of our digital innovation product ANZ Plus.

The below table outlines ANZ's performance objectives in 2022 and provides a summary of outcomes for each of the key performance categories to inform the overall assessment for 2022.

Performance against expectations is evaluated for each category using a holistic assessment of progress and outcomes delivered in line with our Group strategic priorities and annual focus areas.

A range of objective indicators and subjective factors are considered including management input on work undertaken, evidence of outcomes realised and lessons learned, and with consideration given to the operating, regulatory and competitive environment.

Risk

(modifier 0% to 110%)

Risk overall assessment:
Slightly below

Performance commentary	Performance against objectives
GROUP STRATEGIC PRIORITY: *Maintain risk discipline focused on good customer and regulatory outcomes.*	Below / Met / Above

With a constantly evolving economic, health, regulatory and political environment, our continued focus on strong risk discipline has become even more important, as evidenced by:

- the integration of Geo-Political Risk Capability into ANZ to inform of emerging risks, including development of contingency plans for medium to higher risk jurisdictions with trigger events;
- the strengthening of our climate risk management capabilities (e.g., improving our credit counterparty climate risk assessments to fulfil APRA's Climate Vulnerability Assessment);
- solid progress on implementing the Royal Commission recommendations (on track) and the Group wide capital efficiency program.

There were no major regulatory, credit, audit or market breaches. The de-risking of the business continued with further strengthening of the balance sheet and exiting non-core businesses. We continued to improve our risk infrastructure and processes, although did not make the progress we had hoped with regards to a new Group wide non-financial risk framework which we consider to be an important foundation for the future. The APRA imposed operational risk overlay of $500m remained. We rightly hold ourselves to a very high standard with respect to risk in particular, and therefore as we didn't achieve all expectations we have evaluated our Risk performance as slightly below target.

ANZ was measured by S&P's 2022 Corporate Sustainability Assessment[1], and was ranked in the 96th percentile globally in the banking sector (as at 23 September 2022) and commended in areas including financial wellbeing and social and environmental reporting.

2022 focus areas	Performance commentary	Performance against objectives (Below / Met / Above)
Deliver major regulatory commitments	• Strong progress has been made against major compliance regulatory commitments (e.g., APRA Risk Governance, Culture and Accountability Self-Assessment Attestation, ongoing enhancement of our Anti-Money Laundering program, APRA Capital Reforms Program, Reserve Bank of New Zealand standard BS11), however the complexity and magnitude of change with programs such as BS11 has impacted meeting some of our stretch delivery timeframes. • While each Division manages its operational risks and there has been investment in de-risking the businesses, we did not make the progress we had hoped with regards to building and embedding a new Group wide non-financial risk framework which we consider to be an important foundation for the future.	
Strengthen risk culture and progress towards target state	• There were a number of positive actions influencing risk culture including embedding the ANZ behaviours and raising awareness of risk culture through various channels and longer-term strategic activities. While we have advanced with the delivery of our Group wide non-financial risk framework this is not yet complete and so the target risk culture was not met in 2022.	
Deliver more effective controls to better protect the confidentiality, integrity and availability of systems	• The technology risk rating has improved through an enhanced control environment and uplifting capability. This has improved availability of systems and prevention, detection and mitigation of internal and external security threats. • A significant level of training support on how to manage technology risk was provided to >1,000 employees across all Divisions. • Cloud initiatives have supported the migration of ANZ applications to Cloud technologies in a safe and compliant manner, and the strengthening of ANZ's Cloud policy and framework.	
Continue to strengthen our reputation with the community and regulators	• Our regulatory and community reputation remains strong. • ANZ – particularly the CEO – engages regularly with non-profit partners, environmental groups and other community groups/leaders in line with our purpose to 'shape a world where people and communities thrive'. • Released fifth Reconciliation Action Plan focused on improving economic participation, supporting organisations to build capacity and individuals to achieve financial wellbeing. • ANZ's 'Speak Up' index from the August 2022 Engagement Survey continued to be high at 83%, reflecting sustained efforts over several years to encourage a speak up and risk culture where people feel they can challenge each other respectfully.	

1. Evaluates the sustainability performance of thousands of companies trading publicly, operated under a strategic partnership between S&P Dow Jones Indices and RobecoSAM (Sustainable Asset Management).

Customer

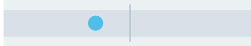
(35% weight)

Customer overall assessment:
Below

Performance commentary | **Performance against objectives**

GROUP STRATEGIC PRIORITY:
Deliver great customer outcomes, focused on improving the financial wellbeing and experience of priority segments.

Below Met Above

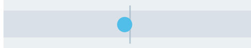
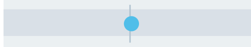
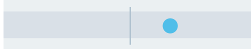


We continued to demonstrate our commitment to improve the financial wellbeing (FWB) of our customers (a core component of our business strategy), as evidenced by:

- greater than 850,000 FWB hub visits in Australia and New Zealand in 2022;
- a number of major campaigns to drive FWB (e.g., 2022 Australian Open campaign, the launch of a new brand platform 'For Financial Wellbeings', and new KiwiSaver 'Long term plans' campaign to get people thinking about their long term FWB), and the launch of ANZ Plus which has been designed around FWB.

Underlying performance in New Zealand and Institutional continued to be strong as we further embedded leading market positions (e.g., New Zealand Brand Consideration at all-time highs at >53%, and Australia Institutional continued to achieve various #1 customer ratings). Our Australia Commercial strategy detailing how ANZ is going to be the best bank for those who want to start and run a small business in Australia, was endorsed by the Board. Following a reduction in market share in the first half of the financial year, Australian home loan capability and capacity was rebuilt during the year while retaining a focus on risk and return. Performance was solid and we exit 2022 with decent momentum. Our launch of a new retail banking platform ANZ Plus has attracted ~50,000 customers since the formal marketing launch in July 2022. We are on track to launch our ANZ Plus Home Loan in 2023. Despite this success, it is later than we had hoped as we grappled with resourcing challenges due to COVID. We therefore evaluate our overall performance with respect to Customer as below target.

While not included in the 2022 objectives, there were a number of important initiatives in 2022 designed to deliver great customer outcomes in the future (e.g., agreement to acquire Suncorp Bank).

2022 focus areas	Performance commentary	Performance against objectives Below Met Above
Improve time to first decision for home loans in Australia	• Progress made on our home loan processing challenges in Australia – with median time to first decision for Broker and Mobile Lending applications reduced from 7.4 days in 2021 to 3.4 days in 2022. • However, we recognise more needs to be done in 2023 to deliver faster and more consistent application response times for our customers.	
Embed customer digital innovation propositions	• Manage My Money: ANZ Plus was launched in July 2022 and is now available in the Apple and Android app stores. Post a low key start, momentum improved towards the end of 2022 as marketing and Branch activity commenced. • Buy and Own a Home: Good progress made in delivering the supporting software.	
Strengthen and sustain complaints management practices	• AU: All actions arising from ASIC's 2019 review and 2021 regulatory changes completed, with a continuous improvement approach from 2023 (focusing on complaint capture at frontline, quality and fairness of complaint management, and the use of complaint data). • NZ: Complaint numbers consistent over 2022, however problem resolution satisfaction declined. Service complaints due to wait times (in both the Fraud and Online Store teams) increased, as volumes elevated in a challenging resourcing environment.	
Accelerate platforms, markets and sustainability strategies within Institutional	• Platforms: Strong progress on Platforms as a service including digital assets: AUD/NZD clearing services is a key pillar with continued customer onboarding and implementation of SWIFT Global Payments Invitation (GPI). Our Platform propositions (Agency, Clearing and Cash Management) continued to deliver high returns. Successful proof of concepts with our A$DC Stablecoin, including tokenised carbon trading in the digital assets space. • Markets: Commencement of in-house US Private Placements resulting in delivery of additional revenue. • Sustainability: Strong progress on delivering multi-billion dollar sustainable financing, with continued customer recognition for delivering sustainability solutions: Established a strategic partnership with Pollination, while commencing Project Wheatbelt (carbon farming and community regeneration).	
Strengthen position as a leading Sustainability bank	• Peter Lee[2] #1 Lead Sustainability Provider for Australia and New Zealand and Kanga News Global Coverage House of the Year – Sustainability and Australian Sustainability Debt House of Year.	

2. Peter Lee Associates 2022 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand.

People & Culture

(30% weight)

People & Culture overall assessment:
Met

Performance commentary	Performance against objectives		
GROUP STRATEGIC PRIORITY: *Build a culture where our diverse teams are engaged and optimised for success.*	Below	Met	Above
Our purposeful and continued focus on leadership and culture in one of the most challenging labour market environments in many years, is evidenced by our engaged workforce and recognition as a great place to work: • 84% engagement index[3] outcome (compared to Global Finance & Insurance average of 79%). • Awarded most popular graduate program in Australia at AFR's "Top 100 Graduate Employers" awards and #1 globally in SWOOP Analytics' 2021 Yammer Benchmarking for large firms. • Equal #1 position amongst major bank peers in Glassdoor[4] ratings. 2022 was another successful year, and our focus on purpose and values delivered strong outcomes with regards to talent retention and further building key skills required for the future. Gender diversity continued to improve although not at the same strong pace we experienced in previous years. Overall, we delivered People & Culture on target. Strategic initiative highlights include: • Launching and embedding our simplified culture behaviours. • Piloting a new leadership program to improve leadership capability. • Supporting employees to build new learning habits, with ~9,600 employees using our key digital learning platform each month. • Strong progress on our Talent & Culture (T&C) technology uplift program to improve and simplify how our people interact with T&C services and systems.		●	

2022 focus areas	Performance commentary	Performance against objectives		
		Below	Met	Above
Drive a culture of performance	Our focus was on simplifying expectations, and supporting our teams, whilst refining where and how we work through the: • launch of a simplified set of culture behaviours to help us achieve our purpose and strategy – with support for our people to understand them in practice. • provision of ongoing COVID support, including delivery of programs to facilitate a safe and effective return to office, and targeted webinars and content aligned to wellbeing and mental health.		●	
Attract, retain and develop people with the critical skills we need to reinvent banking	**Developing** • Executive Leadership Series launched to upskill leaders on critical topics linked to the Bank we're Building. • Customer Coaching program pilot commenced with 300 participants across Australia and New Zealand. • A more holistic Career Programs strategy developed. **Attracting** • Recruitment of >750 permanent engineers critical to delivering our strategy and active management of plans to strengthen data, digital and delivery expertise. • Leveraging campaigns, talent market places and other strategic sourcing techniques to attract in demand talent. **Retaining** • Retention hotspots identified. A range of interventions implemented to address attrition rates driven by an extremely tight labour market.		●	
Build the foundations for long-term, sustainable improvement in gender diversity	• Overall women in leadership (WIL) was at 35.9%, up slightly (0.6%) on last year (with intense competition for talent and tight discipline over FTE impacting the degree of uplift). Positively, WIL in revenue generating roles increased from 28% to 30%. • Good progress was made in 2022 in building the foundations to improve gender diversity outcomes over the long-term, including: – Progress against Gender Action Plan and roll out of the Diversity & Inclusion playbook. – Recruitment of 57% females into the Australian graduate program. – Update of executive promotion process to improve gender diversity. – Achievement of Family Inclusive Workplace certification.		●	

3. Based on a new research-based engagement index. **4.** Glassdoor is a website where employees and former employees anonymously review companies and their management.

Financial Discipline & Operational Resilience

(35% weight)

Financial Discipline & Operational Resilience overall assessment:
Slightly above

Performance commentary | **Performance against objectives**

GROUP STRATEGIC PRIORITY:

Run core businesses well, focused on delivering sustainable growth and operational improvements.

Below | Met | Above

Despite the ongoing challenges in the environment, ANZ delivered strong financial outcomes which reflect the execution of our long-term strategy and the benefits of our diversified portfolio of businesses.

Strong margin and lending momentum was evident across all Divisions, with a disciplined focus on quality growth and risk-adjusted returns. Within the Australian Home Loans business, further improvements to operational capacity and process resilience helped deliver consistently faster turnaround times and led to strong volume growth momentum in the second half of the financial year.

Costs were again well managed. Despite the emergence of inflationary pressures, 'run the bank' costs were broadly flat as we continued to reduce operational complexity and simplify the business. This enabled continued high levels of investment in the business, allowing for progress on growth and productivity initiatives, such as ANZ Plus and Cloud migration.

We continued to prudently manage risk. The low level of individual provisions is a function of ongoing portfolio credit quality improvements, while the collective provision balance appropriately factors in the uncertain domestic and global economic outlook. Our capital position remains strong, enabling us to profitably grow the balance sheet and fund the acquisition of Suncorp Bank.

Overall, the performance on Financial Discipline & Operational Resilience was slightly above target.

2022 focus areas	Performance commentary	Performance against objectives: Below / Met / Above
Deliver Group Economic Profit to plan or better in a high-quality manner	• On a cash continuing basis, Economic Profit[5] of $1,080m was generated in 2022, up 81% on prior year. Additionally, cash profit from continuing operations increased 5%, profit before provisions increased 7% and ROE increased 47 bps reflecting a strong outcome for shareholders. • Excluding large/notable items[6], revenue grew 2% for the financial year benefiting from disciplined volume growth and margin management across all our businesses. While our Markets customer franchise performed strongly, lower balance sheet trading income caused by volatile market conditions saw total Markets revenue fall. For second half, revenue grew 10% with strong exit rate momentum. • Cost management remained disciplined despite inflationary pressures, with 'run the bank' costs broadly flat year-on-year. Overall costs increased, a factor of continued high levels of investment to grow and simplify the business and meet our regulatory and compliance obligations, and a higher proportion of investment spend being directly expensed. • The credit quality of our lending portfolio remains strong, with long-run loss rates continuing to decline and low levels of individual provisions in 2022. • Capital and liquidity continued to be well managed. CET1 (level 2) of 12.3% remains above regulatory minimums, while enabling profitable balance sheet growth and completing a $3.5bn capital raise to partially fund the acquisition of Suncorp Bank.	
Drive BAU productivity improvements	• Incremental 'run the bank' cost savings of $250m were delivered in 2022 via the Accelerated Strategy program, enabling 'run the bank' costs to remain broadly flat. • The savings were achieved via a series of initiatives focusing on the continued move to a modern Cloud-based technology architecture, greater digital adoption for customers and employees and more streamlined business processes.	
Restore Australia home lending momentum	• Australia home lending volumes +4.9bn (or +1.8%) in 2022. Additional operational capacity and process resilience has seen home loan application volumes improve over the course of the year, with the majority of FUM growth delivered in the second half of the year, and the strongest FUM growth in the month of September.	
Progress further on Cloud migration journey	• Our technology continues to be modernised and we have exceeded targets with more than 12,000 systems migrated to Cloud or decommissioned (target 9,000), with 31% of applications now on Cloud.	
Demonstrate progress towards improving our legal structure	• Well progressed on the NOHC legal restructure with preparation activities on track to implement in 2023, subject to receipt of all regulatory and shareholder approvals.	

5. Economic profit is a risk adjusted profit measure used to evaluate business unit performance and is not subject to audit by the external auditor. Economic profit is calculated via a series of adjustments to cash profit with the economic credit cost adjustment replacing the accounting credit loss charge; the inclusion of the benefit of imputation credits (measured at 70% of Australian tax) and an adjustment to reflect the cost of capital. **6.** Large/notable items include the impact of divestments, merger and acquisition related items, customer remediation, litigation, restructuring, withholding tax, lease modification and Asian Associate items.

Overall

ANZ Group Performance assessment:
Slightly below expectations

	Below	Met	Above
Despite a strong outcome in Financial Discipline & Operational Resilience, and on target performance for People & Culture, some areas for improvement in Customer and slower than expected progress in regards to building a Group wide non-financial risk framework in line with our high expectations, resulted in an overall Board assessment of slightly below target. However, the Board recognised that many objectives were met or exceeded in difficult circumstances, and several important achievements (e.g., Suncorp Bank purchase agreement, NOHC, Cloud) have positioned us well for the long-term.			

4.5.4 ANZ PERFORMANCE OUTCOMES

ANZ's financial performance 2018–2022

As highlighted in section 4.5.1, when determining variable remuneration outcomes for the CEO, Disclosed Executives and employees a range of different financial indicators are considered. The Group uses cash profit[1] as a measure of performance for the Group's ongoing business activities, as this provides a basis to assess Group and Divisional performance against earlier periods and against peer institutions. The adjustments made in arriving at cash profit are included in statutory profit which is subject to audit. Although cash profit is not audited, the external auditor has informed the Audit Committee that the cash profit adjustments have been determined on a consistent basis across each period presented.

Statutory profit has increased 16% compared to the prior financial year, while cash profit from continuing operations has increased 5%. Part of the improvement has been driven by fewer one-off charges and divestment losses in the prior financial year. Underlying performance reflects stronger revenue, a focus on investing for growth.

During 2022 the Group completed a $1.5bn share buy-back to return surplus capital to its shareholders and announced the proposed acquisition of Suncorp Bank to accelerate the growth of our Australia Retail and Australia Commercial businesses, anticipated to complete in calendar year 2023 (subject to regulatory approval). The expected acquisition will be partly funded by the $3.5bn equity raise in 2022. See 'Note 24 Shareholders' Equity' of the Annual Report.

The table below provides ANZ's financial performance, including cash profit, over the last five years.

	2018	2019	2020	2021	2022
Statutory profit attributable to ordinary shareholders ($m)	6,400	5,953	3,577	6,162	**7,119**
Cash profit[1] ($m, unaudited)	5,805	6,161	3,660	6,181	**6,496**
Cash profit – Continuing operations ($m, unaudited)	6,487	6,470	3,758	6,198	**6,515**
Cash profit before provisions – Continuing operations ($m, unaudited)	9,966	9,958	8,369	8,396	**8,968**
Cash ROE (%) – Continuing operations (unaudited)	11.0	10.9	6.2	9.9	**10.4**
Cash EPS – Continuing operations (unaudited)[2]	243.5	220.2	128.7	216.5	**228.8**
Share price at 30 September ($) (On 1 October 2017, opening share price was $29.60)	28.18	28.52	17.22	28.15	**22.80**
Total dividend (cents per share)	160	160	60	142	**146**
Total shareholder return (12 month %)	0.6	9.2	(36.9)	70.7	**(14.0)**

1. Cash profit excludes non-core items included in statutory profit with the net after tax adjustment a reduction to statutory profit of $623m for 2022, made up of several items. It is provided to assist readers understand the results of the core business activities of the Group. **2.** Cash earnings per share has been restated to reflect the bonus element of the share entitlement issue in 2022, in accordance with AASB 133 *Earnings per Share*.

ANZ TSR performance (1 to 10 years)

The table below compares ANZ's TSR performance against the median TSR and upper quartile TSR of the PR Select Financial Services (SFS) comparator group[1] over one to ten years, noting that for this table TSR is measured over a different timeframe (i.e., to 30 September 2022) to the performance period for our PR.

- ANZ's TSR performance was above the median TSR of the SFS comparator group[1] when comparing over three and five years; and
- below the median over one year and ten years.

	Years to 30 September 2022			
	1	3[2]	5	10
ANZ (%)	**(14.0)**	**(7.3)**	**0.2**	**59.5**
Median TSR SFS (%)	(12.6)	(14.1)	(2.0)	88.4
Upper quartile TSR SFS (%)	8.4	25.5	51.2	166.6

1. See section 5.2.5 for details of the SFS comparator group. **2.** The outcomes for PR granted in November/December 2018 and tested in November 2021 are detailed in section 4.4.3.

5. 2022 executive remuneration structure and delivery

There are two core components of remuneration at ANZ – FR and at risk variable remuneration.

In structuring remuneration, the Board aims to find the right balance between fixed and variable remuneration (at risk), the way it is delivered (cash versus deferred remuneration) and appropriate deferral time frames (the short, medium and long-term).

The Board sets (and reviews annually) the CEO and Disclosed Executives' FR based on financial services market relativities and reflecting their responsibilities, performance, qualifications and experience. The annual market review of FR initially scheduled for September 2022 has been deferred until early 2023 to ensure the Board has a clearer picture of the impact of any remuneration changes in the market as a result of APRA's new Prudential Standard *CPS 511 Remuneration*.

The CEO and Disclosed Executives' variable remuneration is comprised of STVR and LTVR consistent with external market practice.

Variable remuneration is designed to focus our CEO and Disclosed Executives on stretching performance objectives supporting our business strategy, risk management and the delivery of long-term stakeholder value.

Variable remuneration outcomes are based on a range of measures (as illustrated below), with material weight provided to non-financial measures in accordance with Prudential Standard *CPS 511 Remuneration*. Our variable remuneration approach has a strong focus on driving long-term sustainable outcomes for shareholders. For example, STVR outcomes include a number of objectives that are considered key drivers of shareholder value, and the significant weighting to the LTVR component (>60% of VR) as well as 50% of STVR delivered as ANZ shares, aligns a large proportion of executive remuneration to the shareholder experience (in respect of the share price and dividend).

STVR
Mix of financial and non-financial measures

Key Individual Assessment Inputs

ANZ values Behaviours	Risk/compliance Including material events	BEAR obligations
ANZ Group Performance Framework 25%-50% weighting	Individual strategic objectives/Divisional Performance Framework 50%-75% weighting	Control function input Risk, Finance, T&C, Audit

FY22 ANZ Group Performance Framework
Objectives below are examples of key drivers of shareholder value

RISK (MODIFIER)
Maintain risk discipline focused on good customer and regulatory outcomes
- Deliver major regulatory commitments
- Strengthen risk culture

×

CUSTOMER (35%)
Deliver great customer outcomes, focused on improving financial wellbeing and experience of priority segments
- Improve time to first decision for Australia home loans
- Embed digital value propositions
- Accelerate platforms, markets and sustainability strategies within Institutional

+

PEOPLE & CULTURE (30%)
Build a culture where our diverse teams are engaged and optimised for success
- Drive a culture of performance
- Attract, retain and develop people with critical skills to reinvent banking

+

FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE (35%)
Run core businesses well, delivering sustainable growth and operational improvements
- Deliver economic profit to plan or better in a high-quality manner with sustainable returns
- Restore Australia home lending momentum and sustainably grow market share in target segments

Additional financial and non-financial overlays considered by the Board in determining Group and individual performance and the size of the ANZIP pool include:
- Broader financial performance (beyond scorecard measures)
- The quality of earnings and operating environment
- The shareholder experience (e.g., share price growth and dividend comparison with prior periods)

LTVR RR
Mostly non-financial

LTVR PR
Financial

ALIGNED TO SHAREHOLDER EXPERIENCE

Prudential Soundness
- Capital ratio and liquidity prudential minimums

Risk Measures
- Material risk outcomes
  Considers all risk types including capital adequacy risk, compliance risk, credit risk, liquidity and funding risk, market risk, operational risk, strategic risk, technology risk and conduct risk
- APRA active supervision
- Risk culture

TSR
- 75% relative TSR
  Rewards for performance relative to that of SFS comparator group
- 25% absolute TSR
  Ensures there is a continued focus on providing positive growth – even when market is declining

  Measures absolute CAGR

STVR and LTVR provide material weight to non-financial measures as per *CPS 511*

By deferring a significant portion of variable remuneration (79% of maximum opportunity for the CEO and Disclosed Executives and 75% for the CRO), we seek to ensure alignment with shareholder interests, to deliver on ANZ's strategic objectives, and to ensure a focus on long-term value creation. Deferred variable remuneration has significant retention elements, and most importantly, can be adjusted downwards, including to zero, allowing the Board to hold executives accountable, individually or collectively, for the longer-term impacts of their decisions and actions.

Board discretion is applied when determining all CEO and Disclosed Executive variable remuneration outcomes including:

- STVR and LTVR outcomes for each financial year;
- LTVR vesting outcomes (pre vest assessment);
- Consideration of malus or further deferral before any scheduled release of previously deferred remuneration;
- Consideration of clawback for up to two years post payment or vesting of variable remuneration from 2022 onwards. See section 5.3.

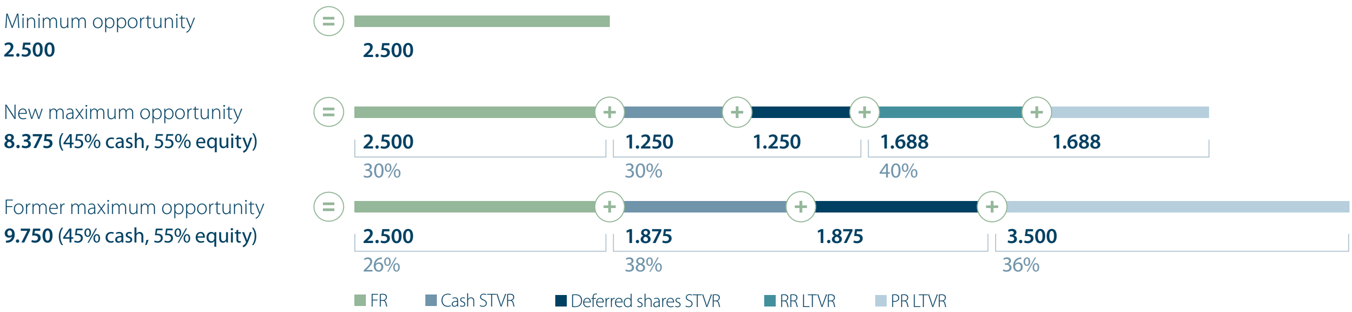
5.1 Remuneration mix

As highlighted in section 3, the CEO and Disclosed Executives now have an aligned remuneration mix (30% FR, 30% STVR and 40% LTVR at maximum opportunity), and structure (with the exception of longer deferral for the CEO in line with APRA's deferral requirements).

CEO

This chart below highlights that despite the reduction in total remuneration opportunity, the LTVR component has only reduced slightly to reinforce the long-term focus and alignment to the shareholder experience.

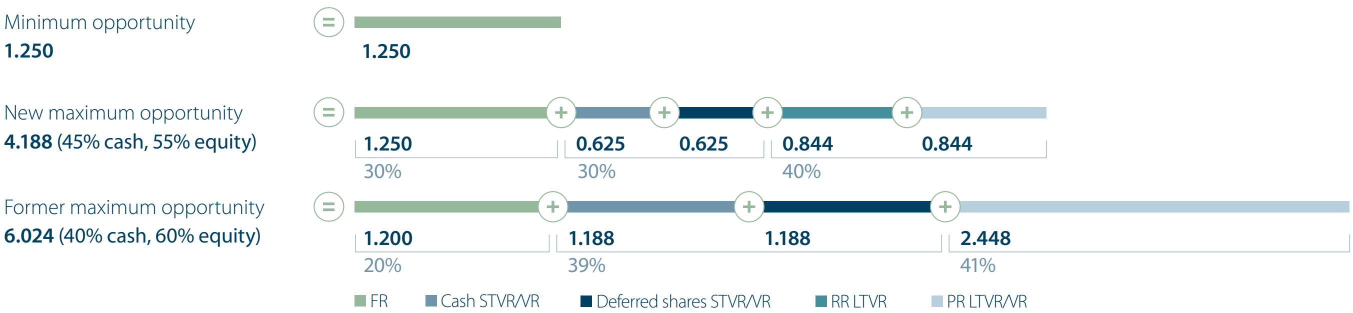
Remuneration mix – CEO ($m)



Disclosed Executives

The chart below highlights the significant (~30%) reduction in maximum opportunity for Disclosed Executives (i.e., -$1.837m in this example). Under the former combined VR structure the maximum opportunity of 150% was applied to the combined VR, while under the new structure the maximum opportunity has been reduced to 125% and is applied to the STVR only.

Remuneration mix – Disclosed Executives[1] ($m)



1. Excluding CRO.

CRO

To preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation, the CRO's remuneration arrangements differ to other Disclosed Executives.

While the STVR opportunity (100% of FR) is the same as the CEO and Disclosed Executives, the LTVR opportunity is different (100% of FR instead of 135% of FR) reflecting the delivery of LTVR as 100% RR (instead of 50% RR and 50% PR). Maximum variable remuneration opportunity has reduced from 270% to 200% of FR for the CRO. The remuneration mix is 33.3% FR/33.3% STVR/33.3% LTVR.

Note for both Disclosed Executives and the CRO, as the Board decided to defer payment of the ~4% FR structural increase for Disclosed Executives to 2023, excluding the FR increase, the 2022 actual maximum opportunity remuneration mix for Disclosed Executives is 29% FR/30% STVR/41% LTVR (and for the CRO 32% FR/34% STVR/34% LTVR).

5.2 Variable remuneration delivery

Variable remuneration for the CEO and the Disclosed Executives (excluding the CRO) is delivered as follows:

- STVR as 50% cash and 50% shares deferred equally over years 2 and 3; and
- LTVR as RR and PR deferred over:
  - year 4 (33%), year 5 (33%) and year 6 (34%) for the CEO; and
  - year 4 (50%) and year 5 (50%) for Disclosed Executives.

Both RR and PR are tested against the relevant performance condition (see section 5) at the end of the four-year performance period and are then subject to additional holding period(s) until the completion of the respective deferral periods.

At target performance, 63% of variable remuneration for the CEO and Disclosed Executives, and 56% of variable remuneration for the CRO will be deferred for at least four years (from the date the Board approved the variable remuneration in October (and the date shareholders approve the CEO's LTVR)), noting that this complies with the BEAR minimum deferral requirement of 60% for the CEO and 40% for Disclosed Executives. If the CEO receives above target STVR, the amount above target will be delivered as 40% cash and 60% deferred shares (20% year 4, 20% year 5, 20% year 6) to ensure compliance with the minimum deferral requirements with respect to BEAR and APRA's Prudential Standard *CPS 511 Remuneration*.

Before any scheduled release of deferred remuneration, the Board considers whether malus should be applied to previously deferred remuneration (or further deferral of vesting) for the CEO and Disclosed Executives. The Board will also consider whether clawback should be applied to variable remuneration granted for the 2022 financial year and beyond. See section 5.3.

5.2.1 STVR CASH – CEO AND DISCLOSED EXECUTIVES

The cash component of STVR is paid to executives at the end of the annual Performance and Remuneration Review (December 2022), and from 2022 is subject to clawback for two years post payment.

5.2.2 STVR DEFERRED SHARES – CEO AND DISCLOSED EXECUTIVES

By deferring 50% of an executives' STVR as deferred shares over years two and three (and it remaining subject to malus and clawback), we enable a substantial amount of their STVR to be directly linked to delivering shareholder value. We grant deferred shares in respect of performance for the 1 October to 30 September financial year in late November each year.

For deferred variable remuneration for the CEO and Disclosed Executives, we calculate the number of deferred shares to be granted based on the VWAP of the shares traded on the ASX in the five trading days leading up to and including 1 October (i.e., in line with the beginning of the financial year). Allocations prior to the 2022 financial year are based on the VWAP in the five trading days leading up to and including the date of grant. The VWAP used for allocation varies from the fair value VWAP used for disclosure and expensing purposes (i.e., one-day VWAP at the date of grant).

In some cases, we may grant deferred share rights to executives instead of deferred shares. Each deferred share right entitles the holder to one ordinary share.

5.2.3 LTVR – CEO AND DISCLOSED EXECUTIVES

LTVR reinforces the focus on achieving longer term strategic objectives, driving outperformance relative to peers, and creating long-term sustained value for all stakeholders. The following table details design features common to both LTVR RR and PR.

As part of the transition to the new remuneration structure there is no 2022 LTVR grant, however this section details the LTVR approach that will apply to the 2023 LTVR award to be granted around November/December 2022.

Element	Detail
Description	RR and PR provide a right to acquire one ordinary ANZ share at nil cost – as long as applicable time and performance conditions are met. Their future value may range from zero to an indeterminate value. The value depends on performance against the applicable performance condition and on the share price at the time of exercise.
Performance period	Both RR and PR have a four-year performance period commencing from 1 October and ending four years later on 30 September (e.g., 1 October 2022 to 30 September 2026 for the 2023 grant), noting that LTVR will now be awarded at the start of the financial year (rather than the end). A four-year performance period provides sufficient time for longer term performance to be reflected.
Deferral periods	The deferral period is the sum of the four-year performance period and the applicable holding period. The holding period commences the day after the end of the four-year performance period (e.g., 1 October 2026 in the case of the 2023 LTVR award), and finishes on the 4th, 5th or 6th anniversary of grants.
Exercise period	Rights can only be exercised at the end of the relevant deferral period (4, 5 or 6 years) when the rights vest and become exercisable. There is a two-year exercise period which commences at the end of the relevant deferral period for RR and PR.

Element	Detail
Expensing	ANZ engages PricewaterhouseCoopers to independently determine the fair value of RR and PR, which is only used for expensing purposes. They consider factors including: the market performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date.
Dividends	A dividend equivalent payment (DEP) is paid in cash at the end of the relevant deferral period, but is only made to the extent that all or part of the underlying rights meet the relevant performance condition and vest to the individual. Dividend equivalents accrue over the full deferral period for RR, and only during the holding period for PR.
Allocation basis	The value the Board uses to determine the number of RR and PR to be allocated to the CEO and Disclosed Executives is the face value of the Company's shares traded on the ASX in the five trading days leading up to and including 1 October (beginning of the financial year and LTVR performance period). LTVR will be awarded around the start of the financial year in late November/early December for Disclosed Executives and December for the CEO (subject to shareholder approval).

5.2.4 LTVR RESTRICTED RIGHTS – CEO AND DISCLOSED EXECUTIVES

The introduction of RR ensures that LTVR provides material weight to non-financial measures (as required under APRA's Prudential Standard *CPS 511 Remuneration*), as well as supporting long-term alignment with shareholders.

The Board was very considered in working through the appropriate measures for RR. A holistic assessment of measures across STVR and LTVR components was considered to reduce the risk of a 'double impact' to remuneration outcomes. Having a risk-based focus reflects the intent of the new Prudential Standard *CPS 511 Remuneration* in ensuring remuneration arrangements appropriately incentivise individuals to prudently manage risks. The performance conditions have been designed to ensure there is focus on both material risk events and building a strong risk culture over the longer term.

<table>
<tr><th>Element</th><th colspan="3">Performance condition detail</th></tr>
<tr><td rowspan="4">RR pre grant and pre vest assessments</td><td colspan="3">Pre grant assessment purpose: Determines whether any reduction should be made to RR award value and is primarily based on outcomes in the prior financial year.

Pre vest assessment purpose: Determines whether the RR amount awarded should vest in full and is based on outcomes over the four-year performance period.

The pre grant and pre vest assessments also take into consideration any adjustments already applied for the same event/outcomes in either the current or prior years (i.e., adjustments to STVR and LTVR, malus and clawback), to ensure the overall impact is fair and proportionate to the severity of the outcome. Therefore, given other remuneration adjustments are likely to be considered first, and as the award of RR is future focused, it is anticipated that RR will be allocated at maximum value in most years – unless the outcome of the following three assessment steps determines otherwise.</td></tr>
<tr><td>STEP 1
Assess Prudential soundness</td><td>STEP 2
Assess risk measures</td><td>STEP 3
Apply Board discretion</td></tr>
<tr><td>• Nil award if ANZ does not meet capital ratio and liquidity prudential minimums.</td><td>• Consideration of any Material Risk Outcomes from executive actions or inactions which is expected to/or has resulted in significant impacts.
• Consideration of any significant adverse change in APRA's Active Supervision level.
• Consideration of Risk Culture (additional measure for pre vest) that examines whether or not ANZ has maintained (or made progress towards) a sound risk culture, considering both executive actions or inactions.</td><td>• Board to determine whether any reduction should be made to LTVR RR outcome based on consideration of a range of factors, including:
– the outcomes from steps 1 and 2;
– the impact, if any, of the issue/s on ANZ's reputation/standing in the market;
– whether the issue was specific to ANZ, the banking industry or the broader market;
– any impacts already applied (e.g., re downward adjustment mechanisms, pre grant assessment impact to LTVR RR);
– whether any impact should be made on an individual or collective basis.</td></tr>
<tr><td colspan="3">The assessments are not intended to be formulaic given the circumstances requiring the application of Board discretion will typically be different or unique, however a Board decision making framework is in place to guide the Board in applying discretion.</td></tr>
</table>

Element	Performance condition detail
Material risk outcomes process	The consideration of material risk outcomes is a key process that forms part of our broader Accountability and Consequence Framework (A&CF) (see section 6), and is a comprehensive bottom-up process designed to ensure that all relevant events are surfaced and considered appropriately. Key steps include: • Risk, conduct and audit events are reported in ANZ's Compliance & Operational Risk System. • Divisional Accountability Groups review serious audit events, and conduct themes and trends, and provide recommendations regarding accountability and consequences. • Enterprise Accountability Group (EAG) reviews recommendations of the Divisional Accountability Groups and make final determination. • HR Committee reviews most serious risk, conduct and audit events (as part of independent report from CRO) and determines impacts at the Group, Division and individual level for the CEO and ExCo.

5.2.5 LTVR PERFORMANCE RIGHTS – CEO AND DISCLOSED EXECUTIVES EXCLUDING THE CRO

Element	Performance condition detail
Performance rights hurdles	The PR have TSR performance hurdles reflecting the importance of focusing on achieving longer term strategic objectives and aligning executives' and shareholders' interests. We will apply two TSR performance hurdles for the 2023 grants of PR: • 75% will be measured against a relative TSR hurdle, tranche 1. • 25% will be measured against an absolute TSR hurdle, tranche 2. TSR represents the change in value of a share plus the value of reinvested dividends paid. We regard it as the most appropriate long-term measure – it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance. The combination of relative and absolute TSR hurdles provides balance to the plan by: • Relative: rewarding executives for performance that exceeds that of comparator companies; and • Absolute: ensuring there is a continued focus on providing positive growth – even when the market is declining. The two hurdles measure separate aspects of performance: • the relative TSR hurdle measures our TSR compared to that of the Select Financial Services (SFS) comparator group, made up of core local and global competitors. This comparator group is chosen to broadly reflect the geographies and business segments in which ANZ competes for revenue; and • the absolute CAGR TSR hurdle provides executives with a more direct line of sight to the level of shareholder return to be achieved. It also provides a tighter correlation between the executives' rewards and the shareholders' financial outcomes. We will measure ANZ's TSR against each hurdle at the end of the four-year performance period to determine whether each tranche of PR becomes exercisable. We measure each tranche independently from the other – for example one tranche may vest fully or partially but the other tranche may not vest.
Relative TSR hurdle for PR	The relative TSR hurdle is an external hurdle that measures our TSR against that of the SFS comparator group over four years. The SFS comparator group (unchanged from prior years) is made up of: Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Commonwealth Bank of Australia Limited; DBS Bank Limited; Macquarie Group Limited; National Australia Bank Limited; Standard Chartered PLC; Suncorp Group Limited; and Westpac Banking Corporation.

If our TSR when compared to the TSR of the comparator group	then the percentage of PR that vest
is less than the 50th percentile	is nil
reaches at least the 50th percentile, but is less than the 75th percentile	is 50% plus 2% for every one percentile increase above the 50th percentile
reaches or exceeds the 75th percentile	is 100%

Element	Performance condition detail
Absolute TSR hurdle for PR	The absolute CAGR TSR hurdle is an internal hurdle as to whether ANZ achieves or exceeds a threshold level of growth the Board sets at the start of the performance period. The Board reviews and approves the absolute TSR targets each year for the PR award. When reviewing the targets, the Board references ANZ's assessed Cost of Capital. The Cost of Capital is determined using methodologies including the Capital Asset Pricing Model (CAPM). The Cost of Capital is regularly reviewed and updated to reflect current market conditions. Due to the prospective nature of the 2023 PR and given the increased volatility in the 10-year bond rate, the Board determined it was appropriate to use the 2H average Cost of Capital as the CAGR TSR target for the 2023 PR.

If the absolute CAGR of our TSR	then the percentage of PR that vest
is less than 9.125%	is nil
is 9.125%	is 50%
reaches at least 9.125%, but is less than 13.688%	is progressively increased on a pro-rata, straight-line, basis from 50% to 100%
reaches or exceeds 13.688%	is 100%

Element	Performance condition detail
Calculating TSR performance	When calculating performance against TSR, we: • reduce the impact of share price volatility – by using an averaging calculation over a 90-trading day period for start and end values; • ensure an independent measurement – by engaging the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate ANZ's performance against the TSR hurdles; and • test the performance against the relevant hurdle once only at the end of the four-year performance period – the rights lapse if the performance hurdle is not met – there is no retesting.

5.3 Downward adjustment – Board discretion

The Board can exercise its discretion to apply a number of downward adjustment options as part of consequence management (in accordance with applicable law and any terms and conditions provided). The Board may choose to exercise the following options or a combination of these at any time, but will always consider their use if any of the circumstances specified by Prudential Standard *CPS 511 Remuneration* occur. The downward adjustment options specified in #1 to #3 below are applicable to all employees, while clawback (#4) in 2022 is currently limited to select employees (primarily the CEO, Disclosed Executives and some senior employees in jurisdictions where clawback regulations apply):

1. In year adjustment, the most common type of downward adjustment, which reduces the amount of variable remuneration an employee may have otherwise been awarded for that year.

2. Further deferral/freezing delays the decision to pay/allocate variable remuneration, or further defers the vesting of deferred remuneration or freezes vested/unexercised shares and rights. This would typically only be considered where an investigation is pending/underway.

3. Malus is an adjustment to reduce the value of all or part of deferred remuneration before it has vested. Malus is used in cases of more serious performance or behaviour issues. Any and all variable remuneration we award or grant to an employee is subject to ANZ's on-going and absolute discretion to apply malus and adjust variable remuneration downward (including to zero) at any time before the relevant variable remuneration vests.

4. Clawback is the recovery of variable remuneration that has already vested or been paid. This would typically only be considered if the other types of downward adjustment/other consequences are considered inadequate given the severity of the situation.

Before any scheduled vesting of deferred remuneration, the Board (for the CEO, Disclosed Executives and other specified roles) and/or the EAG (for other employees) considers whether any further deferral, malus, or clawback should be applied. See section 6 for details.

6. Accountability and Consequence Framework

Throughout 2022 we continued to strengthen and evolve ANZ's Accountability and Consequence Framework (A&CF). The Enterprise Accountability Group (EAG) is the primary governance mechanism for the operation of the A&CF.

6.1 Role of the EAG

The EAG is chaired by the CEO and members include the CRO, CFO and GE T&C. It operates under the delegated authority of the HR Committee and is responsible for:

- supporting the Board in monitoring the implementation and ongoing effectiveness of ANZ's A&CF;
- reviewing the most material risk, conduct and audit events, accountability and the application of consequences, where appropriate;
- providing guidance to the Divisions and considering initiatives across the Divisions to strengthen risk behaviours;
- acknowledging material positive risk events (new in 2022) and recognising risk role models, whose achievements are profiled across the organisation; and
- approving the release or application of downward adjustment for deferred variable remuneration (noting that for the CEO and Disclosed Executives this is approved by the Board).

6.2 Material positive risk events

In 2022, the EAG broadened its scope to include the review of material positive risk decisions and events – times when our proactive approach to identifying and mitigating risk have had a material positive outcome. Reviewing these examples provides an opportunity to acknowledge the importance of these events and share learnings across the enterprise.

6.3 Risk role models

In 2022, 59 individuals were recognised by the EAG for role modelling outstanding risk behaviours through their efforts to manage and mitigate the organisation's risks and contribute to our strong risk culture. The recognition provided included a personalised e-mail from the CEO, and having their achievement profiled on our intranet and in internal newsletters.

6.4 Implementation of Prudential Standard *CPS 511 Remuneration*

As part of the implementation of APRA's new Prudential Standard *CPS 511 Remuneration*, we conducted a comprehensive review of our A&CF and related processes to ensure alignment with the new Standard. Whilst it was assessed that the enterprise already complies with most of the new requirements, we have taken the opportunity to enhance our existing A&CF and processes.

We introduced clawback provisions for the CEO and our Disclosed Executives effective 2022, in addition to existing adjustment tools such as in year adjustment, further deferral and malus, which continue to apply.

Other enhancements included further raising employee awareness with respect to accountability and consequences through more explicit references to the A&CF (including remuneration consequences) in employee training and communications, and simplification of our performance and remuneration policy documents.

6.5 Consideration of consequences for material risk, audit and conduct events

The EAG has processes in place to ensure that we mitigate the risk of conflicts of interest in reviewing events and determining accountability and consequences. For example, when undertaking accountability reviews, a recommendation regarding the review leader and scope must be sent to the CRO or (in the case of an event involving Group Risk) the CEO, for review and approval to ensure the individual is capable of undertaking an impartial and unbiased review.

Considerations regarding accountability and consequences for our most senior executives are considered and determined by the HR Committee and Board.

Reports on the most material risk, audit and conduct issues were presented to the HR, Risk and Audit Committees at a concurrent meeting. This information was taken into consideration by the Board when considering the performance of the Group and the 2022 ANZIP variable remuneration pool for all employees and determining the performance and remuneration outcomes of the CEO and Disclosed Executives.

The HR Committee and Board consider accountability and consequences for the CEO and Disclosed Executives, including the application of malus to previously deferred remuneration. No malus was applied to the previously deferred remuneration of the CEO and Disclosed Executives during 2022.

When determining consequences, consideration is given to the level of accountability, and the severity of the issue, including customer impacts. Consequences may include, for example, one or more of the following: counselling, formal warnings, impacts to in year performance and remuneration outcomes or application of malus to previously deferred remuneration and ultimately termination of employment or clawback for the most serious issues.

6.6 Evolving the A&CF

Our ongoing focus on accountability, consequences and driving a strong risk culture supports our customer commitment that when things go wrong, we fix them quickly and hold executives, current (and former where we can), to account where appropriate. We are also focused on ensuring that we learn from the cause of the event, mitigate the risk of future recurrences and continuously seek to strengthen our risk culture. We review the effectiveness of the A&CF every year and implement enhancements to further strengthen the A&CF based on regulatory and internal stakeholder input.

6.7 Speak up culture

We continue to raise employee awareness of, and promote the various ways employees can speak up and raise issues and ideas for improvement including through initiatives such as:

- Whistleblower awareness training sessions;
- digital communications designed to build confidence and trust in the Whistleblower Program and process; and

through monitoring responses in our employee engagement surveys.

In addition, key risk and speak-up scores, including 'Leaders demonstrate accountability for risk' (86%), 'I can raise issues without fear of reprisals' (80%) and 'When I speak up, my ideas, opinions and concerns are heard' (83%) remained strong and consistent with 2021 and 2020 results.[1]

6.8 Application of consequences

In 2022, there were 1,133 employee relations cases involving alleged breaches of our Code of Conduct, with 518 resulting in a formal consequence or the employee leaving ANZ, down from 573 in 2021. Breaches ranged from compliance/procedure breaches (23%), through to general unacceptable behaviour (36%), email/systems misuse (17%), attendance issues (14%), fraud/theft (4%), conflict of interest (2%) and breaches of our Equal Opportunity, Bullying and Harassment Policy (3%). Outcomes following investigations of breaches this year included 95 terminations, 322 warnings and 101 employees leaving ANZ.[2]

In relation to the application of consequences to our senior leadership population (senior executives, executives and senior managers), 21 current and former employees (16 in 2021) had a consequence applied as a result of the application of our Code of Conduct Policy and/or findings of accountability for a relevant event. Consequences included warnings, impacts on performance and remuneration outcomes and, for former employees, malus of previously deferred remuneration where relevant.

All employees and contractors across the enterprise are required to complete mandatory learning modules. Permanent employees who fail to complete their mandatory learning requirements within 30 days of the due date are (in the absence of genuinely exceptional circumstances) ineligible for any FR or variable remuneration as part of our annual Performance and Remuneration Review. In 2022, the mandatory learning course compliance rate across the enterprise was 99.9%.

1. Results reported are taken from the Q2 and/or Q4 employee engagement surveys. **2.** Employees are listed in all categories which are relevant, meaning one employee may be listed in multiple categories.

7. Non-Executive Director (NED) remuneration

7.1 Remuneration structure

NEDs receive a fee for being a Director of the Board, and additional fees for either chairing, or being a member of a Board Committee. The Chairman of the Board does not receive additional fees for serving on a Board Committee.

The HR Committee and Board reviewed NED fees for 2022 and determined that the NED member fee and Committee fees for the Audit Committee chair and members would remain unchanged (noting that the Chairman, NED and Committee fees have remained unchanged since 2016 with the exception of the Digital Business & Technology Committee Chair fee which has remained unchanged since 2020). From 1 April 2022 fees increased for the Chairman, and for the chairs and members of the Risk Committee, HR Committee, Digital Business & Technology Committee, and Ethics, Environment, Social & Governance Committee.

In setting Board and Committee fees, the Board considers: general industry practice, ASX Corporate Governance Principles and Recommendations, the responsibilities and risks attached to the NED role, the time commitment expected of NEDs on Group and Company matters, and fees paid to NEDs of comparable companies.

ANZ compares NED fees to a comparator group of Australian listed companies with a similar market capitalisation, with particular focus on the major financial services institutions. This is considered an appropriate group, given similarity in size and complexity, nature of work and time commitment by NEDs.

To maintain NED independence and impartiality:

- NED fees are not linked to the performance of the Group; and
- NEDs are not eligible to participate in any of the Group's variable remuneration arrangements.

The current aggregate fee pool for NEDs of $4m was approved by shareholders at the 2012 AGM. The annual total of NEDs' fees, including superannuation contributions, is within this agreed limit.

This table shows the NED fee policy structure for 2022.

2022 NED fee policy structure

	1H22		2H22	
	Chair fee	Member fee	Chair fee	Member fee
Board[1,2]	$825,000	$240,000	$850,000	$240,000
Audit Committee	$65,000	$32,500	$65,000	$32,500
Risk Committee	$62,000	$31,000	$65,000	$32,500
HR Committee	$57,000	$29,000	$65,000	$32,500
Digital Business & Technology Committee	$45,000	$15,000	$55,000	$27,500
Ethics, Environment, Social & Governance Committee	$35,000	$15,000	$55,000	$27,500

1. Including superannuation. **2.** The Chairman of the Board does not receive additional fees for serving on a Board Committee. The Chairman of the Board and NEDs do not receive a fee for serving on the Nomination and Board Operations Committee.

NED shareholding guidelines

The HR Committee reviewed the shareholding guideline for the Chairman and determined that from 1 October 2021 it be increased from 200% of the NED member fee to 100% of the Chairman fee (i.e., from $480,000 to $850,000).

We expect our NEDs to hold ANZ shares. NEDs are required:

- to accumulate shares – over a five-year period from their appointment to the value of:
  - 100% of the NED member fee for Directors;
  - 100% of the Chairman fee for the Chairman; and
- to maintain this shareholding while they are a Director of ANZ.

Based on the ANZ share price as at 30 September 2022, all NEDs but one who have served five years met the holding guideline. The value of the ANZ securities held by one NED who has served for more than 5 years as at 30 September dropped slightly below the guideline due to fluctuations in the ANZ share price.

7.2 2022 statutory remuneration – NEDS

The following table outlines the statutory remuneration of NEDs disclosed in accordance with Australian Accounting Standards.

In addition to the fee shown below, Sir John Key received NZD 422,050 in 2022 and NZD 391,000 in 2021 for his role as Chairman of ANZ Bank New Zealand Limited.

2022 statutory remuneration – NEDS

		Short-term NED benefits		Post-employment	
	Financial year	Fees[1] $	Non monetary benefits[2] $	Super contributions[1] $	Total remuneration[3] $
Current Non-Executive Directors					
P O'Sullivan	2022	813,501	6,128	23,999	843,628
	2021	764,033	19,931	22,163	806,127
I Atlas	2022	330,751	–	23,999	354,750
	2021	322,337	–	22,163	344,500
J Halton	2022	318,001	–	23,999	342,000
	2021	306,837	–	22,163	329,000
J Key	2022	290,251	–	23,999	314,250
	2021	278,837	–	22,163	301,000
G Liebelt	2022	360,427	–	6,323	366,750
	2021	341,337	–	22,163	363,500
J Macfarlane	2022	301,501	–	23,999	325,500
	2021	296,337	–	22,163	318,500
C O'Reilly[4]	2022	302,863	–	22,579	325,442
J Smith[5]	2022	36,003	–	3,780	39,783
Former Non-Executive Directors					
P Dwyer[6]	2022	76,372	4,944	–	81,316
	2021	365,000	–	–	365,000
Total of all Non-Executive Directors	2022	2,829,670	11,072	152,677	2,993,419
	2021	2,674,718	19,931	132,978	2,827,627

1. Year-on-year differences in fees relate to changes to the NED fee and also to the superannuation Maximum Contribution Base. From 1 October 2021 to 30 June 2022, G Liebelt, and from 1 October 2020 to the date of retirement P Dwyer, elected to receive all payments in fees and therefore did not receive superannuation contributions during this period. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking and gifts provided upon retirement. **3.** Long-term benefits and share-based payments do not apply for the NEDs. **4.** C O'Reilly's 2022 remuneration reflects a partial service year as she commenced as a NED on 1 November 2021. **5.** J Smith's 2022 remuneration reflects a partial service year as he commenced as a NED on 1 August 2022. **6.** P Dwyer's 2022 remuneration reflects a partial service year as she retired as a NED on 16 December 2021.

8. Remuneration governance

8.1 The Human Resources (HR) Committee

8.1.1 ROLE OF THE HR COMMITTEE

The HR Committee supports the Board on remuneration and other HR matters. It reviews the remuneration policies and practices of the Group, and monitors market practice and regulatory and compliance requirements in Australia and overseas.

During the year the HR Committee met on seven occasions[1] and reviewed and approved, or made recommendations to the Board on matters including:

- remuneration for the CEO and other key executives (broader than those disclosed in the Remuneration Report) covered by the ANZBGL Remuneration Policy, and fees for the NEDs;
- matters related to the implementation of APRA's Prudential Standard *CPS 511 Remuneration*, and updates on the BEAR, and Treasury's Financial Accountability Regime (FAR);
- changes to the executive remuneration structure in light of *CPS 511 Remuneration*[1];
- the ANZ Group Performance Framework (annual objectives setting and assessment) and annual variable remuneration spend;
- performance and reward outcomes for key senior executives, including the consideration of material events that have either occurred or came to light in the year;
- the release, further deferral or application of malus of deferred remuneration;
- key senior executive appointments and terminations;
- the effectiveness of the ANZBGL Remuneration Policy and the Accountability & Consequence Framework;
- ANZ's response to the industry-wide Retail Remuneration Review by Stephen Sedgwick AO;
- building capabilities required to deliver on our strategy;
- succession plans for key senior executives; and
- culture, diversity and inclusion, employee engagement, and how we work in a post COVID environment.

Whilst we completed our implementation of the recommendations from Stephen Sedgwick AO's Retail Remuneration Review in 2021 (noting the industry wide recommendations were ongoing at the time), we continue to review our processes to ensure ongoing adherence to the Sedgwick recommendations, with updates provided to the HR Committee. This review was focused on strengthening the alignment of retail bank incentives, sales practices and good customer outcomes.

More details about the role of the HR Committee, including its Charter, can be found on our website. Go to anz.com > Our company > Strong governance framework > ANZ Human Resources Committee Charter.

8.1.2 LINK BETWEEN REMUNERATION AND RISK

The HR Committee has a strong focus on the relationship between business performance, risk management and remuneration, aligned with our business strategy. The chairs of the Risk and Audit Committees are members of the HR Committee and the full Board is in attendance for specific HR Committee meetings. A concurrent meeting of the HR, Risk and Audit Committees was held to review:

- material risk, conduct and audit events that either occurred or came to light in 2022;
- 2022 performance and variable remuneration recommendations at both the Group, CEO and Disclosed Executive level.

To further reflect the importance of the link between remuneration and risk:

- the Board had two NEDs (in addition to the Chairman) in 2022 who served on both the HR Committee and the Risk Committee;
- the HR Committee has free and unfettered access to risk and financial control personnel (the CRO and CFO attend HR Committee meetings for specific agenda items);
- the CRO (together with GE T&C and GGM IA) provides an independent report to the HR Committee on the most material risk, conduct and audit events (as relevant) to help inform considerations of performance and remuneration, and accountability and consequences at the Group, Divisional and individual level;
- the CRO also provides an independent report to assist the Board in their assessment of performance and remuneration outcomes for the CEO and Disclosed Executives;
- the chairs of the Risk and Audit Committees are asked to provide input to ensure appropriate consideration of all relevant risk and internal audit issues;
- the ANZ Group Performance Framework and Divisional Performance Frameworks include Risk as a key element acting as a modifier, and it forms an integral part of each framework's assessment and directly impacts the overall outcomes; and
- the LTVR RR pre grant and pre vest assessments undertaken by the Board are primarily based on non-financial risk outcomes.

8.1.3 CONFLICT OF INTEREST

To help mitigate potential conflicts of interest:

- management are not in attendance when their own performance or remuneration is being discussed by the HR Committee or Board;
- the CEO's STVR is funded and determined separately from the ANZIP variable remuneration pool;
- the CRO's remuneration arrangements differ to other Disclosed Executives to preserve the independence of the role;
- the EAG also has processes in place to help mitigate conflicts of interest as outlined in section 6; and
- the HR Committee seeks input from a number of sources to inform their consideration of performance and remuneration outcomes for the CEO and Disclosed Executives including:
  - independent reports from Risk, Finance, Talent and Culture, and Internal Audit;
  - material risk, conduct and audit event data provided by the CRO;
  - input from both the Audit Committee and the Risk Committee of the Board.

1. Subsets of the HR Committee also met on a number of occasions during the year to discuss regulatory developments, the executive remuneration structure and 2022 outcomes.

8.1.4 EXTERNAL ADVISORS PROVIDED INFORMATION BUT NOT RECOMMENDATIONS

The HR Committee can engage independent external advisors as needed.

Throughout the year, the HR Committee and management received information from the following external providers: Aon, Ashurst, EY, Mercer Consulting (Australia) Pty Ltd and PricewaterhouseCoopers. This information related to market data, market practices, analysis and modelling, legislative requirements and the interpretation of governance and regulatory requirements.

During the year, ANZ did not receive any remuneration recommendations from external consultants about the remuneration of KMP.

ANZ employs in-house remuneration professionals who provide recommendations to the HR Committee and the Board. The Board made its decisions independently, using the information provided and with careful regard to ANZ's strategic objectives, purpose and values, risk appetite and the ANZBGL Remuneration Policy and Principles.

8.2 Internal governance

8.2.1 HEDGING PROHIBITION

All deferred equity must remain at risk until it has fully vested. Accordingly, executives and their associated persons must not enter into any schemes that specifically protect the unvested value of equity allocated. If they do so, then they would forfeit the relevant equity.

8.2.2 CEO AND DISCLOSED EXECUTIVES' SHAREHOLDING GUIDELINES

We expect the CEO and each Disclosed Executive to, over a five-year period:

- accumulate ANZ shares to the value of 200% of their FR; and
- maintain this shareholding level while they are an executive of ANZ.

Executives are permitted to sell ANZ securities to meet taxation obligations on employee equity even if below the 200% guideline. However, tax obligations for the purpose of these guidelines is limited to that arising from the initial taxing point event (i.e., when the deferred shares vest or rights are exercised).

Shareholdings include all vested and unvested equity (excluding PR). Based on equity holdings as at 30 September 2022, and the STVR deferred shares to be granted on 22 November 2022 as a result of the 2022 Performance and Remuneration Review outcomes, the CEO and all Disclosed Executives meet or, if less than five years' tenure, are on track to meet their minimum shareholding guidelines requirements.

8.2.3 CEO AND DISCLOSED EXECUTIVES' CONTRACT TERMS AND EQUITY TREATMENT

The details of the contract terms and also the equity treatment on termination (in accordance with the Conditions of Grant) relating to the CEO and Disclosed Executives are below. Although they are similar, they vary in some cases to suit different circumstances.

Type of contract	Permanent ongoing employment contract.
Notice on resignation	• 12 months by CEO; • 6 months by Disclosed Executives.[1]
Notice on termination by ANZ[2]	• 12 months by ANZ for CEO and Disclosed Executives.[3] However, ANZ may immediately terminate an individual's employment at any time in the case of serious misconduct. In that case, the individual will be entitled only to payment of FR up to the date of their termination and their statutory entitlements.
How unvested equity is treated on leaving ANZ	Executives who resign or are terminated will forfeit all their unvested deferred equity – unless the Board determines otherwise. If an executive is terminated due to redundancy or they are classified as a 'good leaver', unless the Board determines otherwise, then: • their STVR (deferred shares/share rights) remain on foot and are released at the original vesting date; • their LTVR (RR/PR) (for grants awarded from 31 December 2020) remain on foot and are released at the original vesting date[4] (to the extent that the performance hurdles are met); and • their PR[5] (for grants awarded pre 31 December 2020) are prorated for service to the full notice termination date and released at the original vesting date (to the extent that the performance hurdles are met). On an executive's death or total and permanent disablement, their deferred equity vests. Unvested equity remains subject to malus post termination.
Change of control (applies to the CEO only)	If a change of control or other similar event occurs, then we will test the performance conditions applying to the CEO's PR. They will vest to the extent that the performance conditions are satisfied. A transitional agreement between ANZBGL and the CEO has been implemented that documents that if the proposed change in legal structure proceeds (to create distinct banking and non-banking groups, see 'Note 35 Pending Organisational Changes Impacting Future Reporting Periods' of the Annual Report), then it will not give rise to a 'Change of Control' under the conditions of grant relating to unvested variable remuneration equity awards.

1. 3 months by the former acting CFO. **2.** For M Carnegie, K Corbally, F Faruqui, G Florian, K van der Merwe, M Whelan and M Hand, their contracts state that in particular circumstances they may be eligible for a retrenchment benefit in accordance with the relevant ANZ policy, as varied from time to time, and M Hand was also eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons (see footnote 5 of section 9.1). For A Watson, notice on retrenchment is 6 weeks and compensation on retrenchment is calculated on a scale up to a maximum of 79 weeks after 25 years' service. **3.** 6 months by ANZ for the former acting CFO. **4.** This approach is more aligned to industry practice. **5.** Or deferred share rights granted to the CRO instead of PR.

9. Other information

9.1 2022 statutory remuneration – CEO and Disclosed Executives

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards. While it shows the FR awarded (cash and superannuation contributions) and also the cash component of the 2022 variable remuneration award, it does not show the actual variable remuneration awarded or received in 2022 (see sections 4.2 and 4.1), but instead shows the amortised accounting value for this financial year of deferred remuneration (including prior year awards).

2022 statutory remuneration – CEO and Disclosed Executives

		Short–term employee benefits			Post–employment	
	Financial year	Cash salary[1] $	Non monetary benefits[2] $	Total cash incentive[3] $	Super contributions[4] $	Retirement benefit accrued during year[5] $
CEO and Current Disclosed Executives						
S Elliott	2022	2,476,001	15,384	930,000	23,999	–
	2021	2,478,132	15,025	1,000,000	21,868	–
M Carnegie	2022	1,176,001	31,041	460,000	24,499	–
	2021	1,178,047	22,621	569,250	22,453	–
K Corbally	2022	1,176,001	9,884	442,500	23,999	–
	2021	1,078,030	9,525	613,800	21,970	–
F Faruqui[9]	2022	1,159,194	174,222	579,575	4,806	–
G Florian	2022	1,072,169	18,569	442,500	23,999	–
	2021	1,062,530	21,431	676,500	21,970	–
K van der Merwe	2022	976,001	16,034	400,000	24,499	–
	2021	885,012	15,620	594,000	22,488	–
A Watson[10]	2022	1,019,021	22,049	422,742	70,686	–
	2021	1,040,213	9,786	687,167	56,131	–
M Whelan	2022	1,376,001	9,884	535,000	23,999	–
	2021	1,254,082	12,275	810,150	21,918	–
Former Disclosed Executives						
S Buggle[11]	2022	28,785	–	–	4,215	–
	2021	689,935	–	462,000	14,065	–
M Hand[12]	2022	480,216	4,053	–	11,784	4,443
	2021	1,178,047	9,525	544,500	21,953	5,218

1. Cash salary includes any adjustments required to reflect the use of ANZ's Lifestyle Leave Policy for the period in the KMP role. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking, taxation services and costs met by the Company in relation to relocation. **3.** The total cash incentive relates to the cash component only. The relevant amortisation of the STVR deferred components is included in share-based payments and has been amortised over the vesting period. The total STVR was approved by the ANZBGL Board on 19 October 2022, and in addition for A Watson by the ANZ NZ Board on 18 October 2022. 100% of the cash component of the VR/STVR awarded for the 2021 and 2022 years vested to the executive in the applicable financial year. **4.** For Australian based executives, the 2021 and 2022 superannuation contributions reflect the Superannuation Guarantee Contribution based on the Maximum Contribution Base. F Faruqui's 2022 amount reflects a part year superannuation contribution. A Watson participates in KiwiSaver where ANZ provides an employer superannuation contribution matching member contributions up to 4% of total gross pay. KiwiSaver employer superannuation contributions are also contributed on top of cash STVR at the time of payment. **5.** Accrual relates to Retirement Allowance. As a result of being employed with ANZ before November 1992, M Hand was eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as three months of preserved notional salary (which is 65% of fixed remuneration) plus an additional 3% of notional salary for each year of full-time service above 10 years less the total accrual value of long service leave (including taken and untaken). **6.** For Australian based executives, long service leave accrued takes into consideration the impact of changes to the Superannuation Guarantee percentage. Long service leave accrued during the year increased year-on-year for K Corbally as a result of his 2022 fixed remuneration increase, and decreased year-on-year for G Florian, K van der Merwe and M Whelan as a result of their 2021 fixed remuneration increases.

Long-term employee benefits	Share-based payments[7]					
	Total amortisation value of					
	Variable remuneration			Other equity allocations[8]		
Long service leave accrued during the year[6] $	Deferred shares $	Deferred share rights $	Performance rights $	Deferred shares $	Termination benefits $	Total remuneration $
33,306	**933,786**	**–**	**1,076,657**	**–**	**–**	**5,489,133**
37,880	880,970	–	1,039,524	–	–	5,473,399
17,151	**522,450**	**–**	**129,603**	**–**	**–**	**2,360,745**
18,182	534,990	–	267,586	–	–	2,613,129
34,577	**513,883**	**238,579**	**–**	**–**	**–**	**2,439,423**
16,667	472,538	357,462	1,984	–	–	2,571,976
17,524	**465,805**	**178,143**	**302,636**	**–**	**–**	**2,881,905**
15,812	**512,134**	**–**	**171,181**	**–**	**–**	**2,256,364**
18,058	478,255	–	312,520	–	–	2,591,264
14,409	**472,124**	**–**	**177,072**	**–**	**–**	**2,080,139**
22,929	457,267	–	298,076	–	–	2,295,392
4,068	**505,698**	**2,132**	**119,057**	**312**	**–**	**2,165,765**
4,130	439,710	22,321	200,921	564	–	2,460,943
17,779	**666,495**	–	**181,892**	–	–	**2,811,050**
69,359	730,123	–	355,857	–	–	3,253,764
412	**2,600**	**3,157**	**71**	**–**	**–**	**39,240**
52,757	112,974	159,613	71,423	–	–	1,562,767
5,151	**127,875**	**–**	**64,765**	**–**	**–**	**698,287**
18,182	451,897	–	266,258	–	–	2,495,580

7. As required by AASB 2 *Share-based payments*, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. The fair value is determined at grant date and is allocated on a straight-line basis over the relevant vesting period. The amount included as remuneration neither relates to, nor indicates, the benefit (if any) that the executive may ultimately realise if the equity becomes exercisable. No terms of share-based payments have been altered or modified during the financial year. There were no cash settled share-based payments or any other form of share-based payment compensation during the financial year for the CEO or Disclosed Executives. **8.** Other equity allocations relate to shares received in relation to the historical Employee Share Offer. **9.** F Farhan's 2022 remuneration reflects a partial service year as he commenced in a Disclosed Executive role on 11 October 2021. **10.** A Watson's fixed remuneration is paid in NZD and converted to AUD. 2021 cash salary, superannuation contribution and total remuneration restated to include gross value of KiwiSaver employer superannuation contributions relating to fixed remuneration and cash VR, and this represents a total change of AUD 17,622. In 2019 and 2020 A Watson was eligible to receive shares under the historical Employee Share Offer. That offer provided a grant of ANZ shares in each financial year to eligible employees subject to Board approval. **11.** S Buggle's 2022 remuneration reflects a partial service year up to the date he ceased in a Disclosed Executive role on 10 October 2021 (noting his annual fixed remuneration for 2022 remained unchanged at $1.1m). **12.** M Hand's 2022 remuneration reflects a partial service year up to the date he ceased in a Disclosed Executive role on 28 February 2022 (noting his annual fixed remuneration for 2022 remained unchanged at $1.2m).

9.2 Equity holdings

For the equity granted to the CEO and Disclosed Executives in November/December 2021, all deferred shares were purchased on the market. For deferred share rights and PR, which vested to the CEO and Disclosed Executives in November/December 2021, where the rights were not able to be satisfied through the reallocation of previously forfeited shares they were satisfied through the on market purchase of shares.

9.2.1 CEO AND DISCLOSED EXECUTIVES' EQUITY GRANTED, VESTED, EXERCISED/SOLD AND LAPSED/FORFEITED

The table below sets out details of deferred shares and rights that we granted to the CEO and Disclosed Executives:

- during the 2022 year, relating to 2021 Performance and Remuneration Review outcomes; or
- in prior years and that then vested, were exercised/sold or which lapsed/were forfeited during the 2022 year.

Equity granted, vested, exercised/sold and lapsed/forfeited – CEO and Disclosed Executives

							Vested			Lapsed/ Forfeited			Exercised/Sold				
Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2022 grants only) $	Grant date	First date exercisable	Date of expiry	Number	%	Value[2] $	Number	%	Value[2] $	Number	%	Value[2] $	Vested and exercisable as at 30 Sep 2022[3]	Unexercisable as at 30 Sep 2022[4]
CEO and Current Disclosed Executives																	
S Elliott	Deferred shares	8,529		22-Nov-17	22-Nov-21	–	8,529	100	229,122	–	–	–	(8,529)	100	232,154	–	–
	Deferred shares	8,622		22-Nov-18	22-Nov-21	–	8,622	100	231,621	–	–	–	(8,622)	100	234,686	–	–
	Deferred shares	9,003		22-Nov-19	22-Nov-21	–	9,003	100	241,856	–	–	–	(9,003)	100	245,056	–	–
	Deferred shares	10,843		07-Dec-20	22-Nov-21	–	10,843	100	291,285	–	–	–	(10,843)	100	295,140	–	–
	Deferred shares	14,441	26.86	22-Nov-21	22-Nov-22	–	–	–	–		–	–	–	–	–	–	14,441
	Deferred shares	10,830	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	10,830
	Deferred shares	7,220	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	7,220
	Deferred shares	3,610	26.86	22-Nov-21	22-Nov-25	–	–	–	–		–	–	–	–	–	–	3,610
	Performance rights	107,471		19-Dec-17	19-Dec-20	19-Dec-22	–	–	–	–	–	–	(62,010)	58	1,687,875	–	–
	Performance rights[5]	82,774		19-Dec-18	19-Dec-21	26-Dec-21	56,989	69	1,576,185	(25,785)	31	(713,154)	(56,989)	69	1,576,185	–	–
	Performance rights	27,591		19-Dec-18	19-Dec-21	26-Dec-21	–	–	–	(27,591)	100	(763,104)	–	–	–	–	–
	Performance rights	94,765	11.91	16-Dec-21	16-Dec-25	16-Dec-27	–	–	–	–	–	–	–	–	–	–	94,765
	Performance rights	31,588	6.30	16-Dec-21	16-Dec-25	16-Dec-27	–	–	–	–	–	–	–	–	–	–	31,588
M Carnegie	Deferred shares	4,785		22-Nov-17	22-Nov-21	–	4,785	100	128,544	–	–	–	–	–	–	4,785	–
	Deferred shares	5,202		22-Nov-18	22-Nov-21	–	5,202	100	139,746	–	–	–	–	–	–	5,202	–
	Deferred shares	5,942		22-Nov-19	22-Nov-21	–	5,942	100	159,625	–	–	–	–	–	–	5,942	–
	Deferred shares	7,099		07-Dec-20	22-Nov-21	–	7,099	100	190,707	–	–	–	–	–	–	7,099	–
	Deferred shares	8,220	26.86	22-Nov-21	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	8,220
	Deferred shares	6,165	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	6,165
	Deferred shares	4,110	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	4,110
	Deferred shares	2,055	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	2,055
	Performance rights	29,580		22-Nov-17	22-Nov-20	22-Nov-22	–	–	–	–	–	–	(17,067)	58	453,818	–	–
	Performance rights	32,163		22-Nov-18	22-Nov-21	22-Nov-23	22,144	69	594,874	(10,019)	31	(269,149)	(22,144)	69	611,679	–	–
	Performance rights	10,721		22-Nov-18	22-Nov-21	22-Nov-23	–	–	–	(10,721)	100	(288,008)	–	–	–	–	–
	Performance rights	31,759	11.66	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	31,759
	Performance rights	10,586	6.37	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	10,586
K Corbally	Deferred shares	3,007		22-Nov-18	22-Nov-21	–	3,007	100	80,780	–	–	–	(3,007)	100	83,167	–	–
	Deferred shares	5,744		22-Nov-19	22-Nov-21	–	5,744	100	154,306	–	–	–	(5,744)	100	158,866	–	–
	Deferred shares	5,582		07-Dec-20	22-Nov-21	–	5,582	100	149,954	–	–	–	(5,582)	100	154,385	–	–
	Deferred shares	6,649	26.86	22-Nov-21	22-Nov-22	–	–	–	–		–	–	–	–	–	–	6,649
	Deferred shares	6,647	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	6,647
	Deferred shares	4,431	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	4,431
	Deferred shares	4,431	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	4,431
	Deferred share rights	14,546		22-Nov-18	22-Nov-21	29-Nov-21	14,546	100	390,762	–	–	–	(14,546)	100	390,762	–	–
	Deferred share rights	22,830	21.60	22-Nov-21	22-Nov-25	29-Nov-25	–	–	–	–	–	–	–	–	–	–	22,830

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2022 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/Forfeited Number	Lapsed/Forfeited %	Lapsed/Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercisable as at 30 Sep 2022[3]	Unexercisable as at 30 Sep 2022[4]
CEO and Current Disclosed Executives																	
F Faruqui[6]	Deferred shares	10,486	26.86	22-Nov-21	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	10,486
	Deferred shares	7,862	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	7,862
	Deferred shares	5,241	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	5,241
	Deferred shares	2,620	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	2,620
	Deferred share rights	10,138		22-Nov-17	22-Nov-21	29-Nov-21	10,138	100	272,346	–	–	–	(10,138)	100	272,346	–	–
	Deferred share rights	8,013		22-Nov-18	22-Nov-21	29-Nov-21	8,013	100	215,260	–	–	–	(8,013)	100	215,260	–	–
	Deferred share rights	11,363		22-Nov-19	22-Nov-21	29-Nov-21	11,363	100	305,254	–	–	–	(11,363)	100	305,254	–	–
	Deferred share rights	6,459		07-Dec-20	22-Nov-21	29-Nov-21	6,459	100	173,514	–	–	–	(6,459)	100	173,514	–	–
	Performance rights	28,845		22-Nov-17	22-Nov-20	22-Nov-22	–	–	–	–	–	–	(28,845)	100	795,107	–	–
	Performance rights	42,215		22-Nov-18	22-Nov-21	22-Nov-23	29,065	69	780,799	(13,150)	31	(353,260)	(29,065)	69	801,171	–	–
	Performance rights	14,071		22-Nov-18	22-Nov-21	22-Nov-23	–	–	–	(14,071)	100	(378,002)	–	–	–	–	–
	Performance rights	40,505	11.66	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	40,505
	Performance rights	13,501	6.37	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	13,501
G Florian	Deferred shares	2,462		22-Nov-17	22-Nov-20	–	–	–	–	–	–	–	(2,462)	100	55,371	–	–
	Deferred shares	2,462		22-Nov-17	22-Nov-21	–	2,462	100	66,139	–	–	–	(2,462)	100	55,371	–	–
	Deferred shares	3,251		22-Nov-18	22-Nov-20	–	–	–	–	–	–	–	(3,251)	100	73,116	–	–
	Deferred shares	3,251		22-Nov-18	22-Nov-21	–	3,251	100	87,335	–	–	–	(1,642)	51	36,929	1,609	–
	Deferred shares	3,367		22-Nov-19	22-Nov-21	–	3,367	100	90,451	–	–	–	–	–	–	3,367	–
	Deferred shares	6,442		07-Dec-20	22-Nov-21	–	6,442	100	173,057	–	–	–	–	–	–	6,442	–
	Deferred shares	9,770	26.86	22-Nov-21	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	9,770
	Deferred shares	7,326	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	7,326
	Deferred shares	4,884	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	4,884
	Deferred shares	2,442	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	2,442
	Performance rights	15,225		22-Nov-17	22-Nov-20	22-Nov-22	–	–	–	–	–	–	(8,784)	58	197,555	–	–
	Performance rights	20,102		22-Nov-18	22-Nov-21	22-Nov-23	13,840	69	371,796	(6,262)	31	(168,222)	(13,840)	69	311,266	–	–
	Performance rights	6,700		22-Nov-18	22-Nov-21	22-Nov-23	–	–	–	(6,700)	100	(179,988)	–	–	–	–	–
	Performance rights	37,743	11.66	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	37,743
	Performance rights	12,581	6.37	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	12,581
K van der Merwe	Deferred shares	679		22-Nov-17	22-Nov-18	–	–	–	–	–	–	–	(679)	100	19,244	–	–
	Deferred shares	1,477		22-Nov-17	22-Nov-19	–	–	–	–	–	–	–	(1,477)	100	41,860	–	–
	Deferred shares	1,477		22-Nov-17	22-Nov-20	–	–	–	–	–	–	–	(1,477)	100	41,860	–	–
	Deferred shares	1,477		22-Nov-17	22-Nov-21	–	1,477	100	39,678	–	–	–	(1,477)	100	41,860	–	–
	Deferred shares	3,577		22-Nov-18	22-Nov-19	–	–	–	–	–	–	–	(3,053)	85	86,525	524	–
	Deferred shares	3,577		22-Nov-18	22-Nov-21	–	3,577	100	96,092	–	–	–	–	–	–	3,577	–
	Deferred shares	4,951		22-Nov-19	22-Nov-21	–	4,951	100	133,003	–	–	–	–	–	–	4,951	–
	Deferred shares	5,724		07-Dec-20	22-Nov-21	–	5,724	100	153,769	–	–	–	–	–	–	5,724	–
	Deferred shares	8,579	26.86	22-Nov-21	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	8,579
	Deferred shares	6,433	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	6,433
	Deferred shares	4,288	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	4,288
	Deferred shares	2,144	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	2,144
	Performance rights	9,135		22-Nov-17	22-Nov-20	22-Nov-22	–	–	–	–	–	–	(5,270)	58	119,265	–	–
	Performance rights	22,112		22-Nov-18	22-Nov-21	22-Nov-23	15,224	69	408,976	(6,888)	31	(185,039)	(15,224)	69	344,534	–	–
	Performance rights	7,370		22-Nov-18	22-Nov-21	22-Nov-23	–	–	–	(7,370)	100	(197,987)	–	–	–	–	–
	Performance rights	33,140	11.66	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	33,140
	Performance rights	11,046	6.37	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	11,046

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2022 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercisable as at 30 Sep 2022[3]	Unexercisable as at 30 Sep 2022[4]
CEO and Current Disclosed Executives																	
A Watson	Deferred shares	3,904		22-Nov-19	22-Nov-20	–	–	–	–	–	–	–	(3,904)	100	107,533	–	–
	Deferred shares	3,901		22-Nov-19	22-Nov-21	–	3,901	100	104,796	–	–	–	(3,901)	100	107,451	–	–
	Deferred shares	5,806		07-Dec-20	22-Nov-21	–	5,806	100	155,972	–	–	–	(5,806)	100	159,923	–	–
	Deferred shares	9,924	26.86	22-Nov-21	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	9,924
	Deferred shares	7,442	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	7,442
	Deferred shares	4,961	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	4,961
	Deferred shares	2,480	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	2,480
	Employee Share Offer	29		03-Dec-18	03-Dec-21	–	29	100	781	–	–	–	–	–	–	29	–
	Deferred share rights	2,817		22-Nov-18	22-Nov-21	22-Nov-23	2,817	100	75,676	–	–	–	(2,817)	100	77,912	–	–
	Performance rights	4,802		22-Nov-18	22-Nov-21	22-Nov-23	3,306	69	88,812	(1,496)	31	(40,188)	(3,306)	69	91,436	–	–
	Performance rights	38,338	11.66	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	38,338
	Performance rights	12,779	6.37	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	12,779
M Whelan	Deferred shares	9,218		22-Nov-17	22-Nov-21	–	9,218	100	247,631	–	–	–	(9,218)	100	250,823	–	–
	Deferred shares	7,072		22-Nov-18	22-Nov-21	–	7,072	100	189,982	–	–	–	(7,072)	100	192,430	–	–
	Deferred shares	10,498		22-Nov-19	22-Nov-21	–	10,498	100	282,017	–	–	–	(10,498)	100	285,652	–	–
	Deferred shares	6,297		07-Dec-20	22-Nov-21	–	6,297	100	169,162	–	–	–	(6,297)	100	171,342	–	–
	Deferred shares	11,700	26.86	22-Nov-21	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	11,700
	Deferred shares	8,774	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	8,774
	Deferred shares	5,849	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	5,849
	Deferred shares	2,924	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	2,924
	Performance rights	43,722		22-Nov-18	22-Nov-21	22-Nov-23	30,102	69	808,657	(13,620)	31	(365,886)	(30,102)	69	829,142	–	–
	Performance rights	14,574		22-Nov-18	22-Nov-21	22-Nov-23	–	–	–	(14,574)	100	(391,514)	–	–	–	–	–
	Performance rights	45,200	11.66	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	45,200
	Performance rights	15,066	6.37	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	15,066
Former Disclosed Executives																	
S Buggle[7]																	
M Hand[7]	Deferred shares	3,251		22-Nov-18	22-Nov-21	–	3,251	100	87,335	–	–	–	(2,160)	66	59,665	1,091	–
	Deferred shares	3,565		22-Nov-19	22-Nov-21	–	3,565	100	95,770	–	–	–	–	–	–	3,565	–
	Deferred shares	8,015		07-Dec-20	22-Nov-21	–	8,015	100	215,314	–	–	–	–	–	–	8,015	–
	Deferred shares	7,864	26.86	22-Nov-21	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	7,864
	Deferred shares	5,897	26.86	22-Nov-21	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	5,897
	Deferred shares	3,931	26.86	22-Nov-21	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	3,931
	Deferred shares	1,965	26.86	22-Nov-21	22-Nov-25	–	–	–	–	–	–	–	–	–	–	–	1,965
	Performance rights	20,102		22-Nov-18	22-Nov-21	22-Nov-23	13,840	69	371,796	(6,262)	31	(168,222)	(13,840)	69	382,300	–	–
	Performance rights	6,700		22-Nov-18	22-Nov-21	22-Nov-23	–	–	–	(6,700)	100	(179,988)	–	–	–	–	–
	Performance rights	30,379	11.66	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	30,379
	Performance rights	10,126	6.37	22-Nov-21	22-Nov-25	22-Nov-27	–	–	–	–	–	–	–	–	–	–	10,126

1. For the purpose of the five highest paid executive disclosures, Executives are defined as Disclosed Executives or other members of the ExCo. For the 2022 financial year the five highest paid executives include five Disclosed Executives. Rights granted to Disclosed Executives as remuneration in 2022 are included in the table. No rights have been granted to the CEO, Disclosed Executives or the five highest paid executives since the end of 2022 up to the Directors' Report sign-off date. **2.** The point in time value of deferred shares/deferred share rights and/or performance rights is based on the one day VWAP of the Company's shares traded on the ASX on the date of vesting, lapsing/forfeiture or exercising/sale/transfer out of trust, multiplied by the number of deferred shares/deferred share rights and/or performance rights. The exercise price for all deferred share rights/performance rights is $0.00. No terms or conditions of grant of the share-based payment transactions have been altered or modified during the reporting period. **3.** The number vested and exercisable is the number of shares, options and rights that remain vested at the end of the reporting period. No shares, options and rights were vested and unexercisable.

4. Performance rights granted in prior years (by grant date) that remained unexerciseable at 30 September 2022 or date ceased in a Disclosed Executive role include:

	Nov-18	Nov-19	Nov-20	Nov-21
S Elliott	-	168,066	159,308	126,353
M Carnegie	-	40,816	38,378	42,345
K Corbally	-	-	-	-
F Faruqui	-	69,118	34,045	54,006
G Florian	-	23,128	34,820	50,324
K van der Merwe	-	34,013	30,950	44,186
A Watson	-	-	31,389	51,117
M Whelan	-	72,108	34,045	60,266
S Buggle	6,464	-	-	-
M Hand	-	24,489	43,330	40,505

Performance rights granted to S Elliott in 2022 were approved by shareholders at the 2021 AGM in accordance with ASX Listing Rule 10.14. **5.** The vested value for S Elliott's performance rights includes the value of 51.6% of performance rights we awarded in December 2018 which vested in December 2021 due to performance hurdles being met and were settled by delivery of shares, which remain subject to a further one-year restriction period. **6.** Equity transactions disclosed from date commenced as a Disclosed Executive. **7.** Equity transactions disclosed up to date ceased in a Disclosed Executive role. There were no disclosable transactions up to the date S Buggle concluded as a Disclosed Executive.

9.2.2 NED, CEO AND DISCLOSED EXECUTIVES' EQUITY HOLDINGS

The table below sets out details of equity held directly, indirectly or beneficially by each NED, the CEO and each Disclosed Executive, including their related parties.

Equity holdings – NED, CEO and Disclosed Executives

Name	Type of equity	Opening balance at 1 Oct 2021	Granted during the year as remuneration[1]	Received during the year on exercise of options or rights	Resulting from any other changes during the year[2]	Closing balance at 30 Sep 2022[3, 4]
Current Non–Executive Directors						
P O'Sullivan	Ordinary shares	4,078	–	–	272	4,350
	Capital notes 2	9,250	–	–	(9,250)	–
	Capital notes 7	–	–	–	9,250	9,250
I Atlas	Ordinary shares	14,360	–	–	958	15,318
J Halton	Ordinary shares	9,049	–	–	604	9,653
J Key	Ordinary shares	3,000	–	–	7,500	10,500
G Liebelt	Ordinary shares	20,315	–	–	1,356	21,671
	Capital notes 2	2,500	–	–	(2,500)	–
	Capital notes 6	2,500	–	–	–	2,500
	Capital notes 7	–	–	–	2,500	2,500
J Macfarlane	Ordinary shares	17,851	–	–	1,191	19,042
	Capital notes 2	2,000	–	–	(2,000)	–
	Capital notes 3	5,000	–	–	–	5,000
	Capital notes 6	2,140	–	–	–	2,140
	Capital notes 7	–	–	–	2,000	2,000
C O'Reilly[5]	Ordinary shares	6,000	–	–	400	6,400
J Smith[5]	Ordinary shares	2,605	–	–	174	2,779
Former Non–Executive Directors						
P Dwyer[6]	Ordinary shares	17,500	–	–	–	17,500
CEO and Current Disclosed Executives						
S Elliott	Deferred shares	70,882	36,101	–	(36,997)	69,986
	Ordinary shares	290,675	–	62,010	42,423	395,108
	Vested shares 1yr restriction	–	–	56,989	–	56,989
	Performance rights	499,749	126,353	(118,999)	(53,376)	453,727
M Carnegie	Deferred shares	92,284	20,550	–	–	112,834
	Ordinary shares	8,670	–	39,211	(13,783)	34,098
	Performance rights	139,145	42,345	(39,211)	(20,740)	121,539
K Corbally	Deferred shares	38,019	22,158	–	(14,333)	45,844
	Ordinary shares	1,431	–	14,546	(14,596)	1,381
	Capital notes 6	1,400	–	–	–	1,400
	Deferred share rights	54,391	22,830	(14,546)	–	62,675
F Faruqui[5]	Deferred shares	1,797	26,209	–	–	28,006
	Ordinary shares	3,890	–	93,883	2,607	100,380
	Deferred share rights	67,440	–	(35,973)	–	31,467
	Performance rights	188,294	54,006	(57,910)	(27,221)	157,169
G Florian	Deferred shares	42,283	24,422	–	(10,100)	56,605
	Ordinary shares	11,977	–	22,624	2,982	37,583
	Performance rights	93,534	50,324	(22,624)	(12,962)	108,272
K van der Merwe	Deferred shares	50,404	21,444	–	(8,333)	63,515
	Ordinary shares	1,282	–	20,494	7,631	29,407
	Performance rights	99,715	44,186	(20,494)	(14,258)	109,149
A Watson	Deferred shares	30,760	24,807	–	(13,611)	41,956
	Employee Share Offer	61	–	–	–	61
	Ordinary shares	23,747	–	6,123	7,711	37,581
	Deferred share rights	2,817	–	(2,817)	–	–
	Performance rights	36,191	51,117	(3,306)	(1,496)	82,506
M Whelan	Deferred shares	60,098	29,247	–	(33,085)	56,260
	Ordinary shares	34,387	–	30,102	(17,526)	46,963
	Performance rights	164,449	60,266	(30,102)	(28,194)	166,419
Former Disclosed Executives						
S Buggle[6]	Deferred shares	86,664	–	–	–	86,664
	Ordinary shares	21,174	–	–	–	21,174
	Capital notes 2	490	–	–	–	490
	Capital notes 6	590	–	–	–	590
	Deferred share rights	24,624	–	–	–	24,624
	Performance rights	6,464	–	–	–	6,464
M Hand[6]	Deferred shares	33,665	19,657	–	(2,160)	51,162
	Ordinary shares	1,235	–	13,840	(12,964)	2,111
	Performance rights	94,621	40,505	(13,840)	(12,962)	108,324

1. Details of options/rights granted as remuneration during 2022 are provided in the previous table. **2.** Shares resulting from any other changes during the year include the net result of any shares purchased (including under the ANZ Share Purchase Plan), forfeited, sold or acquired under the Dividend Reinvestment Plan. **3.** The following shares (included in the holdings above) were held on behalf of the NEDs, CEO and Disclosed Executives (i.e., indirect beneficially held shares) as at 30 September 2022 (or the date ceased as a KMP): P O'Sullivan – 0, I Atlas – 15,318, J Halton – 0, J Key – 10,500, G Liebelt – 8,436, J Macfarlane – 28,182, C O'Reilly – 0, J Smith – 0, P Dwyer – 17,500, S Elliott – 518,500, M Carnegie – 112,834, K Corbally – 47,244, F Faruqui – 28,006, G Florian – 66,504, K van der Merwe – 63,515, A Watson – 42,017, M Whelan – 100,073, S Buggle – 87,744 and M Hand – 51,162. **4.** Zero rights were vested and exercisable, and zero options/rights were vested and unexerciseable as at 30 September 2022. There was no change in the balance as at the Directors' Report sign-off date. **5.** Commencing balance is based on holdings as at the date of commencement as a KMP. **6.** Concluding balance is based on holdings as at the date ceased as a KMP.

9.3 Loans

9.3.1 OVERVIEW

When we lend to NEDs, the CEO or Disclosed Executives, we do so in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers – this includes the term of the loan, the security required and the interest rate. Details of the terms and conditions of lending products can be found on anz.com. No amounts have been written off during the period, or individual assessed allowance for expected credit losses raised in respect of these balances.

Total loans to NEDs, the CEO and Disclosed Executives, including their related parties at 30 September 2022 (including those with balances less than $100,000) was $24,339,919 (2021: $25,444,692) with interest paid of $790,118 (2021: $776,791) during the period.

9.3.2 NED, CEO AND DISCLOSED EXECUTIVES' LOAN TRANSACTIONS

The table below sets out details of loans outstanding to NEDs, the CEO and Disclosed Executives including their related parties, if – at any time during the year – the individual's aggregate loan balance exceeded $100,000.

Loan transactions – NED, CEO and Disclosed Executives

Name	Opening balance at 1 Oct 2021[1] $	Closing balance at 30 Sep 2022 $	Interest paid and payable in the reporting period[2] $	Highest balance in the reporting period $
Current Non–Executive Directors				
P O'Sullivan	792,259	731,495	65	810,049
J Key	–	3,703,009	73,835	3,704,351
J Macfarlane	12,913,111	9,364,205	423,076	14,104,140
CEO and Current Disclosed Executives				
S Elliott	2,616,885	2,521,407	54,579	2,641,851
G Florian	4,483,293	4,250,856	140,327	8,072,732
K van der Merwe	2,464,654	1,655,942	47,480	2,479,909
M Whelan	1,628,540	1,550,938	50,625	1,681,066
Former Disclosed Executives				
S Buggle[3]	504,008	499,193	–	504,061
Total	25,402,750	24,277,045	789,987	33,998,158

1. Opening balances have been adjusted to take into account timing variances. **2.** Actual interest paid after considering offset accounts. The loan balance is shown gross, however the interest paid takes into account the impact of offset amounts. **3.** Closing balance is as at the date ceased in a KMP role.

9.4 Other transactions

Other transactions with NEDs, the CEO and Disclosed Executives, and their related parties included deposits.

Other transactions – NED, CEO and Disclosed Executives

	Opening balance at 1 Oct 2021[1] $	Closing balance at 30 Sep 2022[2,3] $
Total KMP deposits	27,513,114	30,208,600

1. Opening balance is at 1 October 2021 or the date of commencement as a KMP if part way through the year and it has been adjusted to take into account timing variances. **2.** Closing balance is at 30 September 2022 or at the date ceased in a KMP role if part way through the year. **3.** Interest received on deposits for 2022 was $140,355 (2021: $88,209).

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage, bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions are no more favourable than those given to other employees or customers.

Directors' report

The Directors' Report for the financial year ended 30 September 2022 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 12;
- Operating and financial review on pages 44 to 60;
- Dividends on page 58;
- Information on the Directors, Company Secretaries and Directors' meetings on pages 26 to 35;
- Remuneration report on pages 62 to 103.

Significant changes in state of affairs

There have been no significant changes in the Group's state of affairs.

Events since the end of the financial year

There have been no significant events from 30 September 2022 to the date of signing this report.

Participation in political-related activities

ANZ aims to assist the democratic process in Australia by attending and participating in paid events hosted by the major federal political parties. For the year ended 30 September 2022, ANZ contributed $90,000 to participate in political activities hosted by the Australian Labor Party and the Liberal Party of Australia. These activities included speeches, political functions and policy dialogue forums. ANZ discloses these contributions to the Australian Electoral Commission (AEC), noting the AEC's reporting year is a different period to ANZ's financial year.

Environmental regulation

ANZ recognises the expectations of its stakeholders – customers, shareholders, staff and the community – to operate in a way that mitigates its environmental impact.

In Australia, ANZ meets the requirements of the *National Greenhouse and Energy Reporting Act 2007 (Cth)*, which imposes reporting obligations where energy production, usage or greenhouse gas emissions trigger specified thresholds.

The Group does not believe that its operations are subject to any other particular and significant environmental regulation under a law of the Commonwealth of Australia or of an Australian State or Territory. It may become subject to environmental regulation as a result of its lending activities in the ordinary course of business and has developed policies, which are reviewed on a regular basis to help identify and manage such environmental matters.

Having made due enquiry, and to the best of ANZ's knowledge, no entity of the Group has incurred any material environmental liability during the year.

Further details of ANZ's environmental performance, including progress against its targets and management of material issues aligned with its commitment to fair and responsible banking and priority areas of financial wellbeing, environmental sustainability and housing, are available in ANZ's ESG Supplement, at anz.com/annualreport.

Corporate Governance Statement

ANZ is committed to maintaining a high standard in its governance framework. ANZ confirms it has followed the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition)* during the 2022 financial year. ANZ's Corporate Governance Statement, together with the ASX Appendix 4G which relates to the Corporate Governance Statement, can be viewed at anz.com/corporategovernance and has been lodged with the ASX.

Pillar III information

ANZ provides information required by APS 330: *Public Disclosure* in the Regulatory Disclosures section at anz.com/shareholder/centre/reporting/regulatory-disclosure/.

External auditor

The Group's external auditor is KPMG. The Group appointed Peat, Marwick, Mitchell & Co (predecessor to KPMG) in 1969.

The Board Audit Committee conducts a formal annual performance assessment of the external auditor, including whether to commence an external tender for the audit. After considering relevant factors including tenure, audit quality, local and international capability and experience, and independence, the Board Audit Committee resolved to reappoint KPMG for the 30 September 2023 financial year audit.

KPMG regularly rotates Group Lead Audit Engagement Partner and the Engagement Quality Control Review Partner with the most recent rotation being for the financial year ended 30 September 2021 and 30 September 2020 respectively.

Non-audit services

The Group's Stakeholder Engagement Model for Relationship with the External Auditor (the Policy), which incorporates requirements of the *Corporations Act 2001* and industry best practice, prevents the external auditor from providing services that are perceived to be in conflict with the role of the external auditor or breach independence requirements. This includes consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

Specifically the Policy:

- Limits the scope of non-audit services that may be provided;
- Requires that audit, audit-related and permitted non-audit services be considered in light of independence requirements and for any potential conflicts of interest before they are approved by the Audit Committee, or approved by the Chair of the Audit Committee (or delegate) and notified to the Audit Committee; and
- Requires pre-approval before the external auditor can commence any engagement for the Group.

Further details about the Policy can be found in the Corporate Governance Statement.

The external auditor has confirmed to the Audit Committee that it has:

- Implemented procedures to ensure it complies with independence rules in applicable jurisdictions; and
- Complied with applicable policies and regulations in those jurisdictions regarding the provision of non-audit services, and the Policy.

The Audit Committee has reviewed the non-audit services provided by the external auditor during the 2022 financial year, and has confirmed that the provision of these services is consistent with the Policy, compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

This has been formally advised by the Audit Committee to the Board of Directors.

The categories of non-audit services supplied to the Group during the year ended 30 September 2022 by the external auditor, KPMG, or by another person or firm on KPMG's behalf, and the amounts paid or payable (including GST) by the Group are as follows:

	Amount paid/payable $'000's	
Non-audit services	**2022**	**2021**
Training and related services	–	–
Controls related assessments	–	90
Methodology and procedural reviews	8	101
Total	8	191

Further details on the compensation paid to KPMG is provided in Note 34 Auditor Fees to the financial statements including details of audit-related services provided during the year of $7.50 million (2021: $4.43 million).

For the reasons set out above, the Directors are satisfied that the provision of non-audit services by the external auditor during the year ended 30 September 2022 is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Directors' and officers' indemnity

The Company's Constitution (Rule 11.1) permits the Company to:

- Indemnify any officer or employee of the Company, or its auditor, against liabilities (so far as may be permitted under applicable law) incurred as such by an officer, employee or auditor, including liabilities incurred as a result of appointment or nomination by the Company as a trustee or as an officer or employee of another corporation; and
- Make payments in respect of legal costs incurred by an officer, employee or auditor in defending an action for a liability incurred as such by an officer, employee or auditor, or in resisting or responding to actions taken by a government agency, a duly constituted Royal Commission or other official inquiry, a liquidator, administrator, trustee in bankruptcy or other authorised official.

It is the Company's policy that its employees should be protected from any liability they incur as a result of acting in the course of their employment, subject to appropriate conditions.

Under the policy, the Company will indemnify employees and former employees against any liability they incur to any third party as a result of acting in good faith in the course of their employment with the Company or a subsidiary of the Company and this extends to liability incurred as a result of their appointment/nomination by or at the request of the Group as an officer or employee of another corporation or body or as a trustee.

The indemnity is subject to applicable law and certain exceptions. In accordance with the employee indemnity policy, the Company has during or since the year ended 30 September 2022 paid legal expenses totalling $328,250.32 incurred by Mr Richard Moscati in relation to legal proceedings that had been brought against him and the Company by the Commonwealth Director of Public Prosecutions.

The Company has entered into Indemnity Deeds with each of its Directors, with certain secretaries and former Directors of the Company, and with certain employees and other individuals who act as directors or officers of related bodies corporate or of another company, to indemnify them against liabilities and legal costs of the kind mentioned in the Company's Constitution.

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and employees of the Company and related bodies corporate of the Company. In accordance with common commercial practice, the insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Key management personnel and employee share and option plans

The Remuneration Report contains details of Non-Executive Directors, Chief Executive Officer and Disclosed Executives' equity holdings and options/rights issued during the 2022 financial year and as at the date of this report.

Note 31 Employee Share and Option Plans to the 2022 Financial Report contains details of the 2022 financial year and as at the date of this report:

- Options/rights issued over shares granted to employees;
- Shares issued as a result of the exercise of options/rights granted to employees; and
- Other details about share options/rights issued, including any rights to participate in any share issues of the Company.

The names of all persons who currently hold options/rights are entered in the register kept by the Company pursuant to section 170 of the *Corporations Act 2001*. This register may be inspected free of charge.

Rounding of amounts

The Company is a company of the kind referred to in *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial statements and this Directors' Report have been rounded to the nearest million dollars unless specifically stated otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Paul D O'Sullivan Chairman	**Shayne C Elliott** Managing Director
26 October 2022	26 October 2022

Lead Auditor's Independence Declaration

The Lead Auditors Independence Declaration given under Section 307C of the *Corporations Act 2001* is set out below and forms part of the Directors' Report for the year ended 30 September 2022.

To: the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2022, there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG	**Martin McGrath** Partner
	26 October 2022

Financial report

Financial Statements

Notes to the Financial Statements

INCOME STATEMENTS

For the year ended 30 September	Note	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Interest income[1]		23,609	19,529	18,408	15,347
Interest expense		(8,735)	(5,368)	(7,433)	(4,822)
Net interest income	2	14,874	14,161	10,975	10,525
Other operating income	3	4,235	3,325	6,424	4,854
Net income from insurance business	3	140	110	-	-
Share of associates' profit/(loss)	3	177	(176)	(12)	(1)
Operating income		19,426	17,420	17,387	15,378
Operating expenses	4	(9,579)	(9,051)	(8,123)	(7,594)
Profit before credit impairment and income tax		9,847	8,369	9,264	7,784
Credit impairment (charge)/release	14	232	567	265	469
Profit before income tax		10,079	8,936	9,529	8,253
Income tax expense	5	(2,940)	(2,756)	(1,933)	(1,922)
Profit after tax from continuing operations		7,139	6,180	7,596	6,331
Profit/(Loss) after tax from discontinued operations		(19)	(17)	-	-
Profit for the year		7,120	6,163	7,596	6,331
Comprising:					
Profit attributable to shareholders of the Company		7,119	6,162	7,596	6,331
Profit attributable to non-controlling interests		1	1	-	-

For the year ended 30 September	Note	Consolidated 2022	Consolidated 2021
Earnings per ordinary share (cents) including discontinued operations[2]			
Basic	7	250.0	215.3
Diluted	7	233.2	203.2
Earnings per ordinary share (cents) from continuing operations[2]			
Basic	7	250.7	215.9
Diluted	7	233.8	203.7
Dividend per ordinary share (cents)	6	146	142

1. Includes interest income calculated using the effective interest method on financial assets measured at amortised cost or fair value through other comprehensive income of $22,844 million (2021: $19,054 million) in the Group and $17,123 million (2021: $14,363 million) in the Company.
2. Earnings per share in 2021 has been restated to reflect the bonus element of the share entitlement offer made in 2022 in accordance with AASB 133 *Earnings per Share*.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 September	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Profit for the year from continuing operations	7,139	6,180	7,596	6,331
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Investment securities - equity securities at FVOCI	(55)	80	(119)	67
Other reserve movements[1]	127	(41)	132	(95)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation reserve	(759)	456	139	(14)
Other reserve movements	(4,180)	(1,052)	(4,132)	(1,003)
Income tax attributable to the above items	1,172	301	1,186	303
Share of associates' other comprehensive income[2]	(40)	(48)	-	-
Other comprehensive income after tax from continuing operations	(3,735)	(304)	(2,794)	(742)
Profit/(Loss) after tax from discontinued operations	(19)	(17)	-	-
Total comprehensive income for the year	3,385	5,859	4,802	5,589
Comprising total comprehensive income attributable to:				
Shareholders of the Company	3,399	5,858	4,802	5,589
Non-controlling interests[1]	(14)	1	-	-

1. The Group includes -$15 million (2021: nil) relating to foreign currency retranslation of the non-controlling interest in ANZ Bank New Zealand Limited.
2. The Group's share of associates' other comprehensive income, that may be reclassified subsequently to profit or loss in the Group, includes:

	2022 $m	2021 $m
FVOCI reserve gain/(loss)	(56)	(42)
Defined benefits gain/(loss)	15	(5)
Cash flow hedge reserve gain/(loss)	-	1
Foreign currency translation reserve gain/(loss)	1	(2)
Total	(40)	(48)

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

BALANCE SHEETS

		Consolidated		The Company	
As at 30 September	Note	2022 $m	2021 $m	2022 $m	2021 $m
Assets					
Cash and cash equivalents[1]	9	168,132	151,260	155,483	141,436
Settlement balances owed to ANZ		4,762	7,530	4,024	7,183
Collateral paid		12,700	9,166	11,368	8,343
Trading assets	10	35,237	44,688	28,073	34,752
Derivative financial instruments	11	90,174	38,736	88,056	38,292
Investment securities	12	86,153	83,126	72,399	67,940
Net loans and advances	13	672,407	629,719	537,345	488,487
Regulatory deposits		632	671	249	213
Due from controlled entities		-	-	22,860	23,530
Shares in controlled entities	26	-	-	17,630	15,693
Investments in associates	27	2,181	1,972	53	20
Current tax assets		46	57	43	55
Deferred tax assets		3,384	2,339	2,992	1,887
Goodwill and other intangible assets	22	3,877	4,124	935	1,017
Premises and equipment		2,431	2,734	2,171	2,415
Other assets		3,613	2,735	2,402	1,909
Total assets		1,085,729	978,857	946,083	833,172
Liabilities					
Settlement balances owed by ANZ		13,766	17,427	10,224	14,922
Collateral received		16,230	5,657	14,425	5,148
Deposits and other borrowings	15	797,281	743,056	665,607	606,723
Derivative financial instruments	11	85,149	36,035	84,500	37,005
Due to controlled entities		-	-	25,305	23,079
Current tax liabilities		829	419	488	193
Deferred tax liabilities		83	70	54	70
Payables and other liabilities	16	9,835	8,647	8,562	7,244
Employee entitlements		549	602	409	447
Other provisions	23	1,872	2,214	1,648	1,873
Debt issuances	17	93,734	101,054	75,828	81,088
Total liabilities		1,019,328	915,181	887,050	777,792
Net assets		66,401	63,676	59,033	55,380
Shareholders' equity					
Ordinary share capital	24	28,797	25,984	28,720	25,907
Reserves	24	(2,606)	1,228	(2,546)	341
Retained earnings	24	39,716	36,453	32,859	29,132
Share capital and reserves attributable to shareholders of the Company	24	65,907	63,665	59,033	55,380
Non-controlling interests	24	494	11	-	-
Total shareholders' equity	24	66,401	63,676	59,033	55,380

1. Includes settlement balances owed to ANZ that meet the definition of cash and cash equivalents.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

CASH FLOW STATEMENTS

For the year ended 30 September	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Profit after income tax	7,120	6,163	7,596	6,331
Adjustments to reconcile to net cash provided by/(used in) operating activities:				
Allowance for expected credit losses	(232)	(567)	(265)	(469)
Depreciation and amortisation	1,008	1,087	867	959
(Profit)/Loss on sale of premises and equipment	(8)	(11)	(1)	(11)
Net derivatives/foreign exchange adjustment	(4,434)	(6,350)	(4,687)	(4,374)
(Gain)/Loss on sale from divestments	(252)	238	(246)	(12)
Other non-cash movements	(909)	(237)	(488)	(456)
Net (increase)/decrease in operating assets:				
Collateral paid	(2,638)	4,995	(2,054)	4,484
Trading assets	8,020	10	6,355	(2,778)
Net loans and advances	(46,378)	(8,259)	(42,003)	(300)
Net intra-group loans and advances	-	-	978	(1,212)
Other assets	685	143	655	89
Net increase/(decrease) in operating liabilities:				
Deposits and other borrowings	48,879	48,896	45,058	41,908
Settlement balances owed by ANZ	(3,486)	(4,928)	(4,769)	(4,671)
Collateral received	9,468	(3,466)	8,074	(2,728)
Other liabilities	3,333	6,108	3,426	5,579
Total adjustments	13,056	37,659	10,900	36,008
Net cash (used in)/provided by operating activities[1]	20,176	43,822	18,496	42,339
Cash flows from investing activities				
Investment securities assets:				
Purchases	(34,292)	(52,639)	(30,065)	(23,040)
Proceeds from sale or maturity	32,797	63,445	28,201	35,493
Proceeds from divestments, net of cash disposed	394	13	(5)	-
Net movement in shares in controlled entities	(65)	-	(133)	(175)
Net investments in other assets	(651)	(561)	(667)	(650)
Net cash (used in)/provided by investing activities	(1,817)	10,258	(2,669)	11,628
Cash flows from financing activities				
Deposits and other borrowings drawn down	1,226	9,310	-	8,091
Debt issuances:[2]				
Issue proceeds	23,422	12,624	20,145	9,517
Redemptions	(26,017)	(27,709)	(21,985)	(23,104)
Dividends paid[3]	(3,784)	(2,834)	(3,782)	(2,834)
On market purchase of treasury shares	(117)	(79)	(117)	(79)
Repayment of lease liabilities	(218)	(330)	(226)	(288)
Share buyback	(846)	(654)	(846)	(654)
ANZ Bank New Zealand Perpetual Preference Shares	492	-	-	-
Share entitlement issue	3,497	-	3,497	-
Net cash (used in)/provided by financing activities	(2,345)	(9,672)	(3,314)	(9,351)
Net (decrease)/increase in cash and cash equivalents	16,014	44,408	12,513	44,616
Cash and cash equivalents at beginning of year	151,260	107,923	141,436	98,083
Effects of exchange rate changes on cash and cash equivalents	858	(1,071)	1,534	(1,263)
Cash and cash equivalents at end of year	168,132	151,260	155,483	141,436

1. Net cash (used in)/provided by operating activities for the Group includes interest received of $22,748 million (2021: $19,649 million), interest paid of $7,857 million (2021: $5,793 million) and income taxes paid of $2,171 million (2021: $2,427 million). Net cash (used in)/provided by operating activities for the Company includes interest received of $17,672 million (2021: $15,435 million), interest paid of $6,692 million (2021: $5,117 million) and income taxes paid of $1,443 million (2021: $1,541 million).
2. Non-cash movements on Debt issuances include a gain of $4,725 million (2021: $3,476 million gain) from unrealised movements primarily due to fair value hedging adjustments partially offset by foreign exchange losses for the Group, and include a gain of $3,420 million (2021: $2,322 million gain) from unrealised movements primarily due to fair value hedging partially offset by foreign exchange losses for the Company.
3. Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Consolidated	Ordinary share capital $m	Reserves $m	Retained earnings $m	Share capital and reserves attributable to shareholders of the Company $m	Non-controlling interests $m	Total shareholders' equity $m
As at 1 October 2020	26,531	1,501	33,255	61,287	10	61,297
Profit or loss from continuing operations	-	-	6,179	6,179	1	6,180
Profit or loss from discontinued operations	-	-	(17)	(17)	-	(17)
Other comprehensive income for the year from continuing operations	-	(264)	(40)	(304)	-	(304)
Total comprehensive income for the year	-	(264)	6,122	5,858	1	5,859
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,928)	(2,928)	-	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94	-	94
Group share buy-back[2]	(654)	-	-	(654)	-	(654)
Other equity movements:						
Group employee share acquisition scheme	13	-	-	13	-	13
Other items	-	(9)	4	(5)	-	(5)
As at 30 September 2021	25,984	1,228	36,453	63,665	11	63,676
Profit or loss from continuing operations	-	-	7,138	7,138	1	7,139
Profit or loss from discontinued operations	-	-	(19)	(19)	-	(19)
Other comprehensive income for the year from continuing operations	-	(3,835)	115	(3,720)	(15)	(3,735)
Total comprehensive income for the year	-	(3,835)	7,234	3,399	(14)	3,385
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(3,965)	(3,965)	(2)	(3,967)
Dividend Reinvestment Plan[1]	183	-	-	183	-	183
Group share buy-back[2]	(846)	-	-	(846)	-	(846)
Share entitlement issue[3]	3,497	-	-	3,497	-	3,497
Other equity movements:						
Group employee share acquisition scheme	(21)	-	-	(21)	-	(21)
Preference shares issued	-	-	(7)	(7)	499	492
Other items	-	1	1	2	-	2
As at 30 September 2022	28,797	(2,606)	39,716	65,907	494	66,401

1. 7.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2022 interim dividend (2021 final and interim dividend: nil; 2020 final dividend: 4.2 million). On-market share purchases for the DRP in 2022 were $204 million (2021: $199 million).
2. The Group completed its $1.5 billion on-market share buy-back of ANZ ordinary shares on 25 March 2022 resulting in 31 million (2021: 23 million) shares being cancelled in 2022.
3. The Group issued 187.1 million new ordinary shares under the share entitlement offer in 2022.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Company	Ordinary share capital $m	Reserves $m	Retained earnings $m	Total shareholders' equity $m
As at 1 October 2020	26,454	1,018	25,800	53,272
Profit for the year	-	-	6,331	6,331
Other comprehensive income for the year	-	(668)	(74)	(742)
Total comprehensive income for the year	-	(668)	6,257	5,589
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(2,928)	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94
Group share buy-back[2]	(654)	-	-	(654)
Other equity movements:				
Group employee share acquisition scheme	13	-	-	13
Other items	-	(9)	3	(6)
As at 30 September 2021	25,907	341	29,132	55,380
Profit for the year	-	-	7,596	7,596
Other comprehensive income for the year	-	(2,888)	94	(2,794)
Total comprehensive income for the year	-	(2,888)	7,690	4,802
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(3,965)	(3,965)
Dividend Reinvestment Plan[1]	183	-	-	183
Group share buy-back[2]	(846)	-	-	(846)
Share entitlement issue[3]	3,497	-	-	3,497
Other equity movements:				
Group employee share acquisition scheme	(21)	-	-	(21)
Other items	-	1	2	3
As at 30 September 2022	28,720	(2,546)	32,859	59,033

1. 7.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2022 interim dividend (2021 final and interim dividend: nil; 2020 final dividend: 4.2 million). On-market share purchases for the DRP in 2022 were $204 million (2021: $199 million).
2. The Company completed its $1.5 billion on-market share buy-back on 25 March 2022 resulting in 31 million (2021: 23 million) shares being cancelled in 2022.
3. The Company issued 187.1 million new ordinary shares under the share entitlement offer in 2022.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

Notes to the financial statements

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for Australia and New Zealand Banking Group Limited (the Company) and its controlled entities (together, the Group or ANZ) for the year ended 30 September 2022. The Company is a publicly listed company incorporated and domiciled in Australia. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008. The Group provides banking and financial services to individuals and business customers and operates in and across 32 markets.

On 26 October 2022, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Group's business during the period - for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Group's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative requirements of the *Corporations Act 2001*, the *Banking Act 1959 (Cth)* or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

This section of the financial statements:

- outlines the basis upon which the Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

This financial report is a general purpose (Tier 1) financial report prepared by a 'for profit' entity, in accordance with Australian Accounting Standards (AASs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*, and International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB).

We present the financial statements of the Group in Australian dollars, which is the Company's functional and presentation currency. We have rounded values to the nearest million dollars ($m), unless otherwise stated, as allowed under the *ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191*. We measure the financial statements of each entity in the Group using the currency of the primary economic environment in which that entity operates (the functional currency).

BASIS OF MEASUREMENT AND PRESENTATION

We have prepared the financial information in accordance with the historical cost basis - except the following assets and liabilities which we have stated at their fair value:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedged item;
- financial instruments held for trading;
- financial assets and financial liabilities designated at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- assets and liabilities classified as held for sale (except those required to be at carrying value).

In accordance with AASB 119 *Employee Benefits* (AASB 119) we have measured defined benefit obligations using the Projected Unit Credit Method.

During the 2022 financial year, the Group revised its treatment of ongoing trail commission payable to mortgage brokers and now recognises a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. Comparatives have not been restated.

The sale of Wealth Australia business to IOOF Holdings Limited (IOOF, now known as Insignia Financial Limited) and Zurich Financial Services Australia (Zurich) completed across 2020 and 2019. The separation of the business sold to Zurich completed in early April 2022, and the business sold to IOOF completed in early October 2022. The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

BASIS OF CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of the Company and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Group when we determine that the Company has control over the entity. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Company the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Group.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at fair value through other comprehensive income, translation differences are included in Other comprehensive income.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS THAT HAVE A FUNCTIONAL CURRENCY THAT IS NOT AUSTRALIAN DOLLARS

The financial statements of our foreign operations are translated into Australian dollars for consolidation into the Group Financial Statements using the following method:

Foreign currency item	Exchange rate used
Assets and liabilities	The reporting date rate
Equity	The initial investment date rate
Income and expenses	The average rate for the period – but if for a significant transaction we believe the average rate is not reasonable, then we use the rate at the date of the transaction

Exchange differences arising from the translation of financial statements of foreign operations are recognised in the foreign currency translation reserve in equity. When we dispose of a foreign operation, the cumulative exchange differences are transferred to profit or loss.

FIDUCIARY ACTIVITIES

The Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If ANZ is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

Whilst the course of the COVID-19 pandemic is moderating and the management of its impact on the populace, businesses and economic activity is better understood, the responses of consumers, business and governments remain uncertain. Compounding the effects of the pandemic are mounting geopolitical tensions, global supply chain disruptions, the conflict in Ukraine, commodity price pressures and increasing inflation and interest rates impacting the economy. Thus, there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The Group has made various accounting estimates in this Financial Report based on forecasts of economic conditions which reflect expectations and assumptions at 30 September 2022 about future events considered reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed further below and/or in the relevant notes in this Financial Report. Readers should consider these disclosures in light of the inherent uncertainties described above.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

INTEREST RATE BENCHMARK REFORM

Interbank offered rates (IBORs) have played a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and in the valuation of financial instruments. The IBOR reforms have a wide-ranging impact for the Group and our customers given the fundamental differences between IBORs and risk-free rates (RFRs). The key difference between IBORs and RFRs is that IBOR rates include a term and bank credit risk premium, whereas RFRs do not. As a result of these differences, adjustments are required to an RFR to ensure contracts referencing an IBOR rate transition on an economically comparable basis.

Update on the Group's approach to interest rate benchmark reform

In line with the regulatory announcements made in 2021, the majority of IBOR rates, including Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF), Japanese Yen (JPY), and the US Dollar (USD) 1-week and 2-month LIBOR rate settings ceased on 31 December 2021 and have been replaced by alternative RFRs. This transition had an immaterial impact to the Group's profit and loss. Through its loan and derivative transactions with customers, issuance of debt and its asset and liability management activities the Group continues to have exposure to the remaining USD LIBOR settings and other IBOR-related benchmarks that are due to largely cease by 30 June 2023.

The Group continues to manage the transition from the remaining USD LIBOR tenors and other remaining IBOR settings to RFR's through its enterprise-wide Benchmark Transition Program (the Program). The program is responsible for managing the risks associated with the transition including operational, market, legal, conduct and financial reporting risks that may arise.

Exposures subject to benchmark reform as at 30 September 2022

The table below shows the Group's exposure to interest rate benchmarks subject to IBOR reform. These are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR and have a contractual maturity date beyond the planned IBOR cessation date.

As at 30 September 2022	USD Libor $m	Others $m
Loan and advances[1]	13,349	126
Non-derivative financial assets[1]	154	-
Non-derivative financial liabilities[2]	669	36
Derivative asset (notional value)[3]	571,393	14,400
Derivative liability (notional value)[3]	553,754	14,540
Loan commitments[1,4]	16,312	222

1. Excludes Expected Credit Losses (ECL).
2. Comprises floating rate debt issuances by the Group.
3. For cross-currency swaps, where both the receive and pay legs are in currencies subject to reform, the Group discloses the Australian dollar-equivalent notional amounts for both. Where one leg of a swap is subject to reform, the Group discloses the notional amount of the receive leg.
4. For multi-currency IBOR referenced facilities, the undrawn balance has been allocated to the pricing currency of the facility or where there are multiple pricing currencies impacted by cessation, the most likely currency of drawdown.

Hedge accounting exposures subject to IBOR reform

The Group has hedge-accounted relationships referencing USD LIBOR, primarily due to fixed rate investment securities and the Group's fixed rate debt issuances denominated in USD that are designated in fair value hedge accounting relationships. The table below details the carrying values of the Group's USD exposures designated in hedge accounting relationships referencing LIBOR that will be impacted by reform. The nominal value of the associated hedging instruments is also included:

Hedged items	As at 30 September 2022 $m
Investment securities at FVOCI	8,457
Net loans and advances	216
Deposits and other borrowings	163
Debt issuances	19,861

Hedging instruments	Notional designated up to 30 June 2023 $m	Notional designated beyond 30 June 2023 $m	Total notional amount $m
Fair value hedges	8,523	21,795	30,318
Cash flow hedges	-	286	286

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

There were no new accounting standards or interpretations adopted in 2022 that had a significant effect on the Group.

Accounting policies have been consistently applied, unless otherwise noted.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2022 and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

AASB 9 *Financial Instruments* (AASB 9) introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Group until 1 October 2023. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

AASB 17 is not expected to have a material impact on the Group.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* amends AASB 112 *Income Taxes* and clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may include transactions such as leases and decommissioning or restoration obligations. This amendment is effective for the Group from 1 October 2023 and is not expected to have a significant impact.

2. NET INTEREST INCOME

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Net interest income				
Interest income by type of financial asset				
Financial assets at amortised cost	21,737	18,188	16,289	13,767
Investment securities at FVOCI	1,107	866	834	596
Trading assets	700	446	547	325
Financial assets at FV through profit or loss	65	29	177	124
External interest income	23,609	19,529	17,847	14,812
Controlled entities' income	-	-	561	535
Interest income	23,609	19,529	18,408	15,347
Interest expense by type of financial liability				
Financial liabilities at amortised cost	(8,019)	(4,830)	(6,170)	(3,681)
Securities sold short	(214)	(91)	(191)	(82)
Financial liabilities designated at FV through profit or loss	(162)	(101)	(151)	(158)
External interest expense	(8,395)	(5,022)	(6,512)	(3,921)
Controlled entities expense	-	-	(581)	(555)
Interest expense	(8,395)	(5,022)	(7,093)	(4,476)
Major bank levy	(340)	(346)	(340)	(346)
Net interest income[1]	14,874	14,161	10,975	10,525

1. Includes charges associated with customer remediation of nil (2021: -$86 million) for the Group and -$5 million (2021: -$82 million) for the Company.

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at fair value through other comprehensive income and at fair value through profit or loss. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. These are presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

Major Bank Levy

The Major Bank Levy Act 2017 (levy or major bank levy) applies a rate of 0.06% to certain liabilities of the Company. The Group has determined that the levy represents a finance cost for the Group and the Company and it is presented as interest expense in the Income Statement.

3. NON-INTEREST INCOME

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Non-interest income				
Fee and commission income				
Lending fees[1]	374	474	340	436
Non-lending fees	2,394	2,552	1,744	1,961
Commissions	103	97	74	65
Funds management income	261	287	27	5
External fee and commission income	3,132	3,410	2,185	2,467
Controlled entities' income	-	-	244	235
Fee and commission income	3,132	3,410	2,429	2,702
Fee and commission expense	(1,160)	(1,267)	(695)	(836)
Net fee and commission income	1,972	2,143	1,734	1,866
Other income				
Net foreign exchange earnings and other financial instruments income[2]	1,993	1,371	1,296	1,064
Gain on completion of ANZ Worldline partnership	307	-	307	-
Impairment of interest in controlled entities	-	-	(180)	-
Loss on disposal of ANZ Share Investing business	-	(251)	-	12
Release of foreign currency translation reserve	(65)	-	-	-
Loss on disposal of financial planning and advice business	(62)	-	(22)	-
Dividends received from controlled entities	-	-	3,181	1,845
Other	90	62	108	67
Other income	2,263	1,182	4,690	2,988
Other operating income	4,235	3,325	6,424	4,854
Net income from insurance business	140	110	-	-
Share of associates' profit/(loss)[3]	177	(176)	(12)	(1)
Non-interest income[4]	4,552	3,259	6,412	4,853

1. Lending fees exclude fees treated as part of the effective yield calculation in Interest income.
2. Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.
3. Includes -$347 million of the Group's share of AMMB Holdings Berhad's 1Malaysia Development Berhad settlement and goodwill write-off in 2021.
4. Includes charges associated with customer remediation of -$34 million (2021: -$56 million) for the Group and -$20 million (2021: -$84 million) for the Company.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

OTHER OPERATING INCOME

Fee and Commission Revenue

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period, or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product.
- non-lending fees include fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Group provides multiple goods or services to a customer under the same contract, the Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If the Group collects funds on behalf of a third party when acting as an agent, we only recognise the net commission it retains as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered. Performance fees associated with funds management activities are only recognised when it becomes highly probable the performance hurdle will be achieved.

Net Foreign Exchange Earnings and Other Financial Instruments Income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised or included in a previous financial report;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;
- the ineffective portions of fair value hedges, cash flow hedges and net investment hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments to items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the fair value through other comprehensive income (FVOCI) reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

Gain or Loss on Disposal of Non-Financial Assets

The gain or loss on the disposal of assets is the difference between the carrying value of the asset and the proceeds of disposal net of costs. This is recognised in Other income in the year in which the significant risks and rewards from the asset transfer to the buyer.

When a non-financial asset or group of assets is classified as held for sale, the difference between the carrying value immediately prior to reclassification and the fair value less costs to sell is recognised in Other operating income to align with the classification of gain or loss on sale that would have applied if the sale had completed during the year.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INCOME FROM INSURANCE BUSINESS

We recognise:

- premiums received (net of reinsurance premiums paid) based on an assessment of the likely pattern in which risk will emerge over the term of the policies written. This assessment is undertaken periodically and updated in accordance with the latest pattern of risk emergence; and
- claims incurred net of reinsurance, on an accruals basis once the liability to the policy owner has been established under the terms of the contract and through actuarial assumptions of future claims.

SHARE OF ASSOCIATES' PROFIT/(LOSS)

The equity method is applied to accounting for associates. Under the equity method, our share of the after tax results of associates is included in the Income Statement and the Statement of Comprehensive Income.

4. OPERATING EXPENSES

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Personnel				
Salaries and related costs	4,754	4,425	3,494	3,241
Superannuation costs	375	337	317	281
Other	167	184	127	110
Personnel	5,296	4,946	3,938	3,632
Premises				
Rent	88	85	67	62
Depreciation	419	446	344	371
Other	214	174	168	131
Premises	721	705	579	564
Technology				
Depreciation and amortisation	578	638	521	585
Subscription licences and outsourced services	899	786	648	587
Other	144	164	162	170
Technology	1,621	1,588	1,331	1,342
Restructuring	101	127	78	77
Other				
Advertising and public relations	165	178	128	134
Professional fees	935	769	864	714
Freight, stationery, postage and communication	172	185	128	141
Other	568	553	1,077	990
Other	1,840	1,685	2,197	1,979
Operating expenses[1]	9,579	9,051	8,123	7,594

1. Includes customer remediation expenses of $190 million (2021: $185 million) for the Group and $189 million (2021: $148 million) for the Company, litigation settlement expenses of $10 million (2021: $69 million) for the Group and $9 million (2021: $69 million) for the Company, and merger and acquisition related costs of $12 million (2021: nil) for the Group and the Company.

4. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS - ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of high quality corporate bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

Personnel expenses also include share-based payments which may be cash or equity settled. We calculate the fair value of equity settled remuneration at grant date, which is then amortised over the vesting period, with a corresponding increase in share capital or the share option reserve as applicable. When we estimate the fair value, we take into account market vesting conditions, such as share price performance conditions. We take non-market vesting conditions, such as service conditions, into account by adjusting the number of equity instruments included in the expense.

After the grant of an equity-based award, the amount we recognise as an expense is reversed when non-market vesting conditions are not met, for example an employee fails to satisfy the minimum service period specified in the award on resignation, termination or notice of dismissal for serious misconduct. However, we do not reverse the expense if the award does not vest due to the failure to meet a market-based performance condition.

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 31 Employee Share and Option Plans.

5. INCOME TAX

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in profit or loss:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Profit before income tax from continuing operations	10,079	8,936	9,529	8,253
Prima facie income tax expense at 30%	3,024	2,681	2,859	2,476
Tax effect of permanent differences:				
Net (gain)/loss from divestments/closures	(83)	71	(113)	(4)
Share of associates' (profit)/loss	(53)	53	4	-
Interest on convertible instruments	49	44	49	44
Overseas tax rate differential	(128)	(88)	(70)	(33)
Provision for foreign tax on dividend repatriation	155	37	150	33
Rebatable and non-assessable dividends	-	-	(954)	(554)
Impairment of interest in controlled entities	-	-	54	-
Other	4	(26)	(21)	(23)
Subtotal	2,968	2,772	1,958	1,939
Income tax (over)/under provided in previous years	(28)	(16)	(25)	(17)
Income tax expense	2,940	2,756	1,933	1,922
Current tax expense	2,694	2,616	1,725	1,743
Adjustments recognised in the current year in relation to the current tax of prior years	(28)	(16)	(25)	(17)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	274	156	233	196
Income tax expense	2,940	2,756	1,933	1,922
Australia	1,844	1,897	1,755	1,806
Overseas	1,096	859	178	116
Effective tax rate	29.2%	30.8%	20.3%	23.3%

5. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Company is the head entity in the tax-consolidated group. We recognise each of the following in the separate financial statements of members of the tax consolidated group on a 'group allocation' basis: tax expense/income, and deferred tax liabilities/assets that arise from temporary differences for members of the tax-consolidated group. The Company (as head entity in the tax-consolidated group) recognises current tax liabilities and assets of the tax-consolidated group.

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the Company and the other members of the tax-consolidated group.

Members of the tax-consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities were the head entity to default on its income tax payment obligations.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total $1 million (2021: $6 million) for the Group and nil (2021: $2 million) for the Company.

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches and subsidiaries are repatriated) total $250 million (2021: $344 million) for the Group and $18 million (2021: $15 million) for the Company.

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant law in each of the countries in which it operates and seeks independent advice where appropriate.

6. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends are provided for in the financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend $m
Financial Year 2021			
2020 final dividend paid[1,2]		35 cents	994
2021 interim dividend paid[1,2]		70 cents	1,992
Bonus option plan adjustment			(58)
Dividends paid during the year ended 30 September 2021			2,928
Cash	90.0%		2,635
Dividend reinvestment plan[3]	10.0%		293
Dividends paid during the year ended 30 September 2021			2,928
Financial Year 2022			
2021 final dividend paid[1,2]		72 cents	2,030
2022 interim dividend paid[1,2]		72 cents	2,012
Bonus option plan adjustment			(77)
Dividends paid during the year ended 30 September 2022			3,965
Cash	90.2%		3,577
Dividend reinvestment plan[3]	9.8%		388
Dividends paid during the year ended 30 September 2022			3,965

Dividends announced and to be paid after year-end	Payment date	Amount per share	Total dividend $m
2022 final dividend (fully franked for Australian tax, New Zealand imputation credit NZD 9 cents per share)	15 December 2022	74 cents	2,213

1. Carries New Zealand imputation credits of NZD 9 cents for the 2022 interim dividend, NZD 8 cents for the 2021 final dividend and 2021 interim dividend, and NZD 4 cents for the 2020 final dividend.
2. Fully franked for Australian tax purposes (30% tax rate).
3. Includes on-market share purchases for the DRP of $204 million (2021: $199 million).

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Eligible shareholders can elect to reinvest their dividend entitlement into ANZ ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to forgo their dividend entitlement and instead receive ANZ ordinary shares under the Company's Bonus Option Plan (BOP). For the 2022 final dividend, DRP and BOP participation will be satisfied by an issue of new ANZ ordinary shares. There will be no discount applied to the DRP and BOP price.

Refer to Note 24 Shareholders' Equity for details of shares the Company purchased or issued in respect of the DRP and BOP.

6. DIVIDENDS (continued)

DIVIDEND FRANKING ACCOUNT

	Currency	2022 $m	2021 $m
Australian franking credits available at 30% tax rate	AUD	396	772
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	5,000	5,020

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the financial year; and
- franking credits/debits from the receipt/payment of dividends that have been recognised as tax receivables/payables as at the end of the financial year.

The proposed 2022 final dividend will utilise the entire balance of $396 million franking credits available at 30 September 2022. Instalment tax payments on account of the 2022 financial year, which will be made after 30 September 2022, will generate sufficient franking credits to enable the 2022 final dividend to be fully franked. The extent to which future dividends will be franked will depend on a number of factors, including the level of profits generated by the Group that will be subject to tax in Australia.

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on ANZ ordinary shares if:

- the aggregate dividends exceed the Company's after tax earnings (in calculating those after tax earnings, we take into account any payments we made on senior capital instruments) in the financial year to which they relate; or
- the Group's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the Company fails to pay a dividend or distribution on its ANZ Capital Notes or ANZ Capital Securities on the scheduled payment date, it may (subject to a number of exceptions) be restricted from resolving to pay or paying any dividend on the ANZ ordinary shares.

7. EARNINGS PER ORDINARY SHARE

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares (WANOS) outstanding during the period (after eliminating ANZ shares held within the Group known as treasury shares). Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares used in the basic EPS calculation for the effect of dilutive potential ordinary shares.

Earnings per ordinary share - Basic[1]	2022 cents	2021 cents
Earnings Per Share	250.0	215.3
Earnings Per Share from continuing operations	250.7	215.9
Earnings Per Share from discontinued operations	(0.7)	(0.6)

Earnings per ordinary share - Diluted[1]	2022 cents	2021 cents
Earnings Per Share	233.2	203.2
Earnings Per Share from continuing operations	233.8	203.7
Earnings Per Share from discontinued operations	(0.6)	(0.5)

Reconciliation of earnings used in earnings per share calculations	2022 $m	2021 $m
Basic:		
Profit for the year	7,120	6,163
Less: Profit attributable to non-controlling interests	1	1
Earnings used in calculating basic earnings per share	7,119	6,162
Less: Profit/(Loss) after tax from discontinued operations	(19)	(17)
Earnings used in calculating basic earnings per share from continuing operations	7,138	6,179
Diluted:		
Earnings used in calculating basic earnings per share	7,119	6,162
Add: Interest on convertible subordinated debt	199	187
Earnings used in calculating diluted earnings per share	7,318	6,349
Less: Profit/(Loss) after tax from discontinued operations	(19)	(17)
Earnings used in calculating diluted earnings per share from continuing operations	7,337	6,366

Reconciliation of WANOS used in earnings per share calculations[1,2]	2022 millions	2021 millions
WANOS used in calculating basic earnings per share	2,847.5	2,862.6
Add: Weighted average dilutive potential ordinary shares		
Convertible subordinated debt	282.9	252.5
Share based payments (options, rights and deferred shares)	7.7	10.0
WANOS used in calculating diluted earnings per share	3,138.1	3,125.1

1. WANOS and EPS have been restated to reflect the bonus element of the share entitlement issue made in 2022, in accordance with AASB 133 *Earnings per Share*.
2. WANOS excludes the weighted average number of treasury shares held in ANZEST Pty Ltd of 4.4 million (2021: 4.6 million).

8. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

On 1 March 2022, the Group announced a structural change to the existing Australia Retail and Commercial division, and the digital businesses in the Group Centre division (formerly known as the Technology, Services & Operations (TSO) and Group Centre division). This involved the integration of the Australian retail and digital businesses, and the separation of the Australian commercial business into a new division to improve productivity and accountability within the organisation. As a result of these changes there are now six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific and Group Centre, aligned to distinct strategies and opportunities within the Group. Comparative information has been restated accordingly.

The Group's six operating segments are presented on a basis that is consistent with the information provided internally to the Chief Executive Officer, who is the chief operating decision maker. This reflects the way the Group's businesses are managed, rather than the legal structure of the Group.

We measure the performance of these segments on a cash profit basis. To calculate cash profit, we remove certain non-core items from statutory profit. Details of these items are included in the 'Other items' section of this note. Transactions between business units across segments within ANZ are conducted on an arm's length basis and disclosed as part of the income and expenses of these segments.

The reportable segments are divisions engaged in providing either different products or services or similar products and services in different geographical areas. They are as follows:

Australia Retail

The Australia Retail division provides a full range of banking services to Australian consumers. This includes Home Loans, Deposits, Credit Cards and Personal Loans. Products and services are provided via the branch network, home loan specialists, contact centres, a variety of self-service channels (digital and internet banking, website, ATMs and phone banking) and third-party brokers. It also includes the costs related to the development and operation of the ANZ Plus proposition for retail customers.

Australia Commercial

The Australia Commercial division provides a full range of banking products and financial services, including asset financing, across the following customer segments: small business owners and medium commercial customers (SME Banking) and large commercial customers, high net worth individuals and family groups (Specialist Business).

Institutional

The Institutional division services governments, global institutional and corporate customers across Australia, New Zealand and International via the following business units:

- Transaction Banking provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Corporate Finance provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- Markets provides customers with risk management services in foreign exchange, interest rates, credit, commodities, and debt capital markets in addition to managing the Group's interest rate exposure and liquidity position.

New Zealand

The New Zealand division comprises the following business units:

- Personal provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and a network of branches, mortgage specialists, relationship managers and contact centres.
- Business provides a full range of banking services including small business banking, through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government-related entities.

Pacific

The Pacific division provides products and services to retail customers, small to medium-sized enterprises, institutional customers and governments located in the Pacific Islands. Products and services include retail products provided to consumers, traditional relationship banking and sophisticated financial solutions provided to business customers through dedicated managers.

Group Centre

The Group Centre division provides support to the operating divisions, including technology, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. It also includes residual components of Group divestments, Group Treasury, Shareholder Functions, minority investments in Asia, and digital businesses.

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

Year ended 30 September 2022	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	5,527	2,568	3,401	3,168	96	114	-	14,874
Net fee and commission income								
- Lending fees	8	90	262	8	6	-	-	374
- Non-lending fees	849	384	524	622	26	(11)	-	2,394
- Commissions	52	22	1	28	-	-	-	103
- Funds management income	-	26	1	234	-	-	-	261
- Fee and commission expense	(432)	(118)	(140)	(464)	(6)	-	-	(1,160)
Net income from insurance business	140	-	-	-	-	-	-	140
Other income	5	258	1,002	33	42	44	879	2,263
Share of associates' profit/(loss)	-	(10)	(2)	-	-	189	-	177
Other operating income	622	652	1,648	461	68	222	879	4,552
Operating income	6,149	3,220	5,049	3,629	164	336	879	19,426
Operating expenses	(3,210)	(1,346)	(2,503)	(1,324)	(153)	(1,043)	-	(9,579)
Profit before credit impairment and income tax	2,939	1,874	2,546	2,305	11	(707)	879	9,847
Credit impairment (charge)/release	129	133	18	(36)	6	(18)	-	232
Profit before income tax	3,068	2,007	2,564	2,269	17	(725)	879	10,079
Income tax expense and non-controlling interests	(928)	(497)	(803)	(636)	(8)	187	(256)	(2,941)
Profit after tax from continuing operations	2,140	1,510	1,761	1,633	9	(538)	623	7,138
Profit/(Loss) after tax from discontinued operations								(19)
Profit after tax attributable to shareholders								7,119
Includes non-cash items:								
Share of associates' profit/(loss)	-	(10)	(2)	-	-	189	-	177
Depreciation and amortisation	(61)	(12)	(158)	(116)	(10)	(652)	-	(1,009)
Equity-settled share based payment expenses	(5)	(1)	(72)	(4)	(1)	(19)	-	(102)
Credit impairment (charge)/release	129	133	18	(36)	6	(18)	-	232

Financial position	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Group Total $m
Goodwill[2]	178	-	1,022	1,706	-	-	2,906
Investments in associates	-	47	5	-	-	2,129	2,181
Total external assets	292,825	60,031	533,450	126,919	3,707	68,797	1,085,729
Total external liabilities	153,491	118,363	470,006	118,371	4,065	155,032	1,019,328

1. Cash profit represents our preferred measure of the result of the segments as presented in the table above. We remove certain items from the segments as discussed on page 132 if we consider them not integral to the ongoing performance of the segment, and present these as Other items.

2. The Group recognised $78 million of goodwill in relation to the acquisition of the Cashrewards business in the Australia Retail division, and wrote off $40 million of goodwill in relation to the exit of the financial planning and advice business servicing the affluent customer segment in the Australia Commercial division.

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2021	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	5,708	2,281	3,105	2,870	96	101	-	14,161
Net fee and commission income								
- Lending fees	136	80	241	10	7	-	-	474
- Non-lending fees	738	530	683	585	20	(4)	-	2,552
- Commissions	40	24	1	32	-	-	-	97
- Funds management income	-	32	1	254	-	-	-	287
- Fee and commission expense	(358)	(202)	(274)	(430)	(2)	(1)	-	(1,267)
Net income from insurance business	110	-	-	-	-	-	-	110
Other income	(234)	(8)	1,227	18	40	166	(27)	1,182
Share of associates' profit/(loss)	1	-	(1)	-	-	(176)	-	(176)
Other operating income	433	456	1,878	469	65	(15)	(27)	3,259
Operating income	6,141	2,737	4,983	3,339	161	86	(27)	17,420
Operating expenses	(2,948)	(1,353)	(2,447)	(1,325)	(144)	(834)	-	(9,051)
Profit before credit impairment and income tax	3,193	1,384	2,536	2,014	17	(748)	(27)	8,369
Credit impairment (charge)/release	227	199	89	76	(21)	(3)	-	567
Profit before income tax	3,420	1,583	2,625	2,090	(4)	(751)	(27)	8,936
Income tax expense and non-controlling interests	(1,104)	(476)	(738)	(582)	1	134	8	(2,757)
Profit after tax from continuing operations	2,316	1,107	1,887	1,508	(3)	(617)	(19)	6,179
Profit/(Loss) after tax from discontinued operations								(17)
Profit after tax attributable to shareholders								6,162
Includes non-cash items:								
Share of associates' profit/(loss)	1	-	(1)	-	-	(176)	-	(176)
Goodwill write-off[2]	(251)	-	-	-	-	-	-	(251)
Depreciation and amortisation	(84)	(24)	(115)	(117)	(11)	(739)	-	(1,090)
Equity-settled share based payment expenses	(3)	(1)	(63)	(6)	(1)	(17)	-	(91)
Credit impairment (charge)/release	227	199	89	76	(21)	(3)	-	567

Financial position	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Group Total $m
Goodwill[2]	100	40	1,100	1,849	-	-	3,089
Investments in associates	17	-	4	-	-	1,951	1,972
Total external assets	286,566	57,481	429,362	132,232	3,755	69,461	978,857
Total external liabilities	143,709	117,739	384,106	121,999	3,898	143,730	915,181

1. Cash profit represents our preferred measure of the result of the segments as presented in the table above. We remove certain items from the segments as discussed on page 132 if we consider them not integral to the ongoing performance of the segment, and present these as Other items.
2. The Group wrote off $251 million of goodwill upon the reclassification of ANZ Share Investing business to held for sale with the remaining $13 million derecognised on completion of the disposal in the Australia Retail division.

8. SEGMENT REPORTING (continued)

OTHER ITEMS

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

		Profit after tax	
Item	Related segment	2022 $m	2021 $m
Economic hedges	Institutional, New Zealand, Group Centre	569	77
Revenue and expense hedges	Group Centre	54	(96)
Total other items from continuing operations		623	(19)

SEGMENT INCOME BY PRODUCTS AND SERVICES

The primary sources of our external income across all divisions are Interest income and Other operating income, which includes net fee and commission income, net foreign exchange earnings and other financial instruments income. The Australia Retail, Australia Commercial, New Zealand, and Pacific divisions derive income from products and services from retail and commercial banking. The Institutional division derives its income from institutional products and market services. No single customer amounts to greater than 10% of the Group's income.

GEOGRAPHICAL INFORMATION

The reportable segments operate across three geographical regions as follows:

- Australia Retail division - Australia
- Australia Commercial division - Australia
- Institutional division - all three geographical regions
- New Zealand division - New Zealand
- Pacific division - International
- Group Centre division - all three geographical regions

Discontinued operations results are included in the Australia geography. The International region includes Asia, Pacific, Europe and Americas.

The following table sets out total operating income earned including discontinued operations and assets to be recovered in more than one year based on the geographical regions in which the Group operates.

	Australia		International		New Zealand		Total	
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Total operating income[1]	12,462	11,822	2,547	1,778	4,501	3,892	19,510	17,492
Assets to be recovered in more than one year[2]	384,724	362,588	32,350	28,213	109,191	112,966	526,265	503,767

1. Includes Operating income earned from discontinued operations of $84 million (2021: $72 million).
2. Represents Net loans and advances based on the contractual maturity.

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets as they apply to subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

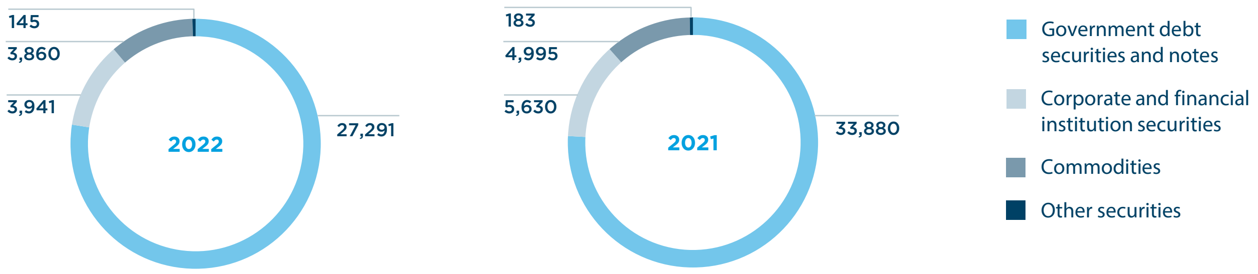
- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and other balances, as outlined below, that are convertible into cash with an insignificant risk of changes in value and with remaining maturities of three months or less, including reverse repurchase agreements.

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Coins, notes and cash at bank	1,147	1,127	787	721
Securities purchased under agreements to resell in less than 3 months	15,996	17,571	14,372	16,465
Balances with central banks	127,790	107,915	118,928	101,400
Settlement balances owed to ANZ within 3 months	23,199	24,647	21,396	22,850
Cash and cash equivalents	168,132	151,260	155,483	141,436

10. TRADING ASSETS



	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Government debt securities and notes	27,291	33,880	21,881	26,119
Corporate and financial institution securities	3,941	5,630	2,700	3,493
Commodities	3,860	4,995	3,348	4,957
Other securities	145	183	144	183
Total	35,237	44,688	28,073	34,752

RECOGNITION AND MEASUREMENT

Trading assets are financial instruments or other assets we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

Trading assets include commodity inventories measured at fair value less cost to sell in accordance with the broker trader exemption under AASB 102 *Inventories*.

We recognise purchases and sales of trading assets on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in profit or loss.

Assets disclosed as Trading assets are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial assets disclosures on page 133.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading assets not valued using quoted market prices. Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Derivative financial instruments - held for trading	89,716	(84,793)	38,080	(35,833)
Derivative financial instruments - designated in hedging relationships	458	(356)	656	(202)
Derivative financial instruments	90,174	(85,149)	38,736	(36,035)

The Company Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Derivative financial instruments - held for trading	87,650	(84,200)	37,700	(36,847)
Derivative financial instruments - designated in hedging relationships	406	(300)	592	(158)
Derivative financial instruments	88,056	(84,500)	38,292	(37,005)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract - sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Group's derivative financial instruments have been categorised as following:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in Hedging Relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: • hedges of the Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The Group offers or uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange one series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RISKS MANAGED

The Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign Exchange	Currencies at current or determined rates of exchange.
Interest Rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Risk of default by customers or third parties.

The Group uses a number of central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions, are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Group's derivative financial instruments are held for trading. The fair value of derivative financial instruments held for trading is:

Consolidated Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Interest rate contracts				
Forward rate agreements	-	(1)	2	(23)
Futures contracts	336	(123)	105	(24)
Swap agreements	10,421	(15,031)	10,267	(8,065)
Options purchased	1,698	-	971	-
Options sold	-	(1,954)	-	(1,207)
Total	12,455	(17,109)	11,345	(9,319)
Foreign exchange contracts				
Spot and forward contracts	42,221	(37,426)	13,869	(11,462)
Swap agreements	32,169	(27,548)	11,109	(12,425)
Options purchased	926	-	277	-
Options sold	-	(1,343)	-	(577)
Total	75,316	(66,317)	25,255	(24,464)
Commodity and other contracts	1,927	(1,353)	1,445	(2,017)
Credit default swaps				
Credit derivatives purchased	16	(2)	-	(33)
Credit derivatives sold	2	(12)	35	-
Total	18	(14)	35	(33)
Derivative financial instruments - held for trading[1]	89,716	(84,793)	38,080	(35,833)

1. Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING (continued)

The majority of the Company's derivative financial instruments are held for trading. The fair value of derivative financial instruments held for trading is:

The Company Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Interest rate contracts				
Forward rate agreements	2	(7)	3	(24)
Futures contracts	240	(116)	87	(19)
Swap agreements	10,778	(15,098)	11,598	(10,538)
Options purchased	1,684	-	969	-
Options sold	-	(1,947)	-	(1,206)
Total	12,704	(17,168)	12,657	(11,787)
Foreign exchange contracts				
Spot and forward contracts	36,576	(33,376)	11,840	(9,658)
Swap agreements	35,526	(30,949)	11,463	(12,940)
Options purchased	895	-	267	-
Options sold	-	(1,331)	-	(408)
Total	72,997	(65,656)	23,570	(23,006)
Commodity and other contracts	1,923	(1,352)	1,422	(2,015)
Credit default swaps				
Credit derivatives purchased	24	(2)	-	(39)
Credit derivatives sold	2	(22)	51	-
Total	26	(24)	51	(39)
Derivative financial instruments - held for trading[1]	87,650	(84,200)	37,700	(36,847)

1. Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

There are three types of hedge accounting relationships the Group utilises:

	Fair value hedge	Cash flow hedge	Net investment hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.	To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.	We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR).
Recognition of ineffective hedge portion	Recognised immediately in Other operating income.		
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.	The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.	The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

Under the policy choice provided by AASB 9, the Group has continued to apply the hedge accounting requirements of AASB 139.

The fair value of derivative financial instruments designated in hedging relationships is:

	2022			2021		
Consolidated	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	604	-	(37)	548	-	(13)
Interest rate swap agreements	106,366	79	(168)	95,384	370	(121)
Interest rate futures contracts	17,361	264	(3)	8,704	191	(2)
Cash flow hedges						
Interest rate swap agreements	125,063	33	(53)	105,416	27	(20)
Foreign exchange swap agreements	656	48	(44)	642	22	-
Foreign exchange spot and forward contracts	161	-	(4)	153	-	(1)
Net investment hedges						
Foreign exchange spot and forward contracts	940	34	(47)	1,097	46	(45)
Derivative financial instruments - designated in hedging relationships	251,151	458	(356)	211,944	656	(202)

	2022			2021		
The Company	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	604	-	(37)	548	-	(13)
Interest rate swap agreements	80,185	65	(163)	68,708	358	(116)
Interest rate futures contracts	17,361	264	(3)	8,704	191	(2)
Cash flow hedges						
Interest rate swap agreements	94,928	28	(49)	78,852	19	(16)
Foreign exchange swap agreements	656	48	(44)	642	22	-
Foreign exchange spot and forward contracts	161	-	(4)	153	-	(1)
Net investment hedges						
Foreign exchange spot and forward contracts	146	1	-	299	2	(10)
Derivative financial instruments - designated in hedging relationships	194,041	406	(300)	157,906	592	(158)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The maturity profile of the nominal amounts of our hedging instruments held is:

Consolidated Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022							
Fair value hedges							
Interest rate	Interest Rate	1.65%	10,931	17,322	65,259	30,215	123,727
Foreign exchange	HKD/AUD FX Rate	5.43	604	-	-	-	604
Cash flow hedges							
Interest rate	Interest Rate	1.59%	3,317	32,145	88,461	1,140	125,063
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	40	121	-	656	817
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.68 25.05	794	146	-	-	940
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.26%	2,597	14,328	58,658	28,505	104,088
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.17%	4,593	14,180	84,924	1,719	105,416
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	38	115	-	642	795
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.81 24.18	456	641	-	-	1,097

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The Company Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022							
Fair value hedges							
Interest rate	Interest Rate	1.75%	10,931	13,466	48,011	25,138	97,546
Foreign exchange	HKD/AUD FX Rate	5.43	604	-	-	-	604
Cash flow hedges							
Interest rate	Interest Rate	1.37%	1,708	22,611	69,600	1,009	94,928
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	40	121	-	656	817
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.68	-	146	-	-	146
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.37%	2,445	10,884	43,063	21,020	77,412
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.06%	2,125	7,233	67,799	1,695	78,852
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	38	115	-	642	795
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.81	150	149	-	-	299

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

Consolidated	Ineffectiveness			
As at 30 September 2022	Change in value of hedging instrument[2] $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit or loss[3] $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit or loss[4] $m
Fair value hedges[1]				
Interest rate	697	(719)	(22)	-
Foreign exchange	(55)	55	-	-
Cash flow hedges[1]				
Interest rate	(3,619)	3,453	(166)	(13)
Foreign exchange	(4)	4	-	1
Net investment hedges[1]				
Foreign exchange	62	(62)	-	-
As at 30 September 2021				
Fair value hedges[1]				
Interest rate	1,005	(1,006)	(1)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(934)	909	(25)	4
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	61	(61)	-	-

The Company	Ineffectiveness			
As at 30 September 2022	Change in value of hedging instrument[2] $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit or loss[3] $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit or loss[4] $m
Fair value hedges[1]				
Interest rate	1,570	(1,586)	(16)	-
Foreign exchange	(55)	55	-	-
Cash flow hedges[1]				
Interest rate	(3,643)	3,477	(166)	(13)
Foreign exchange	(4)	4	-	1
Net investment hedges[1]				
Foreign exchange	58	(58)	-	-
As at 30 September 2021				
Fair value hedges[1]				
Interest rate	731	(734)	(3)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(797)	772	(25)	(6)
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	(6)	6	-	-

1. All hedging instruments are classified as derivative financial instruments.
2. Changes in value of hedging instruments is before any adjustments for Settle to Market clearing arrangements.
3. Recognised in Other operating income.
4. Recognised in Net interest income and Other operating income.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The hedged items in relation to the Group's fair value hedges are:

			Carrying amount		Accumulated fair value hedge adjustments on the hedged item	
Consolidated	Balance sheet presentation	Hedged risk	Assets $m	Liabilities $m	Assets $m	Liabilities $m
As at 30 September 2022						
Fixed rate loans and advances	Net loans and advances	Interest rate	10,252	-	(369)	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(51,531)	-	3,721
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	53,915	-	(5,349)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	604	-	75	-
Total			64,771	(51,531)	(5,643)	3,721
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	9	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(53,885)	-	(999)
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	53,321	-	(209)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			57,285	(53,885)	(180)	(999)

1. The carrying amount of debt and equity instruments at FVOCI does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of Other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is -$7 million (2021: $2 million).

The hedged items in relation to the Company's fair value hedges are:

			Carrying amount		Accumulated fair value hedge adjustments on the hedged item	
The Company	Balance sheet presentation	Hedged risk	Assets $m	Liabilities $m	Assets $m	Liabilities $m
As at 30 September 2022						
Fixed rate loans and advances	Net loans and advances	Interest rate	10,252	-	(369)	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(37,141)	-	2,572
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	44,038	-	(4,489)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	604	-	75	-
Total			54,894	(37,141)	(4,783)	2,572
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	7	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(38,222)	-	(769)
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	41,944	-	129	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			45,908	(38,222)	156	(769)

1. The carrying amount of debt and equity instruments at FVOCI does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of Other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is -$7 million (2021: nil).

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The hedged items in relation to the Group's and the Company's cash flow and net investment hedges are:

		Cash flow hedge reserve		Foreign currency translation reserve	
Consolidated	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2022					
Cash flow hedges					
Floating rate loans and advances	Interest rate	(4,286)	19	-	-
Floating rate customer deposits	Interest rate	1,357	5	-	-
Foreign currency debt issuances	Foreign exchange	(1)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(7)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	43	(149)
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	546	20	-	-
Floating rate customer deposits	Interest rate	4	(6)	-	-
Foreign currency debt issuances	Foreign exchange	(4)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(19)	(149)

		Cash flow hedge reserve		Foreign currency translation reserve	
The Company	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2022					
Cash flow hedges					
Floating rate loans and advances	Interest rate	(4,005)	11	-	-
Floating rate customer deposits	Interest rate	1,053	6	-	-
Foreign currency debt issuances	Foreign exchange	(1)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(7)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	88	(149)
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	541	11	-	-
Floating rate customer deposits	Interest rate	8	(6)	-	-
Foreign currency debt issuances	Foreign exchange	(4)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	30	(149)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The table below details the reconciliation of the Group's cash flow hedge reserve by risk type:

Consolidated	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2020	1,034	4	1,038
Fair value gains/(losses)	(909)	(10)	(919)
Transferred to profit or loss	4	(1)	3
Income taxes and others	269	2	271
Balance at 30 September 2021	398	(5)	393
Fair value gains/(losses)	(3,453)	(4)	(3,457)
Transferred to profit or loss	(13)	1	(12)
Income taxes and others	1,040	-	1,040
Balance at 30 September 2022	(2,028)	(8)	(2,036)

Hedges of net investments in a foreign operation resulted in a $62 million increase in FCTR during the year (2021: $61 million increase).

The table below details the reconciliation of the Company's cash flow hedge reserve by risk type:

The Company	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2020	931	4	935
Fair value gains/(losses)	(772)	(10)	(782)
Transferred to profit or loss	(6)	(1)	(7)
Income taxes and others	236	2	238
Balance at 30 September 2021	389	(5)	384
Fair value gains/(losses)	(3,477)	(4)	(3,481)
Transferred to profit or loss	(13)	1	(12)
Income taxes and others	1,048	-	1,048
Balance at 30 September 2022	(2,053)	(8)	(2,061)

Hedges of net investments in a foreign operation resulted in a $58 million increase in FCTR during the year (2021: $6 million decrease).

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

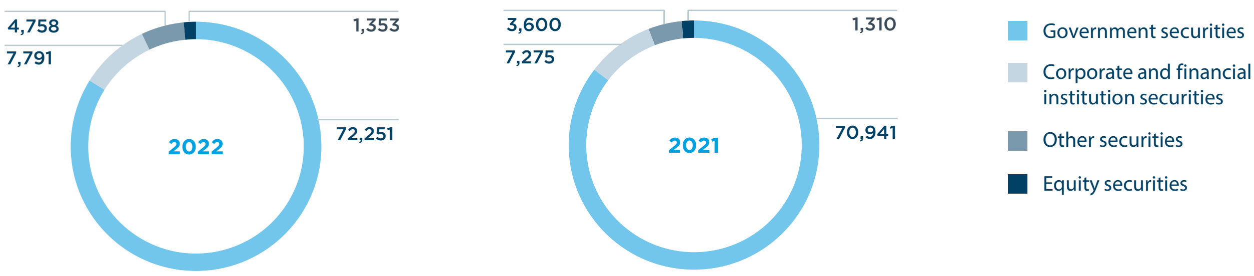
RECOGNITION AND MEASUREMENT

Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our Balance Sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our Balance Sheet when the Group's contractual obligations are discharged, cancelled or expired. With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.
Impact on the Income Statement	The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedging relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 138 for details of the recognition approach applied for each type of hedge accounting relationship. Sources of hedge ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments.
Hedge effectiveness	To qualify for hedge accounting under AASB 139, a hedge relationship is expected to be highly effective. A hedge relationship is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Group monitors hedge effectiveness on a regular basis but at a minimum at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

12. INVESTMENT SECURITIES



	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Investment securities measured at fair value through other comprehensive income				
Debt securities	76,817	74,743	65,257	61,623
Equity securities	1,353	1,310	1,027	1,054
Investment securities measured at amortised cost				
Debt securities[1]	7,943	7,031	6,115	5,263
Investment Securities measured at fair value through profit or loss				
Debt securities	40	42	-	-
Total	86,153	83,126	72,399	67,940

1. Includes allowance for expected credit losses of $38 million (2021: $31 million) for the Group and $1 million (2021: $1 million) for the Company.

The maturity profile of investment securities is as follows:

Consolidated As at 30 September 2022	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	6,544	14,045	29,806	21,856	-	72,251
Corporate and financial institution securities	324	2,462	4,906	97	2	7,791
Other securities	429	423	543	3,363	-	4,758
Equity securities	-	-	-	-	1,353	1,353
Total	7,297	16,930	35,255	25,316	1,355	86,153

As at 30 September 2021						
Government securities	6,396	12,984	32,179	19,382	-	70,941
Corporate and financial institution securities	285	1,179	5,701	110	-	7,275
Other securities	129	295	553	2,623	-	3,600
Equity securities	-	-	-	-	1,310	1,310
Total	6,810	14,458	38,433	22,115	1,310	83,126

During the year, the Group recognised a net gain (before tax) of $28 million (2021: $303 million) in Other operating income from the recycling of gains/losses previously recognised in Other comprehensive income in respect of debt securities at FVOCI.

12. INVESTMENT SECURITIES (continued)

The Company As at 30 September 2022	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	5,715	11,647	23,100	19,853	-	60,315
Corporate and financial institution securities	276	1,972	3,993	58	-	6,299
Other securities	429	423	543	3,363	-	4,758
Equity securities	-	-	-	-	1,027	1,027
Total	6,420	14,042	27,636	23,274	1,027	72,399
As at 30 September 2021						
Government securities	5,453	11,646	24,390	16,350	-	57,839
Corporate and financial institution securities	175	830	4,371	71	-	5,447
Other securities	129	295	553	2,623	-	3,600
Equity securities	-	-	-	-	1,054	1,054
Total	5,757	12,771	29,314	19,044	1,054	67,940

During the year, the Company recognised a net gain (before tax) of $1 million (2021: $301 million) in Other operating income from the recycling of gains/losses previously recognised in Other comprehensive income in respect of debt securities at FVOCI.

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Group's customer lending activities are classified as Loans and advances (rather than Investment securities) to better reflect the substance of the arrangement.

Equity investments not held for trading purposes may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from Other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as Investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial asset disclosures on page 133. Additionally, expected credit losses associated with 'Investment securities - debt securities at amortised cost' and 'Investment securities - debt securities at fair value through other comprehensive income' are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses. For 'Investment securities - debt securities at fair value through other comprehensive income', the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

13. NET LOANS AND ADVANCES

The following table provides details of Net loans and advances for the Group and the Company:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Overdrafts	5,266	5,360	4,262	4,465
Credit cards	6,755	6,570	5,664	5,494
Commercial bills	5,214	6,000	5,214	6,000
Term loans – housing	374,625	372,572	282,965	278,372
Term loans – non-housing	279,730	239,277	238,215	194,150
Other	2,035	2,985	1,929	2,733
Subtotal	673,625	632,764	538,249	491,214
Unearned income[1]	(518)	(434)	(480)	(390)
Capitalised brokerage and other origination costs[1,2]	2,882	1,434	2,501	1,050
Gross loans and advances	675,989	633,764	540,270	491,874
Allowance for expected credit losses (refer to Note 14)	(3,582)	(4,045)	(2,925)	(3,387)
Net loans and advances	672,407	629,719	537,345	488,487
Residual contractual maturity:				
Within one year	146,142	125,952	121,513	98,214
More than one year	526,265	503,767	415,832	390,273
Net loans and advances	672,407	629,719	537,345	488,487
Carried on Balance Sheet at:				
Amortised cost	667,732	626,099	533,082	485,015
Fair value through profit or loss	4,675	3,620	4,263	3,472
Net loans and advances[3]	672,407	629,719	537,345	488,487

1. Amortised over the expected life of the loan.
2. During 2022, the Group revised its accounting treatment of ongoing trail commission payable to mortgage brokers to recognise a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. The balance at 30 September 2022 was $1,320 million for the Group and the Company. Comparatives have not been restated.
3. Net loans and advances of the Group and the Company include a balance of $667 million relating to the Share Investing lending portfolio that is in the process of being sold with completion anticipated in 2023.

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses, or at fair value when they are specifically designated on initial recognition as fair value through profit or loss, are classified as held for sale or when held for trading.

We classify contracts to lease assets and hire purchase agreements as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. We include these facilities in 'Other' in the table above.

The Group enters into transactions in which it transfers financial assets that are recognised on its Balance Sheet. When the Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Group's Balance Sheet, however if substantially all the risks and rewards are transferred, the Group derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, the Group derecognises the asset. If control over the asset is not lost, the Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets as appropriate.

Assets disclosed as Net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 133. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES

Consolidated	2022 Collectively assessed $m	2022 Individually assessed $m	2022 Total $m	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m
Net loans and advances at amortised cost	3,049	533	3,582	3,379	666	4,045
Off-balance sheet commitments	766	9	775	785	21	806
Investment securities - debt securities at amortised cost	38	-	38	31	-	31
Total	3,853	542	4,395	4,195	687	4,882
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	10	-	10	11	-	11

The Company	2022 Collectively assessed $m	2022 Individually assessed $m	2022 Total $m	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m
Net loans and advances at amortised cost	2,500	425	2,925	2,824	563	3,387
Off-balance sheet commitments	668	5	673	667	7	674
Investment securities - debt securities at amortised cost	1	-	1	1	-	1
Total	3,169	430	3,599	3,492	570	4,062
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	7	-	7	7	-	7

1. For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.

The following tables present the movement in the allowance for ECL for the year.

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2020	1,204	2,465	461	851	4,981
Transfer between stages	399	(421)	(137)	159	-
New and increased provisions (net of releases)	(639)	(53)	90	663	61
Write-backs	-	-	-	(365)	(365)
Bad debts written off (excluding recoveries)	-	-	-	(626)	(626)
Foreign currency translation and other movements[2]	4	3	3	(16)	(6)
As at 30 September 2021	968	1,994	417	666	4,045
Transfer between stages	219	(224)	(95)	100	-
New and increased provisions (net of releases)	(48)	(202)	42	420	212
Write-backs	-	-	-	(222)	(222)
Bad debts written off (excluding recoveries)	-	-	-	(428)	(428)
Foreign currency translation and other movements[2]	2	(20)	(4)	(3)	(25)
As at 30 September 2022	1,141	1,548	360	533	3,582

1. The Group's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include the impacts of discount unwind on individually assessed allowance for ECL or the impact of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

The Company	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2020	1,028	2,114	373	704	4,219
Transfer between stages	392	(382)	(130)	120	-
New and increased provisions (net of releases)	(620)	(49)	106	619	56
Write-backs	-	-	-	(308)	(308)
Bad debts written off (excluding recoveries)	-	-	-	(556)	(556)
Foreign currency translation and other movements[2]	(3)	(4)	(1)	(16)	(24)
As at 30 September 2021	797	1,679	348	563	3,387
Transfer between stages	192	(201)	(84)	93	-
New and increased provisions (net of releases)	(59)	(220)	31	354	106
Write-backs	-	-	-	(193)	(193)
Bad debts written off (excluding recoveries)	-	-	-	(386)	(386)
Foreign currency translation and other movements[2]	16	1	-	(6)	11
As at 30 September 2022	946	1,259	295	425	2,925

1. The Company's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include the impact of discount unwind on individually assessed allowance for ECL.

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2020	596	239	23	40	898
Transfer between stages	51	(49)	(3)	1	-
New and increased provisions (net of releases)	(92)	19	-	1	(72)
Write-backs	-	-	-	(21)	(21)
Foreign currency translation	-	2	(1)	-	1
As at 30 September 2021	555	211	19	21	806
Transfer between stages	40	(34)	(8)	2	-
New and increased provisions (net of releases)	7	(28)	18	(2)	(5)
Write-backs	-	-	-	(11)	(11)
Foreign currency translation and other movements[2]	(9)	(5)	-	(1)	(15)
As at 30 September 2022	593	144	29	9	775

1. The Group's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include impact of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

			Stage 3[1]		
The Company	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2020	513	183	15	20	731
Transfer between stages	45	(41)	(5)	1	-
New and increased provisions (net of releases)	(72)	28	2	1	(41)
Write-backs	-	-	-	(15)	(15)
Foreign currency translation	(2)	1	-	-	(1)
As at 30 September 2021	484	171	12	7	674
Transfer between stages	33	(27)	(6)	-	-
New and increased provisions (net of releases)	17	(29)	20	-	8
Write-backs	-	-	-	(2)	(2)
Foreign currency translation and other movements[2]	(4)	(3)	-	-	(7)
As at 30 September 2022	530	112	26	5	673

1. The Company's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include the impact of divestments completed during the year.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

			Stage 3		
Consolidated	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 30 September 2021	31	-	-	-	31
As at 30 September 2022	38	-	-	-	38

			Stage 3		
The Company	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 30 September 2021	1	-	-	-	1
As at 30 September 2022	1	-	-	-	1

Investment securities - debt securities at FVOCI

As FVOCI assets are measured at fair value, there is no separate allowance for ECL. Instead, the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.

			Stage 3		
Consolidated	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 30 September 2021	11	-	-	-	11
As at 30 September 2022	10	-	-	-	10

			Stage 3		
The Company	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 30 September 2021	7	-	-	-	7
As at 30 September 2022	7	-	-	-	7

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
New and increased provisions (net of releases)[1,2]				
- Collectively assessed	(311)	(823)	(333)	(726)
- Individually assessed	520	824	447	741
Write-backs[3]	(233)	(386)	(195)	(323)
Recoveries of amounts previously written-off	(208)	(182)	(184)	(161)
Total credit impairment charge	(232)	(567)	(265)	(469)

1. Includes the impact of transfers between collectively assessed and individually assessed.
2. New and increased provisions (net of releases) includes:

	Consolidated				The Company			
	2022		2021		2022		2021	
	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m
Net loans and advances at amortised cost	(308)	520	(761)	822	(341)	447	(683)	739
Off-balance sheet commitments	(5)	-	(74)	2	8	-	(43)	2
Investment securities - debt securities at amortised cost	3	-	11	-	-	-	-	-
Investment securities - debt securities at FVOCI	(1)	-	1	-	-	-	-	-
Total	(311)	520	(823)	824	(333)	447	(726)	741

3. Consists of write-backs in Net loans and advances at amortised cost of $222 million (2021: $365 million) for the Group and $193 million (2021: $308 million) for the Company, and Off-balance sheet commitments of $11 million (2021: $21 million) for the Group and $2 million (2021: $15 million) for the Company.

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is $143 million (2021: $168 million) for the Group, and $128 million (2021: $138 million) for the Company.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification with ECL measured accordingly.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macroeconomic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Group’s contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and events that give rise to substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Group’s internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are recorded as a release to the credit impairment charge in the income statement.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

MODIFIED FINANCIAL ASSETS

If the contractual terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the PD of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime PD at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since origination and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of future macroeconomic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

To better reflect the current economic conditions and geopolitical environment, the Group has altered the severe downside scenario in 2022 from a scenario fixed by reference to average economic cycle conditions to one which aligns with the scenario used for Group-wide stress testing.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macroeconomic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the macroeconomic variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required. The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, the Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the uncertainty of how various factors might impact the global economy and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the year ended 30 September 2022
Determining when a Significant Increase in Credit Risk has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	The Group has adjusted the ECL this period to account for expected deterioration in credit-worthiness of certain customer segments which are considered particularly vulnerable to economic pressures such as higher interest rates, increasing inflation and low wage growth.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2022
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The modelled outcome as at 30 September 2021 included a model adjustment to recognise increased model uncertainties as a result of COVID-19. With these uncertainties largely being appropriately reflected in the underlying models, the COVID-19 model adjustments have been removed.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies.
Base case economic forecast	The Group derives a forward-looking 'base case' economic scenario which reflects ANZ Research - Economics' (ANZ Economics) view of future macroeconomic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs. As at 30 September 2022, the base case assumptions have been updated to reflect the relaxation of COVID-19 related restrictions, continuing supply chain and labour market pressures, and rapidly increasing global inflation and interest rate rises, as well as lower growth in key economies. The expected outcomes of key economic drivers for the base case scenario at 30 September 2022 are described below under the heading 'Base case economic forecast assumptions'.
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date. The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.	To better reflect the current economic conditions and geopolitical environment, the Group has altered the severe downside scenario from a scenario fixed by reference to average economic cycle conditions to one which aligns with the scenario used for Group-wide stress testing. The key considerations for probability weightings in the current period include the emergence from COVID-19 restrictions, how customers will respond to interest rate rises and higher inflation, and potential impacts of lower growth prospects globally. Weightings for current and prior periods are as detailed in the section on 'Probability weightings' below.

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2022
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.	As at 30 September 2022, Management no longer consider that a separate management temporary adjustment is necessary for the uncertainty associated with COVID-19. Management have however included adjustments to accommodate uncertainty associated with rising inflation, rapidly increasing interest rates, and ongoing supply chain and labour market pressures. In addition, management overlays have been made for risks particular to retail, including home loans and small business in Australia and NZ, for personal, and for tourism in the Pacific.

Base case economic forecast assumptions

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance.

The economic drivers of the base case economic forecasts, reflective of ANZ Economics' view of future macroeconomic conditions used at 30 September 2022 are set out below. For the years following the near term forecasts below, the ECL models project future year economic conditions which include an assumption of eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
	2022	2023	2024
Australia			
GDP (annual % change)	4.0%	2.4%	1.4%
Unemployment rate (annual average)	3.5%	3.1%	3.6%
Residential property prices (annual % change)	-2.6%	-8.9%	5.2%
Consumer price index (annual average % change)	6.4%	3.8%	2.8%
New Zealand			
GDP (annual % change)	1.9%	1.8%	1.7%
Unemployment rate (annual average)	3.3%	3.9%	4.9%
Residential property prices (annual % change)	-11.3%	-3.1%	2.6%
Consumer price index (annual average % change)	6.8%	3.6%	1.9%
Rest of world			
GDP (annual % change)	1.7%	0.9%	1.2%
Consumer price index (annual average % change)	8.3%	3.1%	2.0%

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

The base case economic forecasts for Australia, New Zealand and Rest of World reflect the expected slow down in economic activity globally from higher interest rates and increasing inflation, along with declining residential property prices until 2024. Tight labour markets are expected to persist until central banks' monetary policies have the intended impact of reducing demand and bringing inflation down.

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario, including the uncertainties described above.

The base case scenario represents an overall deterioration in the forecasts since September 2021 for all three geographical segments. Given uncertainties associated with how the economy may respond to rapidly moving factors including inflation and lower economic growth globally, the average upside case weighting across geographies has been reduced to 0% (Sep 21: 5%), the base case weighting has been increased to 45% (Sep 21: 41%), and the severe downside scenario increased to 15% (Sep 21: 6%).

The assigned probability weightings in Australia, New Zealand and Rest of World are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these weightings in each geography to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Group's credit portfolios. The average weightings applied across the Group are set out below:

	Consolidated		The Company	
	2022	2021	2022	2021
Base	45.0%	41.3%	45.0%	40.0%
Upside	0.0%	5.2%	0.0%	5.4%
Downside	40.0%	47.7%	40.0%	48.8%
Severe downside	15.0%	5.8%	15.0%	5.8%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2022:

	Consolidated		The Company	
	ECL $m	Impact $m	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	3,936	83	3,242	73
If 1% of Stage 2 facilities were included in Stage 1	3,848	(5)	3,165	(4)
100% upside scenario	1,423	(2,430)	1,190	(1,979)
100% base scenario	1,750	(2,103)	1,454	(1,715)
100% downside scenario	3,239	(614)	2,699	(470)
100% severe downside scenario	6,951	3,098	5,725	2,556

Individually assessed allowance for expected credit losses

In estimating individually assessed ECL, the Group makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect amongst other things, the uncertainties described above.

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

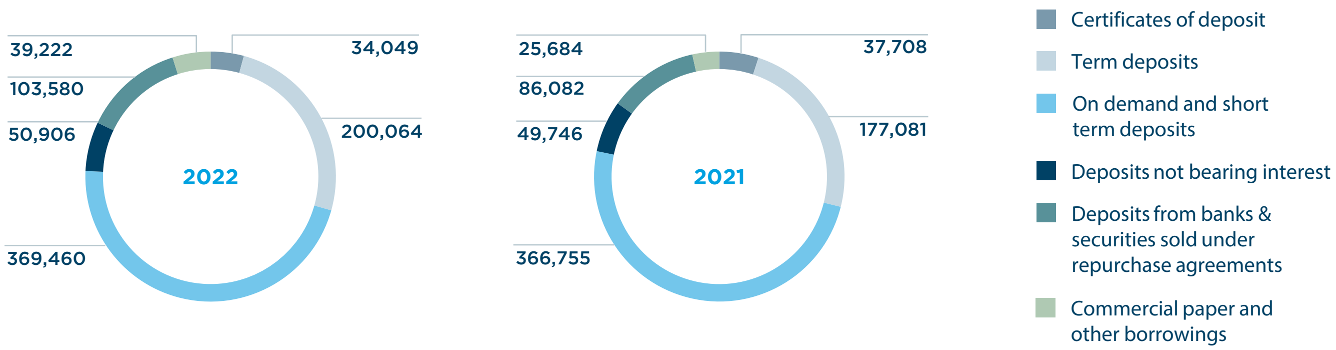
Financial liabilities

Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in Other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

15. DEPOSITS AND OTHER BORROWINGS



	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Certificates of deposit	34,049	37,708	32,411	35,696
Term deposits	200,064	177,081	157,479	136,067
On demand and short term deposits	369,460	366,755	310,857	303,381
Deposits not bearing interest	50,906	49,746	29,416	26,836
Deposits from banks & securities sold under repurchase agreements	103,580	86,082	98,825	83,294
Commercial paper and other borrowings	39,222	25,684	36,619	21,449
Deposits and other borrowings	797,281	743,056	665,607	606,723
Residual contractual maturity:				
Within one year	781,573	717,889	654,997	584,816
More than one year	15,708	25,167	10,610	21,907
Deposits and other borrowings	797,281	743,056	665,607	606,723
Carried on Balance Sheet at:				
Amortised cost	794,621	738,772	665,567	606,673
Fair value through profit or loss	2,660	4,284	40	50
Deposits and other borrowings	797,281	743,056	665,607	606,723

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at FVTPL on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at fair value through profit or loss.

Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Group's own credit risk in Other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in Other comprehensive income, we do not later reclassify it to profit or loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in profit or loss.

16. PAYABLES AND OTHER LIABILITIES

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Payables and accruals	2,896	2,062	2,189	1,526
Liabilities at fair value	3,239	3,913	2,857	3,245
Lease liabilities	1,040	1,245	1,628	1,831
Trail commission liabilities[1]	1,320	-	1,320	-
Other liabilities	1,340	1,427	568	642
Payables and other liabilities	9,835	8,647	8,562	7,244

1. During 2022, the Group revised its treatment of ongoing trail commission payable to mortgage brokers to recognise a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. The balance at 30 September 2022 was $1,320 million for the Group and the Company. Comparatives have not been restated.

RECOGNITION AND MEASUREMENT

The Group recognises liabilities when there is a present obligation to transfer economic resources as a result of past events.

Below is the measurement basis for each item classified as other liabilities:

- Payables, accruals and other liabilities are measured at the contractual amount payable or the best estimate of consideration required to settle the payable.
- Liabilities at fair value are trading liabilities measured based on quoted prices in active markets.
- Lease liabilities are initially measured at the present value of the future lease payments using the Group's incremental borrowing rate at the lease commencement date. The carrying amount is then subsequently adjusted to reflect the interest on the lease liability, lease payments that have been made and any lease reassessments or modifications.
- Trail commission liabilities are measured based on the present value of expected future trail commission payments taking into consideration average behavioural loan life and outstanding balances of broker originated loans.

17. DEBT ISSUANCES

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of its depositors, other creditors and the senior debt holders.

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Senior debt	52,324	58,952	40,325	45,348
Covered bonds	12,967	15,399	9,371	11,342
Securitisation	1,115	1,424	-	-
Total unsubordinated debt	66,406	75,775	49,696	56,690
Subordinated debt				
- Additional Tier 1 capital	7,705	8,506	7,763	8,191
- Tier 2 capital	17,907	16,207	17,907	16,207
- Other subordinated debt securities[1]	1,716	566	462	-
Total subordinated debt	27,328	25,279	26,132	24,398
Total debt issued	93,734	101,054	75,828	81,088
Residual contractual maturity[2]:				
Within one year	25,208	22,621	21,990	18,512
More than one year	66,660	76,594	51,929	60,605
No maturity date (instruments in perpetuity)	1,866	1,839	1,909	1,971
Total debt issued	93,734	101,054	75,828	81,088

1. This includes the Company's USD 300 million perpetual subordinated debt and the subordinated debt issued by ANZ Bank New Zealand. The Company's USD 300 million perpetual subordinated notes were included in the Group's Tier 2 capital in 2021 pursuant to APRA's Basel III transition arrangements which ended in December 2021.
2. Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		Consolidated		The Company	
		2022 $m	2021 $m	2022 $m	2021 $m
USD	United States dollars	25,527	29,788	17,206	22,354
EUR	Euro	19,923	22,984	14,049	15,294
AUD	Australian dollars	36,398	35,709	35,259	34,299
NZD	New Zealand dollars	1,628	3,276	46	839
JPY	Japanese yen	2,159	1,854	2,159	1,853
CHF	Swiss francs	954	940	-	-
GBP	Pounds sterling	5,261	4,286	5,261	4,287
HKD	Hong Kong dollars	771	727	771	727
Other	Chinese yuan, Norwegian kroner, Singapore dollars and Canadian dollars	1,113	1,490	1,077	1,435
Total debt issued		93,734	101,054	75,828	81,088

SUBORDINATED DEBT

At 30 September 2022, all subordinated debt issued by the Company qualifies as regulatory capital for the Group (other than the Company's USD 300 million perpetual subordinated notes – refer to commentary below). Depending on their terms and conditions, the Company's subordinated debt instruments are classified as either Additional Tier 1 (AT1) capital for the Group (in the case of the ANZ Capital Notes (ANZ CN) and ANZ Capital Securities (ANZ CS)), or Tier 2 capital (in the case of the Company's term subordinated notes) for APRA's capital adequacy purposes.

Subordinated debt issued externally by ANZ Bank New Zealand Limited (ANZ Bank New Zealand) will constitute subordinated debt of both ANZ Bank New Zealand and the Group. Whilst it will constitute tier 2 capital for ANZ Bank New Zealand for the purposes of the Reserve Bank of New Zealand's (RBNZ) capital requirements, it will not constitute Tier 2 capital for the Group as the terms of the subordinated debt does not satisfy APRA's capital requirements.

Tier 2 capital instruments rank ahead of AT1 capital instruments, and AT1 capital instruments rank only ahead of ordinary shares, in any liquidation event impacting the issuer of the instruments.

17. DEBT ISSUANCES (continued)

AT1 Capital

All outstanding AT1 capital instruments of the Company are Basel III fully compliant instruments (refer to Note 25 Capital Management for further information about Basel III). Each of the ANZ CN and ANZ CS rank equally with each other.

Distributions on the AT1 capital instruments are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements). Distributions on ANZ CNs are franked in line with the franking applied to ANZ ordinary shares.

Where specified, the AT1 capital instruments provide the issuer with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). This redemption option is subject to APRA's prior written approval.

Each of the AT1 capital instruments will immediately convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number of ANZ ordinary shares) if:

- The Group's or the Company's Common Equity Tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- APRA notifies the Company that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Company would become non-viable – known as a Non-Viability Trigger Event.

Where specified, AT1 capital instruments mandatorily convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However, the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

Preference shares issued externally by ANZ Bank New Zealand will constitute additional tier 1 capital for ANZ Bank New Zealand for the purposes of the RBNZ's capital requirements, however they will not constitute Additional Tier 1 capital for the Group as the terms of the preference shares do not satisfy APRA's capital requirements. The preference shares are included within non-controlling interests in Note 24 Shareholders' Equity.

The tables below show the key details of the Group's AT1 capital instruments on issue at 30 September in both the current and prior years:

			Consolidated		The Company	
			2022 $m	2021 $m	2022 $m	2021 $m
Additional Tier 1 capital (perpetual subordinated securities)[1]						
ANZ Capital Notes (ANZ CN)						
AUD	1,610m	ANZ CN2[2]	-	1,609	-	1,609
AUD	970m	ANZ CN3	970	968	985	998
AUD	1,622m	ANZ CN4	1,619	1,617	1,619	1,617
AUD	931m	ANZ CN5	928	927	928	927
AUD	1,500m	ANZ CN6	1,487	1,486	1,487	1,486
AUD	1,310m	ANZ CN7	1,297	-	1,297	-
ANZ Capital Securities (ANZ CS)						
USD	1,000m	ANZ Capital Securities	1,404	1,422	1,447	1,554
ANZ NZ Capital Notes (ANZ NZ CN)						
NZD	500m	ANZ NZ Capital Notes[3]	-	477	-	-
Total Additional Tier 1 capital[4]			7,705	8,506	7,763	8,191

1. Carrying values are net of issuance costs.
2. All of the ANZ Capital Notes 2 were redeemed on 24 March 2022 with approximately $860 million of the proceeds from redemption reinvested into ANZ Capital Notes 7 on the same date.
3. All of the ANZ NZ Capital Notes were redeemed by ANZ Bank New Zealand Limited on 31 December 2021.
4. This forms part of qualifying Additional Tier 1 capital. Refer to Note 25 Capital Management for further details.

17. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

	CN2	CN3	CN4
Issuer	ANZ	ANZ, acting through its New Zealand branch	ANZ
Issue date	31 March 2014	5 March 2015	27 September 2016
Issue amount	$1,610 million	$970 million	$1,622 million
Face value	$100	$100	$100
Distribution frequency	Semi-annually in arrears	Semi-annually in arrears	Quarterly in arrears
Distribution rate	Floating rate: (180 day Bank Bill rate +3.25%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	24 March 2022[1]	24 March 2023	20 March 2024
Mandatory conversion date	24 March 2024[2]	24 March 2025	20 March 2026
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$nil (2021: $1,609 million)	$970 million (2021: $968 million)	$1,619 million (2021: $1,617 million)

	CN5	CN6	CN7
Issuer	ANZ	ANZ	ANZ
Issue date	28 September 2017	8 July 2021	24 March 2022
Issue amount	$931 million	$1,500 million	$1,310 million
Face value	$100	$100	$100
Distribution frequency	Quarterly in arrears	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.0%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +2.7%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	20 March 2025	20 March 2028	20 March 2029
Mandatory conversion date	20 March 2027	20 September 2030	20 September 2031
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$928 million (2021: $927 million)	$1,487 million (2021: $1,486 million)	$1,297 million (2021: $nil)

1. All of the ANZ Capital Notes 2 were redeemed on 24 March 2022 with approximately $860 million of the proceeds from redemption reinvested into ANZ Capital Notes 7 on the same date.
2. The mandatory conversion date is no longer applicable as all of CN2 has been redeemed.

17. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

Issuer	ANZ, acting through its London branch
Issue date	15 June 2016
Issue amount	USD 1,000 million
Face value	Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that
Interest frequency	Semi-annually in arrears
Interest rate	Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168%
Issuer's early redemption option	15 June 2026 and each 5 year anniversary
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$1,404 million (2021: $1,422 million)

ANZ NZ Capital Notes (ANZ NZ CN)[1]

Issuer	ANZ Bank New Zealand Limited
Issue date	31 March 2015
Issue amount	NZD 500 million
Face value	NZD 1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 7.2% p.a. until 25 May 2020. The rate reset in May 2020 to a floating rate: New Zealand 3 month bank bill rate + 3.5% Interest payments are subject to ANZ Bank New Zealand's absolute discretion and certain payment conditions (including APRA and RBNZ requirements)
Issuer's early redemption option	The option was not exercised on 25 May 2020 and has expired
Mandatory conversion date	25 May 2022
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$nil (2021: $477 million)

1. All of the ANZ NZ CNs were redeemed by ANZ Bank New Zealand Limited on 31 December 2021.

17. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

Convertible term subordinated notes issued by the Company are Basel III fully compliant instruments. If a Non-Viability Trigger Event occurs, each of the convertible term subordinated notes will immediately convert into ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number).

The table below shows the Tier 2 capital subordinated debt the Group holds at 30 September in both the current and prior year:

					Consolidated		The Company	
Currency	Face value	Maturity	Next optional call date – subject to APRA's prior approval	Interest rate	2022 $m	2021 $m	2022 $m	2021 $m
Basel III transitional subordinated notes (perpetual)[1]								
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	-	417	-	417
Total Basel III transitional subordinated notes					-	417	-	417
Tier 2 capital (term subordinated notes)								
USD	800m	2024	N/A	Fixed	1,189	1,173	1,189	1,173
SGD	500m	2027	2022	Fixed	-	515	-	515
AUD	200m	2027	2022	Fixed	-	200	-	200
JPY	20,000m	2026	N/A	Fixed	213	250	213	250
USD	1,500m	2026	N/A	Fixed	2,113	2,137	2,113	2,137
JPY	10,000m	2028	2023	Fixed	106	124	106	124
AUD	225m	2032	2027	Fixed	225	225	225	225
AUD	1,750m	2029	2024	Floating	1,750	1,740	1,750	1,740
EUR	1,000m	2029	2024	Fixed	1,410	1,608	1,410	1,608
AUD	265m	2039	N/A	Fixed	179	253	179	253
USD	1,250m	2030	2025	Fixed	1,785	1,782	1,785	1,782
AUD	1,250m	2031	2026	Floating	1,250	1,235	1,250	1,235
USD	1,500m	2035	2030	Fixed	1,830	1,955	1,830	1,955
AUD	330m	2040	N/A	Fixed	214	304	214	304
AUD	195m	2040	N/A	Fixed	124	178	124	178
EUR	750m	2031	2026	Fixed	1,003	1,193	1,003	1,193
GBP	500m	2031	2026	Fixed	714	918	714	918
AUD	1,450m	2032	2027	Fixed	1,390	-	1,390	-
AUD	300m	2032	2027	Floating	300	-	300	-
JPY	59,400m	2032	2027	Fixed	627	-	627	-
SGD	600m	2032	2027	Fixed	618	-	618	-
AUD	900m	2034	2029	Fixed	867	-	867	-
Total Basel III fully compliant subordinated notes					17,907	15,790	17,907	15,790
Total Tier 2 capital[2,3]					17,907	16,207	17,907	16,207

1. The Company's USD 300 million perpetual subordinated notes were included in the Group's Tier 2 capital in 2021 pursuant to APRA's Basel III transition arrangements, which ended in December 2021. In 2022 this has been included in Other subordinated debt securities.
2. Carrying values are net of issuance costs, and, where applicable, include fair value hedge accounting adjustments.
3. This forms part of qualifying Tier 2 capital. Refer to Note 25 Capital Management for further details.

17. DEBT ISSUANCES (continued)

OTHER SUBORDINATED DEBT SECURITIES

The Company's USD 300 million perpetual subordinated notes no longer form a component part of regulatory capital for the Group (as APRA's transitional Basel III capital treatment ceased to apply from January 2022). These subordinated notes do not contain a Non-Viability Trigger Event.

A subsidiary of the Group, ANZ Bank New Zealand, issued NZD 600 million of unsecured subordinated notes in September 2021 and USD 500 million of unsecured subordinated notes in August 2022. Whilst these subordinated notes constitute tier 2 capital under RBNZ requirements, the subordinated notes do not (among other things) contain a Non-Viability Trigger Event and therefore do not meet APRA's requirements for Tier 2 capital instruments in order to qualify as regulatory capital for the Group.

					Consolidated		The Company	
Currency	Face value	Maturity	Next optional call date[1]	Interest rate	2022 $m	2021 $m	2022 $m	2021 $m
Non-Basel III compliant perpetual subordinated notes issued by the Company[2]								
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	462	-	462	-
Term subordinated notes issued by ANZ Bank New Zealand Limited								
NZD	600m	2031	2026	Fixed	524	566	-	-
USD	500m	2032	2027	Fixed	730	-	-	-
Other subordinated debt					1,716	566	462	-

1. Subject to APRA's or RBNZ's prior approval (as applicable).
2. The Company's USD 300 million perpetual subordinated notes were included in the Group's Tier 2 capital in 2021 pursuant to APRA's Basel III transition arrangements, which ended in December 2021.

RECOGNITION AND MEASUREMENT

Debt issuances are initially recognised at fair value and are subsequently measured at amortised cost, except where designated at fair value through profit or loss. Interest expense on debt issuances is recognised using the effective interest rate method. Where the Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit or loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

18. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Group's key material risks.

We disclose details of all key material risks impacting the Group, and further information on the Group's risk management activities, in the Governance and Risk Management sections of this Annual Report.

This note details the Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks	Key sections applicable to this risk
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Equity securities designated at FVOCI • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Group is unable to meet payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity risk outcomes • Residual contractual maturity analysis of the Group's liabilities

18. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures*. It should be read in conjunction with the Governance and Risk Management sections of this Annual Report.

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that ANZ is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes ANZ's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZ identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZ, risk is everyone's responsibility.

The Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect ANZ's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Group's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day to day operations.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Group's major sources of income. As this activity is also a principal risk, the Group dedicates considerable resources to its management. The Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogenous pools – and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

We use the Group's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirements	Moody's Rating	S&P Global Ratings
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term, even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
Consolidated	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
On-balance sheet positions						
Net loans and advances	672,407	629,719	-	-	672,407	629,719
Other financial assets:						
Cash and cash equivalents	168,132	151,260	1,147	1,127	166,985	150,133
Settlement balances owed to ANZ	4,762	7,530	4,762	7,530	-	-
Collateral paid	12,700	9,166	-	-	12,700	9,166
Trading assets	35,237	44,688	3,860	4,996	31,377	39,692
Derivative financial instruments	90,174	38,736	-	-	90,174	38,736
Investment securities						
- debt securities at amortised cost	7,943	7,031	-	-	7,943	7,031
- debt securities at FVOCI	76,817	74,743	-	-	76,817	74,743
- equity securities at FVOCI	1,353	1,310	1,353	1,310	-	-
- debt securities at FVTPL	40	42	-	-	40	42
Regulatory deposits	632	671	-	-	632	671
Other financial assets[2]	2,943	2,054	-	-	2,943	2,054
Total other financial assets	400,733	337,231	11,122	14,963	389,611	322,268
Subtotal	1,073,140	966,950	11,122	14,963	1,062,018	951,987
Off-balance sheet positions						
Undrawn and contingent facilities[3]	285,041	259,789	-	-	285,041	259,789
Total	1,358,181	1,226,739	11,122	14,963	1,347,059	1,211,776

1. Coins, notes and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities, precious metal exposures and carbon credits within Trading assets; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The Company	Reported 2022 $m	Reported 2021 $m	Excluded[1] 2022 $m	Excluded[1] 2021 $m	Maximum exposure to credit risk 2022 $m	Maximum exposure to credit risk 2021 $m
On-balance sheet positions						
Net loans and advances	537,345	488,487	-	-	537,345	488,487
Other financial assets:						
Cash and cash equivalents	155,483	141,436	787	721	154,696	140,715
Settlement balances owed to ANZ	4,024	7,183	4,024	7,183	-	-
Collateral paid	11,368	8,343	-	-	11,368	8,343
Trading assets	28,073	34,752	3,348	4,957	24,725	29,795
Derivative financial instruments	88,056	38,292	-	-	88,056	38,292
Investment securities						
- debt securities at amortised cost	6,115	5,263	-	-	6,115	5,263
- debt securities at FVOCI	65,257	61,623	-	-	65,257	61,623
- equity securities at FVOCI	1,027	1,054	1,027	1,054	-	-
- debt securities at FVTPL	-	-	-	-	-	-
Regulatory deposits	249	213	-	-	249	213
Due from controlled entities	22,860	23,530	-	-	22,860	23,530
Other financial assets[2]	1,882	1,371	-	-	1,882	1,371
Total other financial assets	384,394	323,060	9,186	13,915	375,208	309,145
Subtotal	921,739	811,547	9,186	13,915	912,553	797,632
Off-balance sheet positions						
Undrawn and contingent facilities[3]	246,722	220,445	-	-	246,722	220,445
Total	1,168,461	1,031,992	9,186	13,915	1,159,275	1,018,077

1. Coins, notes and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities, precious metal exposures, and carbon credits within Trading assets; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Group's credit risk exposure is presented in the following tables based on the Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	443,571	15,880	-	-	459,451
Satisfactory	154,823	31,864	-	-	186,687
Weak	9,197	9,244	-	-	18,441
Defaulted	-	-	3,328	1,043	4,371
Gross loans and advances at amortised cost	607,591	56,988	3,328	1,043	668,950
Allowance for ECL	(1,141)	(1,548)	(360)	(533)	(3,582)
Net loans and advances at amortised cost	606,450	55,440	2,968	510	665,368
Coverage ratio	0.19%	2.72%	10.82%	51.10%	0.54%
Loans and advances at fair value through profit or loss					4,675
Unearned income					(518)
Capitalised brokerage and other origination costs					2,882
Net carrying amount					672,407
As at 30 September 2021					
Strong	412,821	12,596	-	-	425,417
Satisfactory	146,368	31,228	-	-	177,596
Weak	7,921	12,907	-	-	20,828
Defaulted	-	-	3,754	1,549	5,303
Gross loans and advances at amortised cost	567,110	56,731	3,754	1,549	629,144
Allowance for ECL	(968)	(1,994)	(417)	(666)	(4,045)
Net loans and advances at amortised cost	566,142	54,737	3,337	883	625,099
Coverage ratio	0.17%	3.51%	11.11%	43.00%	0.64%
Loans and advances at fair value through profit or loss					3,620
Unearned income					(434)
Capitalised brokerage and other origination costs					1,434
Net carrying amount					629,719

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Net loans and advances

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	334,850	9,641	-	-	344,491
Satisfactory	142,772	26,186	-	-	168,958
Weak	9,181	7,759	-	-	16,940
Defaulted	-	-	2,744	853	3,597
Gross loans and advances at amortised cost	486,803	43,586	2,744	853	533,986
Allowance for ECL	(946)	(1,259)	(295)	(425)	(2,925)
Net loans and advances at amortised cost	485,857	42,327	2,449	428	531,061
Coverage ratio	0.19%	2.89%	10.75%	49.82%	0.55%
Loans and advances at fair value through profit or loss					4,263
Unearned income					(480)
Capitalised brokerage and other origination costs					2,501
Net carrying amount					537,345
As at 30 September 2021					
Strong	297,511	9,329	-	-	306,840
Satisfactory	131,979	25,538	-	-	157,517
Weak	7,913	11,038	-	-	18,951
Defaulted	-	-	3,089	1,345	4,434
Gross loans and advances at amortised cost	437,403	45,905	3,089	1,345	487,742
Allowance for ECL	(797)	(1,679)	(348)	(563)	(3,387)
Net loans and advances at amortised cost	436,606	44,226	2,741	782	484,355
Coverage ratio	0.18%	3.66%	11.27%	41.86%	0.69%
Loans and advances at fair value through profit or loss					3,472
Unearned income					(390)
Capitalised brokerage and other origination costs					1,050
Net carrying amount					488,487

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	191,363	1,703	-	-	193,066
Satisfactory	18,583	3,078	-	-	21,661
Weak	774	706	-	-	1,480
Defaulted	-	-	113	19	132
Gross undrawn and contingent facilities subject to ECL	210,720	5,487	113	19	216,339
Allowance for ECL included in Other provisions (refer to Note 23)	(593)	(144)	(29)	(9)	(775)
Net undrawn and contingent facilities subject to ECL	210,127	5,343	84	10	215,564
Coverage ratio	0.28%	2.62%	25.66%	47.37%	0.36%
Undrawn and contingent facilities not subject to ECL[1]					69,477
Net undrawn and contingent facilities					285,041
As at 30 September 2021					
Strong	174,808	1,754	-	-	176,562
Satisfactory	23,799	3,564	-	-	27,363
Weak	1,030	1,185	-	-	2,215
Defaulted	-	-	138	50	188
Gross undrawn and contingent facilities subject to ECL	199,637	6,503	138	50	206,328
Allowance for ECL included in Other provisions (refer to Note 23)	(555)	(211)	(19)	(21)	(806)
Net undrawn and contingent facilities subject to ECL	199,082	6,292	119	29	205,522
Coverage ratio	0.28%	3.24%	13.77%	42.00%	0.39%
Undrawn and contingent facilities not subject to ECL[1]					54,267
Net undrawn and contingent facilities					259,789

1. Commitments that can be unconditionally cancelled at any time without notice.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	185,979	1,725	-	-	187,704
Satisfactory	15,496	2,306	-	-	17,802
Weak	711	463	-	-	1,174
Defaulted	-	-	97	13	110
Gross undrawn and contingent facilities subject to ECL	202,186	4,494	97	13	206,790
Allowance for ECL included in Other provisions (refer to Note 23)	(530)	(112)	(26)	(5)	(673)
Net undrawn and contingent facilities subject to ECL	201,656	4,382	71	8	206,117
Coverage ratio	0.26%	2.49%	26.80%	38.46%	0.33%
Undrawn and contingent facilities not subject to ECL[1]					40,605
Net undrawn and contingent facilities					246,722
As at 30 September 2021					
Strong	162,232	1,745	-	-	163,977
Satisfactory	19,790	2,662	-	-	22,452
Weak	1,005	966	-	-	1,971
Defaulted	-	-	91	28	119
Gross undrawn and contingent facilities subject to ECL	183,027	5,373	91	28	188,519
Allowance for ECL included in Other provisions (refer to Note 23)	(484)	(171)	(12)	(7)	(674)
Net undrawn and contingent facilities subject to ECL	182,543	5,202	79	21	187,845
Coverage ratio	0.26%	3.18%	13.19%	25.00%	0.36%
Undrawn and contingent facilities not subject to ECL[1]					32,600
Net undrawn and contingent facilities					220,445

1. Commitments that can be unconditionally cancelled at any time without notice.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	6,279	-	-	-	6,279
Satisfactory	113	-	-	-	113
Weak	1,589	-	-	-	1,589
Gross investment securities - debt securities at amortised cost	7,981	-	-	-	7,981
Allowance for ECL	(38)	-	-	-	(38)
Net investment securities - debt securities at amortised cost	7,943	-	-	-	7,943
Coverage ratio	0.48%	-	-	-	0.48%
As at 30 September 2021					
Strong	5,574	-	-	-	5,574
Satisfactory	121	-	-	-	121
Weak	1,367	-	-	-	1367
Gross investment securities - debt securities at amortised cost	7,062	-	-	-	7,062
Allowance for ECL	(31)	-	-	-	(31)
Net investment securities - debt securities at amortised cost	7,031	-	-	-	7,031
Coverage ratio	0.44%	-	-	-	0.44%

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	6,032	-	-	-	6,032
Satisfactory	84	-	-	-	84
Gross investment securities - debt securities at amortised cost	6,116	-	-	-	6,116
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	6,115	-	-	-	6,115
Coverage ratio	0.02%	-	-	-	0.02%
As at 30 September 2021					
Strong	5,162	-	-	-	5,162
Satisfactory	102	-	-	-	102
Gross investment securities - debt securities at amortised cost	5,264	-	-	-	5,264
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	5,263	-	-	-	5,263
Coverage ratio	0.02%	-	-	-	0.02%

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	76,668	-	-	-	76,668
Satisfactory	149	-	-		149
Investment securities - debt securities at FVOCI	76,817	-	-	-	76,817
Allowance for ECL recognised in Other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2021					
Strong	74,541	-	-	-	74,541
Satisfactory	202	-	-	-	202
Investment securities - debt securities at FVOCI	74,743	-	-	-	74,743
Allowance for ECL recognised in Other comprehensive income	(11)	-	-	-	(11)
Coverage ratio	0.01%	-	-	-	0.01%

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	65,257	-	-	-	65,257
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	65,257	-	-	-	65,257
Allowance for ECL recognised in Other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2021					
Strong	61,623	-	-	-	61,623
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	61,623	-	-	-	61,623
Allowance for ECL recognised in Other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Other financial assets

	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Strong	301,735	235,847	301,771	238,452
Satisfactory[1]	2,164	3,513	1,707	3,026
Weak	945	1,122	351	769
Defaulted	7	12	7	12
Total carrying amount	304,851	240,494	303,836	242,259

1. Includes Investment Securities - debt securities at FVTPL of $40 million (2021: $42 million) for the Group and nil (2021: nil) for the Company.

CONCENTRATIONS OF CREDIT RISK

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The Group monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

Consolidated	Loans and advances 2022 $m	Loans and advances 2021 $m	Other financial assets 2022 $m	Other financial assets 2021 $m	Off-balance sheet credit related commitments 2022 $m	Off-balance sheet credit related commitments 2021 $m	Total 2022 $m	Total 2021 $m
Agriculture, forestry, fishing and mining	33,668	34,862	781	335	17,694	16,034	52,143	51,231
Business services	9,252	9,161	242	119	6,245	6,429	15,739	15,709
Construction	6,155	5,886	48	46	6,594	6,458	12,797	12,390
Electricity, gas and water supply	9,650	6,513	790	807	9,865	9,053	20,305	16,373
Entertainment, leisure and tourism	12,886	12,710	89	157	3,691	3,862	16,666	16,729
Financial, investment and insurance	75,118	56,107	305,148	229,273	58,075	50,568	438,341	335,948
Government and official institutions	7,280	4,651	71,139	83,741	1,592	1,798	80,011	90,190
Manufacturing	28,072	23,752	1,279	741	46,701	37,696	76,052	62,189
Personal lending	363,539	361,814	955	664	57,989	57,410	422,483	419,888
Property services	55,203	50,396	606	489	17,862	16,673	73,671	67,558
Retail trade	11,648	9,967	98	104	7,076	8,444	18,822	18,515
Transport and storage	12,311	11,710	327	437	8,423	8,257	21,061	20,404
Wholesale trade	15,215	12,434	1,235	583	28,042	20,899	44,492	33,916
Other	33,628	32,801	6,912	4,803	15,967	17,014	56,507	54,618
Gross total	673,625	632,764	389,649	322,299	285,816	260,595	1,349,090	1,215,658
Allowance for ECL	(3,582)	(4,045)	(38)	(31)	(775)	(806)	(4,395)	(4,882)
Subtotal	670,043	628,719	389,611	322,268	285,041	259,789	1,344,695	1,210,776
Unearned income	(518)	(434)	-	-	-	-	(518)	(434)
Capitalised brokerage and other origination costs	2,882	1,434	-	-	-	-	2,882	1,434
Maximum exposure to credit risk	672,407	629,719	389,611	322,268	285,041	259,789	1,347,059	1,211,776

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
The Company	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Agriculture, forestry, fishing and mining	19,065	18,283	751	297	16,304	14,305	36,120	32,885
Business services	8,382	8,096	202	73	5,517	5,618	14,101	13,787
Construction	5,004	4,710	42	30	5,376	5,241	10,422	9,981
Electricity, gas and water supply	8,820	5,523	533	580	8,526	7,356	17,879	13,459
Entertainment, leisure and tourism	11,267	10,934	58	138	3,192	3,404	14,517	14,476
Financial, investment and insurance	71,889	52,230	306,318	236,430	53,970	46,971	432,177	335,631
Government and official institutions	7,272	4,621	58,342	65,429	910	1,113	66,524	71,163
Manufacturing	24,645	20,143	664	369	39,279	30,794	64,588	51,306
Personal lending	282,095	278,526	912	638	47,596	45,886	330,603	325,050
Property services	42,592	37,580	531	379	15,640	14,424	58,763	52,383
Retail trade	10,048	8,273	74	82	6,279	7,298	16,401	15,653
Transport and storage	11,231	10,564	270	339	7,252	7,229	18,753	18,132
Wholesale trade	13,055	10,345	791	380	24,185	17,462	38,031	28,187
Other	22,884	21,386	5,721	3,982	13,369	14,018	41,974	39,386
Gross total	538,249	491,214	375,209	309,146	247,395	221,119	1,160,853	1,021,479
Allowance for ECL	(2,925)	(3,387)	(1)	(1)	(673)	(674)	(3,599)	(4,062)
Subtotal	535,324	487,827	375,208	309,145	246,722	220,445	1,157,254	1,017,417
Unearned income	(480)	(390)	-	-	-	-	(480)	(390)
Capitalised brokerage and other origination costs	2,501	1,050	-	-	-	-	2,501	1,050
Maximum exposure to credit risk	537,345	488,487	375,208	309,145	246,722	220,445	1,159,275	1,018,077

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products, such as margin loans and reverse repurchase agreements that are secured by the securities purchased using the lending. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans - housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans - business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading assets, Investment securities, Derivatives and Other financial assets	For trading assets, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZ when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

Consolidated	Maximum exposure to credit risk 2022 $m	Maximum exposure to credit risk 2021 $m	Total value of collateral 2022 $m	Total value of collateral 2021 $m	Unsecured portion of credit exposure 2022 $m	Unsecured portion of credit exposure 2021 $m
Net loans and advances	672,407	629,719	531,815	515,866	140,592	113,853
Other financial assets	389,611	322,268	24,758	24,410	364,853	297,858
Off-balance sheet positions	285,041	259,789	60,544	52,512	224,497	207,277
Total	1,347,059	1,211,776	617,117	592,788	729,942	618,988

The Company	Maximum exposure to credit risk 2022 $m	Maximum exposure to credit risk 2021 $m	Total value of collateral 2022 $m	Total value of collateral 2021 $m	Unsecured portion of credit exposure 2022 $m	Unsecured portion of credit exposure 2021 $m
Net loans and advances	537,345	488,487	407,610	387,273	129,735	101,214
Other financial assets	375,208	309,145	19,492	22,027	355,716	287,118
Off-balance sheet positions	246,722	220,445	38,618	36,676	208,104	183,769
Total	1,159,275	1,018,077	465,720	445,976	693,555	572,101

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded Market Risk	Non-Traded Market Risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Group's possible daily loss based on historical market movements.

The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using one-day and ten-day holding periods. For stressed VaR, we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

ANZ measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2022				2021			
Consolidated	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	1.8	4.8	1.1	2.4	3.8	10.0	1.3	3.9
Interest rate	7.9	22.7	5.0	9.5	9.6	19.6	4.3	8.8
Credit	2.6	11.8	1.6	4.9	6.3	22.2	5.3	13.7
Commodity	4.3	7.0	1.4	2.9	3.1	5.0	1.3	2.8
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(7.2)	n/a	n/a	(7.1)	(9.4)	n/a	n/a	(9.7)
Total VaR	9.4	26.9	5.6	12.6	13.4	30.0	8.7	19.5

	2022				2021			
The Company	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	2.0	5.1	0.9	2.4	3.4	7.6	1.5	3.5
Interest rate	6.7	18.6	4.9	8.8	9.0	16.4	4.1	7.5
Credit	2.0	11.9	1.3	4.7	5.8	22.1	5.3	13.3
Commodity	1.4	7.2	0.9	2.8	2.3	5.4	1.4	2.7
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(4.2)	n/a	n/a	(7.4)	(6.0)	n/a	n/a	(10.1)
Total VaR	7.9	23.4	5.4	11.3	14.5	26.0	9.6	16.9

1. The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future Net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Group as well as Australia, New Zealand and Asia Pacific, Europe and Americas (APEA) geographies which are calculated separately.

	2022				2021			
Consolidated	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	78.5	93.4	63.0	76.1	67.0	81.8	61.9	69.8
New Zealand	25.4	27.1	20.2	23.9	21.6	32.8	21.6	26.7
Asia Pacific, Europe & America	21.7	38.0	16.8	25.8	31.5	34.9	29.0	32.0
Diversification benefit[1]	(38.1)	n/a	n/a	(33.7)	(32.9)	n/a	n/a	(53.7)
Total VaR	87.5	104.9	66.8	92.1	87.2	87.2	59.3	74.8

	2022				2021			
The Company	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	78.5	93.4	63.0	76.1	67.0	81.8	61.9	69.8
New Zealand	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Asia Pacific, Europe & America	22.1	37.7	16.7	25.6	30.8	35.2	27.5	31.2
Diversification benefit[1]	(17.1)	n/a	n/a	(20.2)	(31.9)	n/a	n/a	(36.2)
Total VaR	83.5	94.5	62.9	81.5	65.9	69.9	55.0	64.8

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our Net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported Net interest income.

	Consolidated		The Company	
	2022	2021	2022	2021
Impact of 1% rate shock on 12 months of net interest income				
As at period end	1.29%	2.43%	0.90%	2.02%
Maximum exposure	2.08%	2.43%	1.65%	2.02%
Minimum exposure	1.15%	0.98%	0.71%	0.54%
Average exposure (in absolute terms)	1.56%	1.55%	1.11%	1.08%

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise Bank of Tianjin and equity holding in 1835i Ventures Trust business unit. The market risk impact on these equity investments is not captured by the Group's VaR processes for traded and non-traded market risks. Therefore, the Group regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are appropriately measured based on the recognition and measurement policies set out in Note 12 Investment Securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations - for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the Group to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

Where it is considered appropriate, the Group takes out economic hedges against larger foreign exchange denominated revenue streams (primarily New Zealand Dollar, US Dollar and US Dollar correlated). The primary objective of hedging is to ensure that, if practical, the effect of changes in foreign exchange rates on the consolidated capital ratios are minimised.

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding risks are overseen by GALCO. The Group's liquidity and funding risks are governed by a set of principles approved by the BRC and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- maintaining strength in the Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing detailed contingency plans to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Board. The metrics cover a range of scenarios of varying duration and level of severity.

A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, the Group has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF was established to offset the shortage of available High Quality Liquid Assets (HQLA) in Australia and provides an alternative form of contingent liquidity. The CLF is collateralised by assets, including internal residential mortgage backed securities, that are eligible to be pledged as security with the RBA. In September 2021, APRA wrote to ADI's to advise that APRA and the RBA consider there to be sufficient HQLA for ADI's to meet their LCR requirements, and therefore the use of the CLF should no longer be required beyond 2022 calendar year.

Consistent with APRA's requirement to reduce the $10.7 billion CLF with four equal reductions during the 2022 calendar year to $0 on 1 January 2023, ANZ's CLF was $2.7 billion as at 30 September 2022 (2021: $10.7 billion).

Liquid assets

The Group holds a portfolio of high quality (unencumbered) liquid assets to protect the Group's liquidity position in a severely stressed environment and to meet regulatory requirements. HQLA comprise three categories consistent with Basel III LCR requirements:

- HQLA1- Cash and highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- HQLA2 - High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- Alternative liquid assets (ALA) - Assets qualifying as collateral for the CLF and eligible securities that the Reserve Bank of New Zealand (RBNZ) will accept in its domestic market operations.

LIQUIDITY RISK OUTCOMES[1]

Liquidity Coverage Ratio - ANZ's Liquidity Coverage Ratio (LCR) averaged 131% for 2022, a decrease from the 2021 average of 137%, and above the regulatory minimum of 100%.

Net Stable Funding Ratio - ANZ's Net Stable Funding Ratio (NSFR) as at 30 September 2022 was 119% (2021: 124%), above the regulatory minimum of 100%.

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The Liquidity Coverage Ratio and Net Stable Funding Ratio are non-IFRS disclosures and are disclosed as part of the Group's *APS 330 Public Disclosure* which is subject to specific review procedures in accordance with the *Australian Standard on Related Services (ASRS) 4400 Agreed upon Procedures Engagements to Report Factual Findings.*

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

Liquidity crisis contingency planning

The Group maintains APRA-endorsed liquidity crisis contingency plans for analysing and responding to a liquidity threatening event at a country and Group-wide level. Key liquidity contingency crisis planning requirements and guidelines include:

Ongoing business management	Early signs/ mild stress	Severe stress
• establish crisis/severity levels • liquidity limits • early warning indicators	• monitoring and review • management actions not requiring business rationalisation	• activate contingency funding plans • management actions for altering asset and liability behaviour
Assigned responsibility for internal and external communications and the appropriate timing to communicate		

Since the precise nature of any stress event cannot be known in advance, we design the plans to be flexible to the nature and severity of the stress event with multiple variables able to be accommodated in any plan.

Group funding

The Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This approach ensures that an appropriate proportion of the Group's assets are funded by stable funding sources, including customer deposits; longer-dated wholesale funding (with a remaining term exceeding one year); and equity.

Funding plans prepared	Considerations in preparing funding plans
• 3 year strategic plan prepared annually • annual funding plan as part of the Group's planning process • forecasting in light of actual results as a calibration to the annual plan	• customer balance sheet growth • changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions

RBA Term Funding Facility

As an additional source of funding, in March 2020, the RBA announced a Term Funding Facility (TFF) for the banking system to support lending to Australian businesses. The TFF is a three-year secured funding facility to ADIs at a fixed rate of 0.25% for drawdowns up to 4 November 2020, and reduced to 0.10% for new drawdowns from 4 November 2020 onwards. The TFF was closed to drawdowns on 30 June 2021.

As at 30 September 2022, ANZ had drawn $20.1 billion under the RBA's TFF.

RBNZ Funding for Lending Programme and Term Lending Facility

Between May 2020 and July 2021, the RBNZ made funds available under a Term Lending Facility (TLF) to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.

In November 2020 the RBNZ announced a Funding for Lending Programme (FLP) which aimed to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks were able to obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). The initial allocation closed on 6 June 2022. An additional allocation of up to 2% of eligible loans is available, subject to certain conditions until 6 December 2022.

As at 30 September 2022, ANZ Bank New Zealand had drawn $0.3 billion under the TLF and $2.3 billion under the FLP.

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF GROUP'S LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities at 30 September within relevant maturity groupings. All outstanding debt issuance and subordinated debt is profiled on the earliest date on which the Group may be required to pay. All at-call liabilities are reported in the 'Less than 3 months' category unless there is a longer minimum notice period. The amounts represent principal and interest cash flows - so they may differ from equivalent amounts reported on balance sheet.

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 187.

Consolidated	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022					
Settlement balances owed by ANZ	13,766	-	-	-	13,766
Collateral received	16,230	-	-	-	16,230
Deposits and other borrowings	667,568	117,166	15,960	160	800,854
Liability for acceptances	352	-	-	-	352
Debt issuances[1,2]	7,591	22,315	60,716	13,667	104,289
Derivative liabilities (excluding those held for balance sheet management)[3]	71,073	-	-	-	71,073
Lease liabilities	81	210	654	168	1,113
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(33,155)	(49,030)	(66,661)	(12,851)	(161,697)
Pay leg	30,845	49,191	68,211	12,913	161,160
- Other balance sheet management:					
Receive leg	(125,122)	(44,835)	(29,188)	(10,063)	(209,208)
Pay leg	120,959	44,126	31,026	15,170	211,281
As at 30 September 2021					
Settlement balances owed by ANZ	17,427	-	-	-	17,427
Collateral received	5,657	-	-	-	5,657
Deposits and other borrowings	634,145	84,357	25,247	227	743,976
Liability for acceptances	392	-	-	-	392
Debt issuances[1]	4,218	24,928	65,198	14,588	108,932
Derivative liabilities (excluding those held for balance sheet management)[3]	30,474	-	-	-	30,474
Lease liabilities	86	224	755	301	1,366
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(29,186)	(36,462)	(62,061)	(14,334)	(142,043)
Pay leg	28,538	35,082	61,867	14,473	139,960
- Other balance sheet management:					
Receive leg	(104,036)	(37,275)	(14,982)	(8,029)	(164,322)
Pay leg	103,586	36,804	15,457	9,974	165,821

1. Callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Group and subordinated debt issued by ANZ New Zealand which constitutes Tier 2 capital under RBNZ requirements but does not qualify as the APRA Tier 2 requirements.
2. Perpetual debt instrument of USD 300 million has been included in the '3 to 12 months' category to reflect the end of the APRA Basel III capital transitional period (December 2021). This was included in the 'After 5 years' category in 2021.
3. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'Less than 3 months' category.
4. Includes derivatives designated into hedging relationships of $356 million (2021: $202 million) and $13,720 million (2021: $5,359 million) categorised as held for trading but form part of the Group's balance sheet managed activities.

At 30 September 2022, $236,051 million (2021: $212,265 million) of the Group's undrawn facilities and $49,765 million (2021: $48,330 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

The Company	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022					
Settlement balances owed by ANZ	10,224	-	-	-	10,224
Collateral received	14,425	-	-	-	14,425
Deposits and other borrowings	564,147	93,197	10,639	157	668,140
Liability for acceptances	144	-	-	-	144
Debt issuances[1,2]	7,648	18,951	48,323	9,970	84,892
Derivative liabilities (excluding those held for balance sheet management)[3]	75,810	-	-	-	75,810
Lease liabilities	76	202	744	826	1,848
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(29,397)	(39,350)	(46,997)	(8,857)	(124,601)
Pay leg	27,413	40,237	48,281	9,064	124,995
- Other balance sheet management:					
Receive leg	(121,112)	(40,061)	(21,417)	(9,498)	(192,088)
Pay leg	116,992	39,921	24,081	14,666	195,660
As at 30 September 2021					
Settlement balances owed by ANZ	14,922	-	-	-	14,922
Collateral received	5,148	-	-	-	5,148
Deposits and other borrowings	524,654	60,427	21,844	227	607,152
Liability for acceptances	223	-	-	-	223
Debt issuances[1]	4,108	20,244	54,465	8,965	87,782
Derivative liabilities (excluding those held for balance sheet management)[3]	34,240	-	-	-	34,240
Lease liabilities	81	208	814	989	2,092
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(25,170)	(26,362)	(48,026)	(7,364)	(106,922)
Pay leg	24,523	25,344	47,467	7,318	104,652
- Other balance sheet management:					
Receive leg	(102,921)	(35,426)	(11,063)	(7,633)	(157,043)
Pay leg	102,346	34,908	11,501	9,587	158,342

1. Callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company.
2. Perpetual debt instrument of USD 300 million has been included in the '3 to 12 months' category to reflect the end of the APRA Basel III capital transitional period (December 2021). This was included in the 'After 5 years' category in 2021.
3. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'Less than 3 months' category.
4. Includes derivatives designated into hedging relationships of $300 million (2021: $158 million) and $8,390 million (2021: $2,607 million) categorised as held for trading but form part of the Company's balance sheet managed activities.

At 30 September 2022, $201,204 million (2021: $176,077 million) of the Company's undrawn facilities and $46,191 million (2021: $45,042 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Company may be required to pay.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group recognises and measures financial instruments at either fair value or amortised cost, with a significant number of financial instruments on the balance sheet at fair value.

Fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The following tables set out the classification of financial asset and liabilities according to their measurement bases together with their carrying amounts as recognised on the balance sheet.

		2022			2021		
Consolidated	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	9	168,132	-	168,132	151,260	-	151,260
Settlement balances owed to ANZ		4,762	-	4,762	7,530	-	7,530
Collateral paid		12,700	-	12,700	9,166	-	9,166
Trading assets	10	-	35,237	35,237	-	44,688	44,688
Derivative financial instruments	11	-	90,174	90,174	-	38,736	38,736
Investment securities	12	7,943	78,210	86,153	7,031	76,095	83,126
Net loans and advances	13	667,732	4,675	672,407	626,099	3,620	629,719
Regulatory deposits		632	-	632	671	-	671
Other financial assets		2,943	-	2,943	2,054	-	2,054
Total		864,844	208,296	1,073,140	803,811	163,139	966,950
Financial liabilities							
Settlement balances owed by ANZ		13,766	-	13,766	17,427	-	17,427
Collateral received		16,230	-	16,230	5,657	-	5,657
Deposits and other borrowings	15	794,621	2,660	797,281	738,772	4,284	743,056
Derivative financial instruments	11	-	85,149	85,149	-	36,035	36,035
Payables and other liabilities		6,596	3,239	9,835	4,734	3,913	8,647
Debt issuances	17	92,623	1,111	93,734	99,092	1,962	101,054
Total		923,836	92,159	1,015,995	865,682	46,194	911,876

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

		2022			2021		
The Company	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	9	155,483	-	155,483	141,436	-	141,436
Settlement balances owed to ANZ		4,024	-	4,024	7,183	-	7,183
Collateral paid		11,368	-	11,368	8,343	-	8,343
Trading assets	10	-	28,073	28,073	-	34,752	34,752
Derivative financial instruments	11	-	88,056	88,056	-	38,292	38,292
Investment securities	12	6,115	66,284	72,399	5,263	62,677	67,940
Net loans and advances	13	533,082	4,263	537,345	485,015	3,472	488,487
Regulatory deposits		249	-	249	213	-	213
Due from controlled entities		20,360	2,500	22,860	21,489	2,041	23,530
Other financial assets		1,882	-	1,882	1,371	-	1,371
Total		732,563	189,176	921,739	670,313	141,234	811,547
Financial liabilities							
Settlement balances owed by ANZ		10,224	-	10,224	14,922	-	14,922
Collateral received		14,425	-	14,425	5,148	-	5,148
Deposits and other borrowings	15	665,567	40	665,607	606,673	50	606,723
Derivative financial instruments	11	-	84,500	84,500	-	37,005	37,005
Due to controlled entities		25,305	-	25,305	23,079	-	23,079
Payables and other liabilities		5,705	2,857	8,562	3,999	3,245	7,244
Debt issuances	17	72,757	3,071	75,828	77,053	4,035	81,088
Total		793,983	90,468	884,451	730,874	44,335	775,209

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The fair valuation of financial assets and financial liabilities is generally determined at the individual instrument level.

If the Group holds offsetting risk positions, then we use the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow ensuring we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated hedging instruments; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises due to measuring the derivative financial instruments (which we use to mitigate interest rate risk of these assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

We may also designate certain loans and advances, certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments held for trading: - Securities sold short - Derivative financial assets and financial liabilities - Debt and equity securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity securities where an active market does not exist are measured using comparable company valuation multiples (such as price-to-book ratios).
Financial instruments classified as: - Derivative financial assets and financial liabilities (not held for trading) - Net loans and advances - Deposits and other borrowings	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt or loans with similar maturities or yield curve appropriate for the remaining term to maturity.
Financial instruments classified as: - Investment securities – debt or equity	Valuation techniques use comparable multiples (such as price-to-book ratios) or discounted cashflow (DCF) techniques incorporating, to the extent possible, observable inputs from instruments with similar characteristics.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The Group categorises assets and liabilities carried at fair value into a fair value hierarchy in accordance with AASB 13 based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Assets								
Trading assets[1]	28,455	36,025	6,782	8,663	-	-	35,237	44,688
Derivative financial instruments	944	494	89,185	38,187	45	55	90,174	38,736
Investment securities[1]	68,211	68,007	8,614	6,756	1,385	1,332	78,210	76,095
Net loans and advances[2]	-	-	4,272	3,510	403	110	4,675	3,620
Total	97,610	104,526	108,853	57,116	1,833	1,497	208,296	163,139
Liabilities								
Deposits and other borrowings	-	-	2,660	4,284	-	-	2,660	4,284
Derivative financial instruments	309	1,131	84,809	34,874	31	30	85,149	36,035
Payables and other liabilities[2,3]	2,842	3,690	397	223	-	-	3,239	3,913
Debt issuances (designated at fair value)	-	-	1,111	1,962	-	-	1,111	1,962
Total	3,151	4,821	88,977	41,343	31	30	92,159	46,194

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Assets								
Trading assets[1]	23,037	27,764	5,036	6,988	-	-	28,073	34,752
Derivative financial instruments	848	470	87,181	37,788	27	34	88,056	38,292
Investment securities[1]	58,259	56,277	7,006	5,354	1,019	1,046	66,284	62,677
Net loans and advances[2]	-	-	3,860	3,362	403	110	4,263	3,472
Due from controlled entities	-	-	2,500	2,041	-	-	2,500	2,041
Total	82,144	84,511	105,583	55,533	1,449	1,190	189,176	141,234
Liabilities								
Deposits and other borrowings	-	-	40	50	-	-	40	50
Derivative financial instruments	301	1,121	84,179	35,854	20	30	84,500	37,005
Payables and other liabilities[2,3]	2,510	3,040	347	205	-	-	2,857	3,245
Debt issuances (designated at fair value)	985	998	2,086	3,037	-	-	3,071	4,035
Total	3,796	5,159	86,652	39,146	20	30	90,468	44,335

1. During 2022, $1,043 million of assets were transferred from Level 1 to Level 2 (2021: $3,845 million transferred from Level 1 to Level 2), as well as $ 1,677 million of assets were transferred from Level 2 to Level 1 (2021: nil transferred from Level 2 to Level 1) for the Group and the Company due to a change of the observability of valuation inputs. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.
2. During 2022, the Group revised its accounting treatment of ongoing trail commission payable to mortgage brokers to recognise a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. The balance at 30 September 2022 was $1,320 million for the Group and the Company. Comparatives have not been restated.
3. Payables and other liabilities relate to securities sold short, which we classify as held for trading and measured at fair value through profit or loss.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

Level 3 financial instruments are a net asset of $1,802 million (2021: $1,467 million) for the Group and $1,429 million (2021: $1,160 million) for the Company.

The assets and liabilities which incorporate significant unobservable inputs are:

- equity securities for which there is no active market or traded prices cannot be observed;
- loans and advances measured at fair value for which there is no observable market data; and
- derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Level 3 Transfers

During the year, the Group and the Company transferred $312 million of Loan and advances measured at fair value from Level 2 to Level 3, as a result of valuation parameters becoming unobservable during the year. There were no other transfers into or out of Level 3 in the current or prior year.

The material Level 3 financial instruments as at 30 September 2022 are listed as below:

i) Investment Securities - equity holdings classified as FVOCI

Bank of Tianjin (BoT)

The Group holds an investment in the Bank of Tianjin. The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived resulted in the Level 3 classification. As at September 2022, the BoT equity holding balance was $854 million (2021: $991 million). A decrease in the BoT fair valuation in the financial year was mainly due to a decrease in the P/B multiple used in the valuation.

1835i Ventures Trust

The Group holds $324 million (2021: $241 million) of unlisted equities in its 1835i Ventures Trust business unit classified as FVOCI, for which there are no active markets or traded price observed resulting in Level 3 classification. The increase in the 1835i equity holding balance in the financial year were mainly due to new equity investments as well as revaluation increases.

Institutional division - Equity Holdings

The Group holds $137 million (2021: $4 million) of unlisted equities in the Institutional division classified as FVOCI, for which there are no active markets or traded prices available, resulting in Level 3 classification. The increase in the Institutional division equity holdings balance was mainly due to new equity purchases during the financial year.

ii) Net loans and advances - classified as FVTPL

Syndication Loans

The Group holds $403 million (2021: $110 million) of syndication loans for sale which are measured at FVTPL. These loans are classified as Level 3 when there is no observable market data available for the valuation. During the financial year the Group transferred $312 million of syndication loans measured at fair value from Level 2 to Level 3, due to valuation parameters for these financial instruments becoming unobservable.

Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs to a valuation not being directly observable (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameters used to derive the fair valuation.

Investment Securities - equity holdings

The valuation of the equity investments are sensitive to variations in select unobservable inputs, with valuation techniques used including P/B multiples and discounted cashflow techniques. If for example, a 10% increase or decrease to the primary input into the valuations were to occur (such as the P/B multiple), it would result in a $135 million increase or decrease in the fair value of the portfolio, which would be recognised in shareholders' equity in the Group ($102m for the Company), with no impact to net profit or loss.

Net Loans and Advances

Syndicated loan valuations are sensitive to credit spreads and discount curves in determining their fair valuation. However as these are primarily investment-grade loans, an increase or decrease in credit spreads and / or interest yield would have an immaterial impact on net profit or net assets of the Group.

Other

The remaining Level 3 balance is immaterial and changes in inputs have a minimal impact on net profit and net assets of the Group.

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight-line basis over the life of the transaction or until all inputs become observable. Day one gains and losses which have been deferred are not material.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The financial assets and financial liabilities listed below are carried at amortised cost on the Group's Balance Sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the tables below.

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
Consolidated	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Financial assets										
Investment securities	7,943	7,031	-	-	7,918	7,043	-	-	7,918	7,043
Net loans and advances	667,732	626,099	-	-	29,460	16,906	634,272	609,541	663,732	626,447
Total	675,675	633,130	-	-	37,378	23,949	634,272	609,541	671,650	633,490
Financial liabilities										
Deposits and other borrowings	794,621	738,772	-	-	794,124	738,840	-	-	794,124	738,840
Debt issuances	92,623	99,092	22,982	27,785	69,028	73,332	-	-	92,010	101,117
Total	887,244	837,864	22,982	27,785	863,152	812,172	-	-	886,134	839,957

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
The Company	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Financial assets										
Investment securities	6,115	5,263	-	-	6,092	5,275	-	-	6,092	5,275
Net loans and advances	533,082	485,015	-	-	28,708	16,050	501,795	469,363	530,503	485,413
Due from controlled entities	20,360	21,489	-	-	-	-	20,360	21,489	20,360	21,489
Total	559,557	511,767	-	-	34,800	21,325	522,155	490,852	556,955	512,177
Financial liabilities										
Deposits and other borrowings	665,567	606,673	-	-	665,242	606,723	-	-	665,242	606,723
Due to controlled entities	25,305	23,079	-	-	-	-	25,305	23,079	25,305	23,079
Debt issuances	72,757	77,053	19,741	24,280	52,453	54,421	-	-	72,194	78,701
Total	763,629	706,805	19,741	24,280	717,695	661,144	25,305	23,079	762,741	708,503

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE (continued)

The following table sets out the Group's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

The carrying values of certain on-balance sheet financial instruments approximate fair values. These financial instruments are short term in nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Financial Asset and Liability	Fair Value Approach
Investment securities - debt securities at amortised cost	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument.
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZ for that instrument.

KEY JUDGEMENTS AND ESTIMATES

A significant portion of financial instruments are carried on the Group and the Company balance sheets at fair value. The Group therefore regularly evaluates the key valuation assumptions used in the determination of the fair valuation of financial instruments incorporated within the financial statements, as this can involve a high degree of judgement and estimation in determining the carrying values at the balance sheet date.

In determining the fair valuation of financial instruments, the Group has considered the impact of related economic and market conditions on fair value measurement assumptions and the appropriateness of valuation inputs in these estimates, notably valuation adjustments, as well as the impact of these matters on the classification of financial instruments in the fair value hierarchy.

Most of the valuation models the Group uses employ only observable market data as inputs. For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available. When establishing the fair value of a financial instrument using a valuation technique, the Group also considers any required valuation adjustments in determining the fair value. We may apply adjustments (such as credit valuation adjustments and funding valuation adjustments – refer to Note 11 Derivative Financial Instruments) to reflect the Group's assessment of factors that market participants would consider in determining fair value of a particular financial instrument.

20. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZ's covered bond programs;
- collateral provided to central banks; and
- collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Securities sold under arrangements to repurchase[1]	52,757	51,208	47,846	48,663
Residential mortgages provided as security for covered bonds	27,575	28,816	17,953	17,925
Other	5,601	4,039	5,527	3,963

1. The amounts disclosed as securities sold under arrangements to repurchase include both:
   - assets pledged as security which continue to be recognised on the Group's balance sheet; and
   - assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZ has received collateral associated with various financial transactions. Under certain arrangements ANZ has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Fair value of assets which can be sold or repledged	32,389	26,814	30,647	25,679
Fair value of assets sold or repledged	21,269	18,741	20,359	18,189

21. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

			Amount subject to master netting agreement or similar			
Consolidated	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2022						
Derivative financial assets	90,174	(6,983)	83,191	(56,491)	(16,951)	9,749
Reverse repurchase, securities borrowing and similar agreements[1]	29,776	(6,697)	23,079	(1,985)	(21,094)	-
Total financial assets	119,950	(13,680)	106,270	(58,476)	(38,045)	9,749
Derivative financial liabilities	(85,149)	9,936	(75,213)	56,491	9,964	(8,758)
Repurchase, securities lending and similar agreements[2]	(47,229)	12,497	(34,732)	1,985	32,747	-
Total financial liabilities	(132,378)	22,433	(109,945)	58,476	42,711	(8,758)
As at 30 September 2021						
Derivative financial assets	38,736	(3,078)	35,658	(24,186)	(5,750)	5,722
Reverse repurchase, securities borrowing and similar agreements[1]	26,082	(3,166)	22,916	(1,052)	(21,864)	-
Total financial assets	64,818	(6,244)	58,574	(25,238)	(27,614)	5,722
Derivative financial liabilities	(36,035)	2,822	(33,213)	24,186	5,530	(3,497)
Repurchase, securities lending and similar agreements[2]	(46,147)	11,461	(34,686)	1,052	33,634	-
Total financial liabilities	(82,182)	14,283	(67,899)	25,238	39,164	(3,497)

1. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within Cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within Net loans and advances.
2. Repurchase agreements are presented on the Balance Sheet within Deposits and other borrowings.

21. OFFSETTING (continued)

The Company	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Amount subject to master netting agreement or similar: Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2022						
Derivative financial assets	88,056	(4,242)	83,814	(61,038)	(14,876)	7,900
Reverse repurchase, securities borrowing and similar agreements[1]	28,045	(5,323)	22,722	(1,629)	(21,093)	-
Total financial assets	116,101	(9,565)	106,536	(62,667)	(35,969)	7,900
Derivative financial liabilities	(84,500)	6,839	(77,661)	61,038	8,548	(8,075)
Repurchase, securities lending and similar agreements[2]	(42,940)	11,021	(31,919)	1,629	30,290	-
Total financial liabilities	(127,440)	17,860	(109,580)	62,667	38,838	(8,075)
As at 30 September 2021						
Derivative financial assets	38,292	(1,539)	36,753	(27,288)	(5,189)	4,276
Reverse repurchase, securities borrowing and similar agreements[1]	24,958	(2,042)	22,916	(1,052)	(21,864)	-
Total financial assets	63,250	(3,581)	59,669	(28,340)	(27,053)	4,276
Derivative financial liabilities	(37,005)	1,343	(35,662)	27,288	5,425	(2,949)
Repurchase, securities lending and similar agreements[2]	(43,925)	10,480	(33,445)	1,052	32,393	-
Total financial liabilities	(80,930)	11,823	(69,107)	28,340	37,818	(2,949)

1. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within Cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within Net loans and advances.
2. Repurchase agreements are presented on the Balance Sheet within Deposits and other borrowings.

22. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill[1]		Software		Other Intangibles		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Balance at start of year	3,089	3,264	960	1,039	75	76	4,124	4,379
Additions[2]	78	-	315	356	10	-	403	356
Amortisation expense	-	-	(375)	(434)	(4)	(2)	(379)	(436)
Impairment expense[3]	-	(251)	(3)	(1)	-	-	(3)	(252)
Written-off on disposal/exit[3,4]	(40)	(13)	-	-	-	-	(40)	(13)
Foreign currency exchange difference	(221)	89	(1)	-	(6)	1	(228)	90
Balance at end of year	2,906	3,089	896	960	75	75	3,877	4,124
Cost[5]	2,906	3,089	7,843	7,639	83	78	10,832	10,806
Accumulated amortisation	n/a	n/a	(6,947)	(6,679)	(8)	(3)	(6,955)	(6,682)
Carrying amount	2,906	3,089	896	960	75	75	3,877	4,124

	Goodwill[1]		Software		Other Intangibles		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Balance at start of year	62	62	952	1,030	3	5	1,017	1,097
Additions	-	-	287	345	-	-	287	345
Amortisation expense	-	-	(363)	(422)	(3)	(2)	(366)	(424)
Impairment expense	-	-	(3)	(1)	-	-	(3)	(1)
Foreign currency exchange difference	-	-	(1)	-	1	-	-	-
Balance at end of year	62	62	872	952	1	3	935	1,017
Cost[5]	62	62	7,544	7,342	7	6	7,613	7,410
Accumulated amortisation	n/a	n/a	(6,672)	(6,390)	(6)	(3)	(6,678)	(6,393)
Carrying amount	62	62	872	952	1	3	935	1,017

1. Goodwill excludes notional goodwill in equity accounted investments.
2. 2022 goodwill addition relates to acquisition of Cashrewards.
3. 2021 goodwill impairment expense relates to the write-off on reclassification of ANZ Share Investing business to held for sale with a remaining $13 million derecognised on sale of the business. This impairment was recognised in Other income to align with the classification on completion of the disposal in 2021.
4. 2022 goodwill written-off on disposal/exit relates to the exit of the financial planning and advice business.
5. Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS CONTAINING GOODWILL

Goodwill acquired in a business combination is tested for impairment annually and whenever there are indicators of potential impairment. Goodwill is allocated at the date of acquisition to the cash generating unit (CGU) or group of CGUs that are expected to benefit from the synergies of the related business combination.

Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a value-in-use (VIU) assessment performed where the FVLCOD is less than the carrying amount.

During the year ended 30 September 2022, the Group restructured its business to establish separate Australia Retail and Australia Commercial divisions. For the purpose of goodwill impairment testing, these changes led to the creation of new CGUs which reflect the new divisional structure. Goodwill is allocated to the following CGUs based on the lowest level at which goodwill is monitored.

	2022	2021
Cash generating units:	$m	$m
Australia Retail	178	100
Australia Commercial	-	40
New Zealand	1,706	1,849
Institutional	1,022	1,100

22. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

We estimate the FVLCOD of each CGU to which goodwill is allocated by applying observable price earnings multiples of comparable companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Management's approach and the key assumptions used in determining FVLCOD are as follows:

Key assumption	Approach to determining the value (or values) for each key assumption
Future maintainable earnings	Future maintainable earnings for each CGU is estimated as the sum of: • The Group's 2023 financial plan for each CGU; and • An allocation of the central costs recorded outside of the CGUs to which goodwill is allocated. Where relevant, adjustments are made to the Group's financial plan to reflect the long-term expectations for items such as expected credit losses and investment spend.
Price/Earnings (P/E) multiple	P/E multiples applicable to each CGU have been derived from a comparator group of publicly traded companies, and include a 30% control premium, discussed below. In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to P/E multiples to address specific factors relevant to those CGUs. A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.
Costs of disposal	Costs of disposal have been estimated as 2% of the fair value of the CGU based on those observed from historical and recent transactions.

As noted above, our impairment testing did not result in any material impairment of goodwill being identified as at 30 September 2022.

The FVLCOD estimates for each CGU are sensitive to assumptions about P/E multiples, future maintainable earnings and control premium (30%). However, each CGU would continue to show a surplus in recoverable amount over carrying amount even where other reasonably possible alternative estimates were used.

22. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other Intangibles
Definition	Excess amount the Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchased software owned by the Group is capitalised. Internal and external costs incurred in building software and computer systems costing greater than $20 million are capitalised as assets. Those less than $20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business and other intangible assets arising from contractual rights.
Carrying value	Cost less any accumulated impairment losses. Allocated to the cash generating unit to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less accumulated amortisation and impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment. Other intangible assets are amortised over 3 years.
Depreciation method	Not applicable.	Straight-line method.	Not applicable to indefinite life intangible assets. Straight-line method for assets with a finite life.

22. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis, of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU including:
  - selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
  - selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

Software and other intangible assets

At each reporting date, software and other intangible assets are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the pace of technological change.

23. OTHER PROVISIONS

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
ECL allowance on undrawn and contingent facilities[1]	775	806	673	674
Customer remediation	662	886	600	791
Restructuring costs	68	99	47	44
Non-lending losses, frauds and forgeries[2]	105	133	93	115
Other[2]	262	290	235	249
Total other provisions	1,872	2,214	1,648	1,873

Consolidated	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries[2] $m	Other[2] $m
Balance at 1 October 2021	886	99	133	290
New and increased provisions made during the year	231	64	122	191
Provisions used during the year	(404)	(67)	(148)	(202)
Unused amounts reversed during the year	(51)	(28)	(2)	(17)
Balance at 30 September 2022	662	68	105	262

The Company	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries[2] $m	Other[2] $m
Balance at 1 October 2021	791	44	115	249
New and increased provisions made during the year	228	54	13	170
Provisions used during the year	(375)	(27)	(35)	(181)
Unused amounts reversed during the year	(44)	(24)	-	(3)
Balance at 30 September 2022	600	47	93	235

1. Refer to Note 14 Allowance for Expected Credit Losses for movement analysis.
2. Certain provisions have been reclassified during 2022 from Other to Non-lending losses, frauds and forgeries to better reflect their nature. Comparatives have been restated accordingly, with a reclassification impact of $72 million to the Group and $61 million to the Company.

23. OTHER PROVISIONS (continued)

Customer remediation

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation costs and outcomes.

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Non-lending losses, frauds and forgeries

Non-lending losses include losses arising from certain legal actions not directly related to amounts of principal outstanding for loans and advances and losses arising from forgeries, frauds and the correction of operational issues. The amounts recognised are the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

Other

Other provisions comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.

RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Group holds provisions for various obligations including customer remediation, restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including, the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. There is a heightened level of estimation uncertainty where the customer remediation provision relates to a legal proceeding or matter. The appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice, and adjustments are made to the provisions where appropriate.

24. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Ordinary share capital	28,797	25,984	28,720	25,907
Reserves				
Foreign currency translation reserve[1]	(148)	611	(6)	(145)
Share option reserve	78	76	78	76
FVOCI reserve	(478)	170	(557)	26
Cash flow hedge reserve	(2,036)	393	(2,061)	384
Transactions with non-controlling interests reserve	(22)	(22)	-	-
Total reserves	(2,606)	1,228	(2,546)	341
Retained earnings	39,716	36,453	32,859	29,132
Share capital and reserves attributable to shareholders of the Company	65,907	63,665	59,033	55,380
Non-controlling interests[2]	494	11	-	-
Total shareholders' equity	66,401	63,676	59,033	55,380

1. As a result of the dissolution of Minerva Holdings Limited in the United Kingdom and ANZ Asia Limited in Hong Kong, $65 million of the associated foreign currency translation reserve was recycled from Other comprehensive income to profit or loss in 2022.
2. ANZ Bank New Zealand has issued $484 million of perpetual preference shares in 2022 that are considered non-controlling interests to the Group.

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the period.

	2022		2021	
Consolidated	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,823,563,652	25,984	2,840,370,225	26,531
Dividend reinvestment plan issuances	7,195,108	183	4,242,368	94
Bonus option plan	2,890,268	-	2,259,507	-
Group employee share acquisition scheme	-	(21)	-	13
Share buy-back[1]	(30,831,227)	(846)	(23,308,448)	(654)
Share entitlement issue[2]	187,105,950	3,497	-	-
Balance at end of year	2,989,923,751	28,797	2,823,563,652	25,984
Less: Treasury Shares	(4,209,150)		(4,401,593)	-
Balance at end of year	2,985,714,601	28,797	2,819,162,059	25,984

	2022		2021	
The Company	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,823,563,652	25,907	2,840,370,225	26,454
Dividend reinvestment plan issuances	7,195,108	183	4,242,368	94
Bonus option plan	2,890,268	-	2,259,507	-
Group employee share acquisition scheme	-	(21)	-	13
Share buy-back[1]	(30,831,227)	(846)	(23,308,448)	(654)
Share entitlement issue[2]	187,105,950	3,497	-	-
Balance at end of year	2,989,923,751	28,720	2,823,563,652	25,907

1. The Company completed its $1.5 billion on-market share buy-back of ANZ ordinary shares in 2022, purchasing $846 million (2021: $654 million) worth of shares resulting in 31 million (2021: 23 million) shares being cancelled in 2022.
2. On 18 July 2022, the Group announced a fully underwritten pro rata accelerated renounceable entitlement offer of new ANZ ordinary shares to help fund the Group's anticipated acquisition of Suncorp Bank. All eligible shareholders were invited to purchase one new ordinary share for every 15 existing ordinary shares held on 21 July 2022 at an issue price of $18.90 per share. The Company issued a total of 187.1 million ordinary shares under the offer, raising $3,497 million of new share capital (net of issue costs).

24. SHAREHOLDERS' EQUITY (continued)

NON-CONTROLLING INTERESTS

	Profit attributable to non-controlling interests		Equity attributable to non-controlling interests		Dividend paid to non-controlling interests	
	2022	2021	2022	2021	2022	2021
Consolidated	$m	$m	$m	$m	$m	$m
ANZ Bank New Zealand PPS	-	-	484	-	-	-
Other	1	1	10	11	2	-
Total	1	1	494	11	2	-

ANZ Bank New Zealand Preference Shares

ANZ Bank New Zealand Limited (ANZ Bank New Zealand), a wholly owned subsidiary of the Group, has perpetual preference shares (PPS) on issue that are considered non-controlling interests to the Group.

The key terms of the PPS are summarised below:

PPS dividends

PPS dividends are payable at the discretion of the Directors of ANZ Bank New Zealand and are non-cumulative. ANZ Bank New Zealand must not resolve to pay any dividend or make any other distribution on its ordinary shares until the next PPS dividend payment date if a PPS is not paid.

Should ANZ Bank New Zealand elect to pay a PPS dividend, the PPS dividend is 6.95% per annum up until 18 July 2028 and thereafter a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed), with PPS dividend payments due on 18 January, 18 April, 18 July and 18 October each year.

Redemption features

Holders of PPS have no right to require that the PPS be redeemed. ANZ Bank New Zealand may at its option redeem all of the PPS on an optional redemption date (each PPS dividend date from 18 July 2028), or at any time following the occurrence of a tax event or regulatory event , subject to prior written approval of RBNZ and meeting of other conditions.

24. SHAREHOLDERS' EQUITY (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Treasury shares	Treasury shares are shares in the Company which: • the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or • the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed. Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.
Reserves:	
Foreign currency translation reserve	Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in Other operating income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Share option reserve	Includes amounts which arise on the recognition of share-based compensation expense.
Transactions with non-controlling interests reserve	Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.
Non-controlling interests	Share in the net assets of controlled entities attributable to equity interests which the Company does not own directly or indirectly.

25. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon.
The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital (stress capital buffer) needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, the Group maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

REGULATORY ENVIRONMENT

Australia

As ANZ is an Authorised Deposit-taking Institution (ADI) in Australia, it is primarily regulated by APRA under the *Banking Act 1959 (Cth).* ANZ must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision (BCBS). APRA requirements are summarised below:

Regulatory Capital Definition

Common Equity Tier 1 (CET1) Capital	Tier 1 Capital	Tier 2 Capital	Total Capital
Shareholders' equity adjusted for specific items.	CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital.	Subordinated debt instruments which have a minimum term of 5 years at issue date.	Tier 1 plus Tier 2 Capital.

Minimum Prudential Capital Ratios (PCRs)

CET1 Ratio	Tier 1 Ratio	Total Capital Ratio
CET1 Capital divided by total risk weighted assets must be at least 4.5%.	Tier 1 Capital divided by total risk weighted assets must be at least 6.0%.	Total Capital divided by total risk weighted assets must be at least 8.0%.

Reporting Levels

Level 1	Level 2	Level 3
The ADI on a stand-alone basis (that is the Company and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity).	The consolidated Group less certain subsidiaries and associates that are excluded under prudential standards.	A conglomerate Group at the widest level.

APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 3.5% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set to zero for Australia.

ANZ reports to APRA on a Level 1 and Level 2 basis, and measures capital adequacy monthly on a Level 1 and Level 2 basis, and is not yet required to maintain capital on a Level 3 basis (APRA have yet to conclude required timing for Level 3 reporting).

25. CAPITAL MANAGEMENT (continued)

Life Insurance and Funds Management

As required by APRA's Prudential Standards, insurance and funds management activities are:

- de-consolidated for the purposes of calculating capital adequacy; and
- excluded from the risk-based capital adequacy framework.

We deduct the investment in these controlled entities 100% from CET1 capital, and if we include any profits from these activities in the Group's results, then we exclude them from the determination of CET1 capital to the extent they have not been remitted to the Company.

Outside Australia

In addition to APRA, the Company's branch operations and major banking subsidiary operations are also overseen by local regulators such as the Reserve Bank of New Zealand, the US Federal Reserve, the UK Prudential Regulation Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the China Banking and Insurance Regulatory Commission. They may impose minimum capital levels on operations in their individual jurisdictions.

CAPITAL ADEQUACY[1]

The following table provides details of the Group's capital adequacy ratios at 30 September:

	Consolidated	
	2022 $m	2021 $m
Qualifying capital		
Tier 1		
Shareholders' equity and non-controlling interests	66,401	63,676
Prudential adjustments to shareholders' equity	(175)	3
Gross Common Equity Tier 1 capital	66,226	63,679
Deductions	(10,354)	(12,320)
Common Equity Tier 1 capital	55,872	51,359
Additional Tier 1 capital[2]	7,686	8,114
Tier 1 capital	63,558	59,473
Tier 2 capital[3]	19,277	17,125
Total qualifying capital	82,835	76,598
Capital adequacy ratios (Level 2)		
Common Equity Tier 1	12.3%	12.3%
Tier 1	14.0%	14.3%
Tier 2	4.2%	4.1%
Total capital ratio	18.2%	18.4%
Risk weighted assets	454,718	416,086

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.
2. This includes Additional Tier 1 capital of $7,705 million (2021: $8,506 million) (refer to Note 17 Debt Issuances), regulatory adjustments and deductions of -$19 million (2021: -$392 million).
3. This includes Tier 2 capital of $17,907 million (2021: $16,207 million) (refer to Note 17 Debt Issuances), general reserve for impairment of financial assets of $1,233 million (2021: $1,412 million) and regulatory adjustments and deductions of $137 million (2021: -$494 million).

26. CONTROLLED ENTITIES

The ultimate parent of the Group is Australia and New Zealand Banking Group Limited	Incorporated in Australia	Nature of Business Banking
The Group holds 100% of the voting interests in all controlled entities, unless noted otherwise.		
The material controlled entities of the Group are:		
ANZ Bank (Vietnam) Limited[1]	Vietnam	Banking
ANZ Funds Pty. Ltd.	Australia	Holding Company
ANZ Bank (Kiribati) Limited[1] (75% ownership)	Kiribati	Banking
ANZ Bank (Samoa) Limited[1]	Samoa	Banking
ANZ Bank (Thai) Public Company Limited[1]	Thailand	Banking
ANZ Holdings (New Zealand) Limited[1]	New Zealand	Holding Company
ANZ Bank New Zealand Limited[1]	New Zealand	Banking
ANZ Investment Services (New Zealand) Limited[1]	New Zealand	Funds Management
ANZ New Zealand (Int'l) Limited[1]	New Zealand	Finance
ANZ New Zealand Investments Holdings Limited (formerly ANZ Wealth New Zealand Limited)[1]	New Zealand	Holding Company
ANZ New Zealand Investments Limited[1]	New Zealand	Funds Management
ANZNZ Covered Bond Trust[1,4]	New Zealand	Finance
ANZ International Private Limited[1]	Singapore	Holding Company
ANZ Singapore Limited[1]	Singapore	Merchant Banking
ANZ International (Hong Kong) Limited[1]	Hong Kong	Holding Company
ANZ Bank (Vanuatu) Limited[2]	Vanuatu	Banking
ANZcover Insurance Private Ltd[1]	Singapore	Captive-Insurance
ANZ Lenders Mortgage Insurance Pty. Limited	Australia	Mortgage Insurance
ANZ Residential Covered Bond Trust[4]	Australia	Finance
Australia and New Zealand Bank (China) Company Limited[1]	China	Banking
Australia and New Zealand Banking Group (PNG) Limited[1]	Papua New Guinea	Banking
Chongqing Liangping ANZ Rural Bank Company Limited[1]	China	Banking
Citizens Bancorp[3]	Guam	Holding Company
ANZ Guam Inc[3]	Guam	Banking
Institutional Securitisation Services Limited (formerly ANZ Capel Court Limited)	Australia	Securitisation Manager
PT Bank ANZ Indonesia[1] **(99% ownership)**	Indonesia	Banking

1. Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.
2. Audited by Law Partners.
3. Audited by Deloitte Guam.
4. Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

CHANGES TO MATERIAL CONTROLLED ENTITIES

ANZ Asia Limited was deregistered in July 2022.

SIGNIFICANT RESTRICTIONS

Controlled entities that are subject to prudential regulation may be required to maintain minimum capital or other regulatory requirements which may, from time to time, limit the entity's ability to transfer assets, pay dividends or make other capital distributions to the parent entity or to other entities in the Group. The Group manages such restrictions within our risk management framework, as outlined in Note 18 Financial Risk Management and our capital management strategy, as outlined in Note 25 Capital Management.

As at 30 September 2022, there were no significant restrictions on the ability of an entity within the Group to transfer assets, pay dividends or make other capital distributions to other entities in the Group.

26. CONTROLLED ENTITIES (continued)

RECOGNITION AND MEASUREMENT

The Group's subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Group assesses whether it has power over those entities by examining the Group's existing rights to direct the relevant activities of the entity.

If the Group sells or acquires subsidiaries during the year, it includes their operating results in the Group results to the date of disposal or from the date of acquisition. When the Group's control ceases, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity.

If the Group's ownership interest in a subsidiary changes in a way that does not result in a loss of control, then the Group accounts for that as a transaction with equity holders in their capacity as equity holders.

All transactions between Group entities are eliminated on consolidation.

27. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

Name of entity	Principal activity	Ordinary share interest 2022	Ordinary share interest 2021	Carrying amount $m 2022	Carrying amount $m 2021
AMMB Holdings Berhad (AmBank)	Banking and insurance	22%	22%	790	719
PT Bank Pan Indonesia (PT Panin)	Consumer and business bank	39%	39%	1,318	1,210
Worldline Australia Pty Ltd (Worldline)	Payment and transactional services	49%	-	47	-
Aggregate other individually immaterial associates		n/a	n/a	26	43
Total carrying value of associates[1]				2,181	1,972

1. Includes the impact of foreign currency translation recognised in the foreign currency translation reserve.

FINANCIAL INFORMATION ON SIGNIFICANT ASSOCIATES

Set out below is the summarised financial information of each associate that is significant to the Group. The summarised financial information is based on the associates' IFRS financial information and may require the use of unaudited financial information as each associate has a different financial year to the Group (PT Panin 31 December, AmBank 31 March, Worldline 31 December).

	AMMB Holdings Berhad		PT Bank Pan Indonesia		Worldline Australia Pty Ltd[1]
Principal place of business and country of incorporation	Malaysia		Indonesia		Australia
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m
Summarised results					
Operating income[2]	1,511	1,560	1,206	1,222	57
Profit/(Loss) for the year	529	(1,192)	198	298	(21)
Other comprehensive income/(loss)	(128)	(39)	6	(56)	-
Total comprehensive income/(loss)	401	(1,231)	204	242	(21)
Less: Total comprehensive (income)/loss attributable to non–controlling interests	(18)	(25)	25	1	-
Total comprehensive income/(loss) attributable to owners of associate	383	(1,256)	229	243	(21)
Summarised financial position					
Total assets[3]	57,220	55,711	20,537	18,323	203
Total liabilities[3]	53,234	49,773	17,234	15,377	90
Total net assets[3]	3,986	5,938	3,303	2,946	113
Less: Non-controlling interests of associate	(402)	(327)	(315)	(304)	-
Net assets attributable to owners of associate	3,584	5,611	2,988	2,642	113
Reconciliation to carrying amount of Group's interest in associate					
Carrying amount at the beginning of the year	719	1,056	1,210	1,084	-
Acquired	-	-	-	-	57
Group's share of total comprehensive income/(loss)	81	(313)	71	90	(10)
Dividends received from associate	(12)	-	(18)	-	-
Foreign currency translation reserve adjustments	2	(24)	55	36	-
Carrying amount at the end of the year	790	719	1,318	1,210	47
Market value of Group's investment in associate	929	756	2,016	675	n/a

1. During 2022, the Group entered into a partnership with Worldline SA. This included the creation of a new entity, Worldline Australia Pty Ltd, which commenced operations on 8 March 2022.
2. 2021 operating income was restated for AmBank to align with the change in presentation in AmBank's financial statements.
3. Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).

27. INVESTMENTS IN ASSOCIATES (continued)

RECOGNITION AND MEASUREMENT

An associate is an entity over which the Group has significant influence over its operating and financial policies but does not control. The Group accounts for associates using the equity method. Its investments in associates are carried at cost plus the post-acquisition share of changes in the associate's net assets less accumulated impairments. Dividends the Group receives from associates are recognised as a reduction in the carrying amount of the investment. The Group includes goodwill recognised by the associate in the carrying amount of the investment. It does not individually test the goodwill incorporated in the associates carrying amount for impairment.

At least at each reporting date, the Group reviews investments in associates for any indication of impairment. If an indication of impairment exists, then the Group determines the recoverable amount of the associate using the higher of:

- the associate's fair value less cost of disposal; and
- its value-in-use.

We use a discounted cash flow methodology, and when applicable, other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount.

KEY JUDGEMENTS AND ESTIMATES

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired. In addition, the Group is required to assess at each reporting date whether the recoverable amount of the Group's investment has increased to such a level as to support the reversal of prior period impairments.

During the year ended 30 September 2022, the fair value less costs of disposal of the Group's investment in PT Bank Pan Indonesia (PT Panin) as determined by reference to the quoted share price increased significantly and as at 30 September 2022 was greater than its carrying value. The increase in fair value is a significant reversal of the position at 30 September 2021 when the fair value less cost of disposal determined by reference to share price was lower than the carrying value of the investment.

In considering whether a full or partial reversal of previous periods' impairments of PT Panin is appropriate, the Group has assessed particular features of the PT Panin stock. Given the recent rapid increase and ongoing elevated volatility in the share price, the Group has determined that none of the prior period impairment will be reversed.

If management had assessed these factors differently, then the amount of impairment reversed could be anywhere between nil and $220 million.

28. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Group establishes SEs to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Securitisation programs include customer loans and advances assigned to bankruptcy remote SEs to provide either security for obligations payable on notes issued by the SEs to external investors or create assets held by the Group eligible for repurchase agreements with applicable central banks. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 29 Transfers of Financial Assets for further details. The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.
Covered bond issuances	Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 29 Transfers of Financial Assets for further details.
Structured finance arrangements	The Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.
Funds management activities	The Group is the scheme manager for a number of Managed Investment Schemes (MIS) in New Zealand. These MIS are financed through the issue of units to investors and the Group considers them to be SEs. The Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures that would allow the Group to control the funds. Therefore, these MIS are not consolidated.

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

The Group provides financial support to consolidated SEs as outlined below.

Securitisation and covered bond issuances	The Group provides lending facilities, derivatives and commitments to these SEs and/or holds debt instruments that they have issued.
Structured finance arrangements	The assets held by these SEs are normally pledged as collateral for financing provided. Certain consolidated SEs are financed entirely by the Group while others are financed by syndicated loan facilities in which the Group is a participant. The financing provided by the Group includes lending facilities where the Group's exposure is limited to the amount of the loan and any undrawn amount. Additionally, the Group has provided Letters of Support to these consolidated SEs confirming that the Group will not demand repayment of the financing provided for the ensuing 12 month period.

The Group did not provide any non-contractual support to consolidated SEs during the year (2021: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.

28. STRUCTURED ENTITIES (continued)

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass-on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Group's involvement is not more than a passive interest - for example: when the Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Group to market-risk (rather than performance risk specific to the SE) or derivatives through which the Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The table below sets out the Group's interests in unconsolidated SEs together with the maximum exposure to loss that could arise from those interests:

	Securitisation		Structured finance		Total	
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
On-balance sheet interests						
Investment securities	3,352	2,624	-	-	3,352	2,624
Gross loans and advances	9,433	7,697	43	53	9,476	7,750
Total on-balance sheet	12,785	10,321	43	53	12,828	10,374
Off-balance sheet interests						
Commitments (facilities undrawn)	2,078	2,034	-	-	2,078	2,034
Guarantees	50	50	-	-	50	50
Total off-balance sheet	2,128	2,084	-	-	2,128	2,084
Maximum exposure to loss	14,913	12,405	43	53	14,956	12,458

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of $181 million (2021: $192 million) during the year.

The Group's maximum exposure to loss represents the maximum amount of loss that the Group could incur as a result of its involvement with unconsolidated SEs if loss events were to take place - regardless of the probability of occurrence. This does not in any way represent the actual losses expected to be incurred. Furthermore, the maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate ANZ's exposure to loss.

The maximum exposure to loss has been determined as:

- the carrying amount of Investment securities measured at amortised cost; and
- the carrying amount plus the undrawn amount of any committed loans and advances.

The size of unconsolidated SEs is indicated by total assets which vary by SE with the largest single SE having a value of approximately $5.2 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2021: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

28. STRUCTURED ENTITIES (continued)

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Group is the major user of that SE; or
- the Group's name appears in the name of that SE, or on its products; or
- the Group provides implicit or explicit guarantees of that SE's performance.

The Group has sponsored the ANZ PIE Fund in New Zealand, which invests only in deposits with ANZ Bank New Zealand. The Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of the entity.

29. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions where it transfers financial assets directly to third parties or to SEs. These transfers may give rise to the Group fully, or partially, derecognising those financial assets - depending on the Group's exposure to the risks and rewards or control over the transferred assets. If the Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Group's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Group's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets.

In some instances, the Group is also the holder of the securitised notes issued by the SEs. In addition, the Group is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Group retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets.

The Group is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group.

29. TRANSFERS OF FINANCIAL ASSETS (continued)

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Company is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Company is entitled to any residual income of the covered bond SEs and enters into derivatives with the SEs. The Company retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SEs is recognised as a financial liability of the Company.

The Group is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group. The covered bonds issued externally are included within debt issuances.

REPURCHASE AGREEMENTS

When the Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

STRUCTURED FINANCE ARRANGEMENTS

The Group arranges funding for certain customer transactions through structured leasing. These transactions are recognised on Group's balance sheet as lease receivables or loans. At times, other financial institutions participate in the funding of these arrangements. This participation involves a proportionate transfer of the rights to the assets recognised by the Group. The participating banks have limited recourse to the leased assets and related proceeds. Where the Group continues to be exposed to some of the risks of the transferred assets through a derivative or other continuing involvement, the Group does not derecognise the lease receivable or loan. Instead, the Group recognises an associated liability representing its obligations to the participating financial institutions.

The tables below set out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities.

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2022	2021	2022	2021	2022	2021	2022	2021
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	1,121	1,430	27,575	28,816	52,757	51,208	36	55
Carrying amount of associated liabilities	1,115	1,424	12,967	15,399	47,229	46,147	36	55

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2022	2021	2022	2021	2022	2021	2022	2021
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	1,121	1,430	17,953	17,925	47,846	48,663	-	-
Carrying amount of associated liabilities	1,121	1,430	17,953	17,925	42,940	43,925	-	-

1. Does not include transfers to internal structured entities where there are no external investors.
2. The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Defined benefit obligation and scheme assets				
Present value of funded defined benefit obligation	(930)	(1,477)	(809)	(1,319)
Fair value of scheme assets	1,123	1,679	988	1,514
Net defined benefit asset	193	202	179	195
As represented in the Balance Sheet				
Net liabilities arising from defined benefit obligations included in payables and other liabilities	(6)	(11)	(6)	(11)
Net assets arising from defined benefit obligations included in other assets	199	213	185	206
Net defined benefit asset	193	202	179	195
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	14.8	14.9	14.9	14.9

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was $69 million (2021: $109 million surplus). In 2022, the Group made defined benefit contributions totalling $2 million (2021: $3 million). It expects to make contributions of approximately $2 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Group participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Group. The trustees are the legal owners of the assets, which are held separately from the assets of the Group, and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The Group has defined benefit arrangements in Australia, Japan, New Zealand, Philippines, Taiwan and United Kingdom. The defined benefit section of the ANZ Australian Staff Superannuation Scheme, the ANZ UK Staff Pension Scheme and the ANZ National Retirement Scheme in New Zealand are the three largest plans. They have been closed to new members since 1987, 2004 and 1991 respectively. None of the schemes had a material deficit, or surplus, at the last funding valuation. The Group has no present liability under any of the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Group may arise if any of the schemes were wound up.

RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

The Group operates a small number of defined benefit schemes. Independent actuaries calculate the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Group directly against the net defined benefit position.

Defined contribution superannuation schemes

The Group operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Group's contributions to these schemes are recognised as personnel expenses when they are incurred.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could have an effect on the Statement of Other Comprehensive Income and Balance Sheet.

Consolidated	2022	2021	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2022 $m	2021 $m
Discount rate (% p.a.)	1.35-5.45	0.4-2.15	0.5% increase	(49)	(103)
Future salary increases (% p.a.)	1.5-3.8	1.9-3.5			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	3.1-3.5/3.0	1.05-3.35/2.7	0.5% increase	32	84
Life expectancy at age 60 for current pensioners			1 year increase	40	74
– Males (years)	26.2-28.3	26.1-28.8			
– Females (years)	29.1-30.2	29.0-30.5			

The Company	2022	2021	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2022 $m	2021 $m
Discount rate (% p.a.)	5.1-5.45	1.95-2.15	0.5% increase	(43)	(94)
Future salary increases (% p.a.)	3.8	3.5			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	3.1-3.5/3.0	2.0-3.35/2.7	0.5% increase	26	75
Life expectancy at age 60 for current pensioners			1 year increase	35	67
– Males (years)	26.2-28.3	26.1-28.8			
– Females (years)	29.1-30.2	29.0-30.5			

31. EMPLOYEE SHARE AND OPTION PLANS

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

The Deferred Share Plan was the only ANZ Employee Share Acquisition Plan scheme that operated during 2022 and 2021.

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) - Chief Executive Officer (CEO), Group Executive Committee (ExCo) and other Banking Executive Accountability Regime (BEAR) Accountable Executives: Based on the 2021 and 2020 Performance and Remuneration Review (granted in the 2022 and 2021 financial years)

Eligibility	CEO, ExCo and Group General Manager Internal Audit (GGM IA).
Grant	50% of the CEO's Short Term Variable Remuneration (STVR), 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, was received as deferred shares.
Conditions	Deferred over at least one to four years from the date the Board approved the variable remuneration award.

ii) ANZIP: Based on the 2021 and 2020 Performance and Remuneration Reviews (granted in the 2022 and 2021 financial years)

Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e., other BEAR Accountable Executive), and select roles in the United Kingdom (UK)/China[1].
Grant	If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred as shares.
Conditions	Deferred over three years from grant date.

iii) Exceptional circumstances

Remuneration foregone	In exceptional circumstances, we grant deferred shares to certain employees when they start with ANZ to compensate them for remuneration they have foregone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have foregone, and therefore varies between grants.
Retention	We may grant deferred shares to high performing employees who are regarded as a significant retention risk to ANZ.

iv) Further information

Cessation	Unless the Board decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Allocation value	All deferred shares are issued based on the VWAP of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
2022 and 2021 grants	During the 2022 year, we granted 1,971,715 deferred shares (2021: 1,653,585) with a weighted average grant price of $27.52 (2021: $23.31).
Malus (downward adjustment)	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date. ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2022 Remuneration Report. Board discretion was not exercised to adjust downward any deferred shares in 2022 (2021: nil).

1. Specific deferral arrangements also exist under ANZIP for roles defined as UK Material Risk Takers and China Material Risk Takers, in line with local regulatory requirements.

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2022 under the Deferred Share Plan, measured as at the date of grant of the shares, is $52.6 million (2021: $38.9 million) based on 1,971,715 shares (2021: 1,653,585) at VWAP of $26.69 (2021: $23.53).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights. Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.
Rules	Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required: • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. Holders otherwise have no other entitlements to participate: • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). Any portion of the award which vests may, at the Board's discretion, be satisfied by a cash equivalent payment rather than shares.
Expensing	We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
Cessation	The provisions that apply if the employee's employment ends are in section 8.2.3 of the 2022 Remuneration Report.
Malus (downward adjustment)	ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2022 Remuneration Report.

Option Plans that operated during 2022 and 2021

i) Performance Rights

Allocation	We grant performance rights to the CEO and ExCo as part of ANZ's variable remuneration plans. Performance rights provide the holder with the right to acquire ANZ shares at nil cost, subject to a four-year vesting period and Total Shareholder Return (TSR) performance hurdles. Further details on the performance hurdles are in section 5.2.5 of the 2022 Remuneration Report.
Satisfying vesting	Any portion of the award of performance rights (that have met the performance hurdles) may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. In 2022 (and 2021), the performance rights that vested (previously granted in November/December 2018 (and in November/December 2017)) were satisfied through a share allocation, other than 24,011 performance rights for which a cash payment was made (2021: 36,103).
2022 and 2021 grants	During 2022, we granted 542,747 performance rights (2021: 485,032).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any performance rights in 2022 (2021: nil).

ii) Deferred Share Rights (no performance hurdles)

Allocation	Deferred share rights provide the holder with the right to acquire ANZ shares at nil cost after a specified vesting period. We adjust the fair value of rights for the absence of dividends during the restriction period.
Satisfying vesting	Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. All share rights were satisfied through a share allocation, other than 55,977 deferred share rights (2021: 89,296) for which a cash payment was made.
2022 and 2021 grants	During the 2022 year, 2,576,907 deferred share rights (no performance hurdles) were granted (2021: 2,258,774).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any deferred share rights in 2022 (2021: 8,414).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Options, Deferred Share Rights and Performance Rights on Issue

As at 26 October 2022, there were 457 holders of 4,804,445 deferred share rights on issue and 22 holders of 1,402,847 performance rights on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2022 and the movements during 2022:

	Opening balance 1 Oct 2021	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2022
Number of options/rights	6,307,778	3,119,654	(747,744)	0	(2,470,648)	6,209,040
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$25.56
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						141,633

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2021 and the movements during 2021:

	Opening balance 1 Oct 2020	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2021
Number of options/rights	6,724,557	2,743,806	(918,589)	0	(2,241,996)	6,307,778
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$25.34
WA remaining contractual life						1.8 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						227,412

1. Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2022 and 2021, were issued at a nil exercise price.

As at the date of the signing of the Directors' Report on 26 October 2022:

- no options/rights over ordinary shares have been granted since the end of 2022; and
- no shares issued as a result of the exercise of options/rights since the end of 2022.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

	2022		2021	
	Deferred share rights	Performance rights	Deferred share rights	Performance rights
Exercise price ($)	0.00	0.00	0.00	0.00
Share closing price at grant date ($)	26.62	26.92	23.37	23.32
Expected volatility of ANZ share price (%)[1]	20.0	20.0	26.5	25.0
Equity term (years)	2.2	6.0	2.3	6.0
Vesting period (years)	2.1	4.0	2.0	4.0
Expected life (years)	2.1	4.0	2.0	4.0
Expected dividend yield (%)	5.50	5.50	4.85	5.25
Risk free interest rate (%)	0.80	1.25	0.10	0.21
Fair value ($)	23.71	10.38	21.15	9.56

1. Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2022 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 4,230,962 shares at an average price of $27.57 per share (2021: 3,593,574 shares at an average price of $22.03 per share).

32. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are Directors of Australia and New Zealand Banking Group Limited (whether executive directors or otherwise), and those personnel with a key responsibility for the strategic direction and management of the Group (i.e., members of the Group Executive Committee (ExCo)) who have Banking Executive Accountability Regime (BEAR) accountability and who report to the Chief Executive Officer (CEO). KMP compensation included within total personnel expenses in Note 4 Operating Expenses is as follows:

	Consolidated	
	2022[1] $'000	2021 $'000
Short-term benefits	18,294	21,107
Post-employment benefits	394	403
Other long-term benefits	160	258
Termination benefits	-	250
Share-based payments	7,368	5,066
Total	26,216	27,084

1. Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provisions raised in respect of these balances. Details of the terms and conditions of lending products can be found on anz.com. The aggregate of loans (including credit card balances) made, guaranteed or secured, and undrawn facilities to KMP including their related parties, were as follows:

	Consolidated		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Loans advanced[1]	24,340	25,445	11,270	12,534
Undrawn facilities[1]	489	531	277	277
Interest charged[2]	790	777	293	434

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.
2. Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held subordinated debt, shares, share rights and options over shares in the Company directly, indirectly or beneficially as shown below:

	Consolidated	
	2022 Number	2021 Number
Shares, options and rights[1]	2,911,138	2,471,577
Subordinated debt[1]	29,948	25,870

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.

32. RELATED PARTY DISCLOSURES (continued)

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits of KMP and their related parties with the Group were $30 million (2021: $28 million) and with the Company were $21 million (2021: $20 million).

During the year, KMP participated in the ANZ Retail Entitlement Offer in their capacity as shareholders on the same terms and conditions as other shareholders of the Group. Refer to Note 24 Shareholders' Equity for additional details regarding the ANZ Retail Entitlement Offer.

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers. Gifts were provided to KMP on retirement amounting to $4,944 during the year.

ASSOCIATES

We disclose significant associates in Note 27 Investments in Associates. During the course of the financial year, transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

	Consolidated		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amounts receivable from associates	86,469	7	18,572	-
Amounts payable to associates	102,042	1,739	101,198	716
Interest revenue from associates	5,570	-	4,477	-
Interest expense to associates	34	2	26	-
Other revenue from associates	14,296	-	14,296	-
Other expenses paid to associates	11,159	9,988	8,592	8,063
Guarantees given to associates	72	28	72	28
Dividend income from associates	38,692	-	-	-
Undrawn facilities	94,097	-	94,097	-

There have been no material guarantees given or received. No amounts receivable from the associates have been written-off during the period, or individual provisions raised in respect of these balances.

SUBSIDIARIES

We disclose material controlled entities in Note 26 Controlled Entities. During the financial year, subsidiaries conducted transactions with each other and with associates on terms equivalent to those on an arm's length basis. As of 30 September 2022, we consider all outstanding amounts on these transactions to be fully collectible.

Transactions between the Company and its subsidiaries include providing a wide range of banking and other financial facilities. Details of amounts paid to, or received from, related parties, in the form of dividends or interest, are set out in Note 2 Net Interest Income and Note 3 Non-Interest Income.

Other intragroup transactions include providing management and administrative services, staff training, data processing facilities, transfer of tax losses, and the leasing of Premises and equipment. The Company also issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Contract amount of:				
Undrawn facilities	236,051	212,265	201,204	176,077
Guarantees and letters of credit	23,729	30,027	21,557	27,957
Performance related contingencies	26,036	18,303	24,634	17,085
Total	285,816	260,595	247,395	221,119

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of undrawn facilities for the Group and the Company mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that the Group has entered into as principal – including guarantees, standby letters of credit and documentary letters of credit.

Documentary letters of credit involve the Group issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the Group to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of guarantees and letters of credit and performance related contingencies for the Group and the Company mature within 12 months.

OTHER CONTINGENT LIABILITIES

As at 30 September 2022, the Group had contingent liabilities in respect of the matters outlined below. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 23 Other Provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

REGULATORY AND CUSTOMER EXPOSURES

The Group regularly engages with its regulators in relation to regulatory investigations, surveillance and reviews, reportable situations, civil enforcement actions (whether by court action or otherwise), formal and informal inquiries and regulatory supervisory activities in Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, include or have included in recent years a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

BENCHMARK/RATE ACTIONS

In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company. The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on certain benchmark rates. The claimants sought damages or compensation in amounts not specified, and alleged that the defendant banks, including the Company, violated US anti-trust laws, antiracketeering laws, and (in one case only), the Commodity Exchange Act and unjust enrichment principles. As at 30 September 2022, ANZ has reached agreements to settle each of these matters. The financial impact is not material. The settlements are without admission of liability and remain subject to finalisation and court approval.

In February 2017, the South African Competition Commission commenced proceedings against local and international banks including the Company alleging breaches of the cartel provisions of the South African Competition Act in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain.

CAPITAL RAISING ACTION

In September 2018, the Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings against the Company alleging failure to comply with continuous disclosure obligations in connection with the Company's August 2015 underwritten institutional equity placement. ASIC alleges the Company should have advised the market that the joint lead managers took up approximately 25.5 million ordinary shares of the placement. The Company is defending the allegations.

CONSUMER CREDIT INSURANCE LITIGATION

In February 2020, a class action was brought against the Company alleging breaches of financial advice obligations, misleading or deceptive conduct and unconscionable conduct in relation to the distribution of consumer credit insurance products. The issuers of the insurance products, QBE and OnePath Life, are also defendants to the claim. The Company is defending the allegations.

ESANDA DEALER CAR LOAN LITIGATION

In August 2020, a class action was brought against the Company alleging unfair conduct, misleading or deceptive conduct and equitable mistake in relation to the use of flex commissions in dealer arranged Esanda car loans. The Company is defending the allegations.

ONEPATH SUPERANNUATION LITIGATION

In December 2020, a class action was brought against OnePath Custodians, OnePath Life and the Company alleging that OnePath Custodians breached its obligations under superannuation legislation, and its duties as trustee, in respect of superannuation investments and fees. The claim also alleges that the Company was involved in some of OnePath Custodians' investment breaches. The Company is defending the allegations.

NEW ZEALAND LOAN INFORMATION LITIGATION

In September 2021, a representative proceeding was brought against ANZ Bank New Zealand Limited, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ Bank New Zealand Limited is defending the allegations.

CREDIT CARDS LITIGATION

In November 2021, a class action was brought against the Company alleging that certain interest terms in credit card contracts were unfair contract terms and that it was unconscionable for the Company to rely on them. The Company is defending the allegations.

UNLICENSED THIRD PARTIES ACTION

In November 2021, ASIC commenced civil penalty proceedings against the Company alleging that three unlicensed third parties provided home loan application documents to the Company's lenders, including in connection with the Company's home loan introducer program. ASIC alleges that the Company contravened its obligations under credit legislation.

AVAILABLE FUNDS ACTION

In May 2022, ASIC commenced civil penalty proceedings against the Company in relation to fees charged to customers in some circumstances for credit card cash advance transactions made using recently deposited unprocessed funds. ASIC alleges that the Company made false or misleading representations, engaged in misleading or deceptive conduct and breached certain statutory obligations as a credit licensee. The Company is defending the allegations.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

ROYAL COMMISSION

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report on 4 February 2019. Following the Royal Commission there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

SECURITY RECOVERY ACTIONS

Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

WARRANTIES, INDEMNITIES AND PERFORMANCE MANAGEMENT FEES

The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

The Group has entered an arrangement to pay performance management fees to external fund managers in the event predetermined performance criteria are satisfied in relation to certain Group investments. The satisfaction of the performance criteria and associated performance management fee remains uncertain.

CLEARING AND SETTLEMENT OBLIGATIONS

Certain group companies have a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Group's potential exposure arising from these arrangements is unquantifiable in advance.

Certain group companies hold memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX), Clearing Corporation of India and the Shanghai Clearing House. These memberships allow the relevant group company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for the relevant group company to make default fund contributions. In the event of a default by another member, the relevant group company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

PARENT ENTITY GUARANTEES

The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

SALE OF GRINDLAYS BUSINESS

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the *Foreign Exchange Regulation Act, 1973*. Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

34. AUDITOR FEES

	Consolidated		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
KPMG Australia				
Audit or review of financial reports	8,217	7,434	7,726	7,021
Audit-related services[1]	6,037	2,772	5,956	2,696
Non-audit services[2]	8	106	8	106
Total[3]	14,262	10,312	13,690	9,823
Overseas related practices of KPMG Australia				
Audit or review of financial reports	5,808	5,511	2,033	1,965
Audit-related services[1]	1,459	1,657	831	917
Non-audit services[2]	-	85	-	85
Total	7,267	7,253	2,864	2,967
Total auditor fees	21,529	17,565	16,554	12,790

1. Group audit-related services comprise prudential and regulatory services of $6.26 million (2021: $3.27 million), comfort letters $0.52 million (2021: $0.49 million) and other services $0.71 million (2021: $0.67 million). Company audit-related services comprise prudential and regulatory services of $5.90million (2021: $2.78 million), comfort letters $0.48 million (2021: $0.45 million) and other services $0.41 million (2021: $0.38 million).
2. The nature of non-audit services for the Group and the Company include controls related assessments and methodology and procedural reviews. Further details are provided in the Directors' Report.
3. Inclusive of goods and services tax.

The Group and the Company's Policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

35. PENDING ORGANISATIONAL CHANGES IMPACTING FUTURE REPORTING PERIODS

Non-Operating Holding Company

On 4 May 2022, the Group announced its intention to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct bank and non-bank groups within the organisation to assist ANZ to better deliver its strategy to strengthen and grow its core business further.

Should the proposed restructure proceed, ANZ will establish a non-operating holding company, ANZ Group Holdings Limited, as the new listed parent holding company of the ANZ Group by a scheme of arrangement and to separate ANZ's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group. The 'ANZ Bank Group' would comprise the current Australia and New Zealand Banking Group Limited and the majority of its present-day subsidiaries. The 'ANZ Non-Bank Group' would house banking-adjacent businesses developed or acquired by the ANZ Group, as we continue to seek ways to bring the best new technology and banking-adjacent services to our customers.

The Explanatory Memorandum has been registered with the Australian Securities and Investments Commission and ANZ shareholders will be asked to vote on the scheme on 15 December 2022. A copy of the Explanatory Memorandum will be made available on ANZ's website (www.anz.com/schememeeting).

Suncorp Bank Acquisition

On 18 July 2022, the Group announced an agreement to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The acquisition is subject to a minimum completion period of 12 months and to certain conditions, being Federal Treasurer approval, Australian Competition and Consumer Commission authorisation or approval and certain amendments to the *State Financial Institutions and Metway Merger Act 1996 (Qld)*. Unless the parties agree otherwise, the last date for satisfaction of these conditions is 24 months after signing (after which either party may terminate the agreement). The final purchase price is subject to completion adjustments and may be more or less than $4.9 billion. In addition, ANZ will also acquire Suncorp Bank's Additional Tier I capital notes at face value ($0.6 billion as at June 2022). Completion is expected in the second half of calendar year 2023.

36. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been no significant events from 30 September 2022 to the date of signing this report.

Directors' Declaration

The Directors of Australia and New Zealand Banking Group Limited declare that:

a) in the Directors' opinion, the financial statements and notes of the Company and the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i) section 296, that they comply with the Australian Accounting Standards and any further requirements of the *Corporations Regulations 2001*; and

   ii) section 297, that they give a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 September 2022 and of their performance for the year ended on that date; and

b) the notes to the financial statements of the Company and the Consolidated Entity include a statement that the financial statements and notes of the Company and the Consolidated Entity comply with International Financial Reporting Standards; and

c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

26 October 2022

Shayne C Elliott
Managing Director

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDITS OF THE FINANCIAL REPORTS

OPINIONS

We have audited the consolidated **Financial Report** of Australia and New Zealand Banking Group Limited (the Group Financial Report). We have also audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group**'s and of the **Company**'s financial position as at 30 September 2022 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the Group and the Company comprise:

- balance sheets as at 30 September 2022
- income statements, statements of comprehensive income, statements of changes in equity, and cash flow statements for the year then ended
- notes 1 to 36 including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Australia and New Zealand Banking Group Limited (the **Company**) and the entities it controlled at the year-end or from time to time during the financial year.

BASIS FOR OPINIONS

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants ((including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KEY AUDIT MATTERS

The **Key Audit Matters** we identified for the Group and Company are:

- Allowance for expected credit losses;
- Subjective and complex valuation of financial instruments held at fair value;
- Provisions for customer remediation; and
- IT systems and controls.

The additional **Key Audit Matter** we identified for the Group (only) is:

- Carrying value of investment in PT Bank Pan Indonesia (PT Panin).

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our respective audits of the Financial Reports of the current period.

These matters were addressed in the context of our audits of each of the Financial Reports as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES (Group $4,395m; Company $3,599m)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 14 to the Group and Company Financial Reports.

The Key Audit Matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balances to the financial statements and the inherent complexity of the Company and Group's Expected Credit Loss models (ECL models) used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

AASB 9 *Financial Instruments* requires the Company and Group to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company and Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgmental post-model adjustments the Company and Group applies to the ECL results.

Additional subjectivity and judgement has been introduced into the Group and Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Group and Company's customers, increasing our audit effort thereon.

The Company and Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Company and Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

Additionally, allowances for individually assessed wholesale loans exceeding specific thresholds are assessed by the Company and Group. We exercise significant judgement in challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company and Group in respect of the loans.

How the matter was addressed in our audits

Our audit procedures for the allowance for ECL included assessing the Company and Group's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures included:

Testing key controls of the Company and Group in relation to:

- The ECL model governance and validation processes which involved assessment of model performance;
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Company and Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Customer credit rating (CCR) for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against the Company and Group's lending policies, monitoring of counterparty credit quality against the Company and Group's exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of CCR and security indicator (SI) assessments against the requirements of the Company and Group's lending policies and regulatory requirements;
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets, and re-calculate individual allowances. We tested automated calculation and change management controls and evaluated the Company and Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls (GITCs) in relation to the key IT applications used by the Company and Group in measuring ECL allowances as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Company and Group's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Company and Group as showing signs of deterioration, or in areas of emerging risk. For each loan sampled, we challenged the Company and Group's assessment of CCR and SI using the customer's financial position, the valuation of security, and, where relevant, the risk of stranded assets, to inform our overall assessment of loan recoverability and the impact on the credit allowance. To do this, we used the information on the Company's and Group's loan file and discussed the facts and circumstances of the case with the loan officer. Exercising our judgement, our procedures included using our understanding of relevant industries and the macro-economic environment and comparing data and assumptions used by the Company and Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Company and Group's processes to determine ECL allowances, evaluating the Company and Group's ECL model methodologies against established market practices and criteria in the accounting standards;

KEY AUDIT MATTERS (continued)

- Working with our Credit risk specialists, we assessed the accuracy of the Company and Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Company and Group;
- Working with our economic specialists, we challenged the Company and Group's forward-looking macro-economic assumptions and scenarios incorporated in the Company and Group's ECL models. We compared the Company and Group's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of the Company and Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination and comparing our result to actual staging applied on an individual account level in the Company and Group's ECL model;
- Assessing the accuracy of the data used in the ECL models by checking a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions in the components of the Company and Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing post-model adjustments against the Company and Group's ECL model and data deficiencies identified by the Company and Group's ECL model validation processes, particularly in light of the significant volatility in economic scenarios;
- Comparing underlying data used in concentration risk and economic cycle allowances to underlying loan portfolio characteristics of recent loss experience, current market conditions and specific risks in the Company and Group's loan portfolios;
- Assessing certain post-model adjustments identified by the Group and Company against internal and external information;
- Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the loan portfolios against the Company and Group's assessment.

Assessing the appropriateness of the Company and Group's disclosures in the financial reports using our understanding obtained from our testing and against the requirements of the accounting standards.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:

GROUP

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,833m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $108,853m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $31m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $88,977m

COMPANY

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,449m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $105,583m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $20m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $86,652m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 19 to the Group and Company Financial Reports.

The Key Audit Matter

The fair value of the Company and Group's Level 3 and 2 financial instruments is determined by the Company and Group's application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

In assessing this Key Audit Matter, we involved our valuation specialists to supplement our senior team members who understand the Company and Group's methods, assumptions and data relevant to their valuation of Financial Instruments.

The Company and Group's valuation of Level 3 and Level 2 financial instruments held at fair value is a Key Audit Matter due to:

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable.
- The complexity associated with the Company and Group's valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty.

These factors increased the level of judgement applied by us and our audit effort thereon.

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audits

Our audit procedures in relation to the valuation of financial instruments held at fair value included:

- Performing an assessment of the population of financial instruments held at fair value by the Company and Group to identify portfolios with a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- Testing the design and operating effectiveness of key controls relating specifically to these financial instruments, including those in relation to:
  - Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - model validation at inception and periodically, including assessment of model limitation and assumptions;
  - review, approval and challenge of daily profit and loss by a control function;
  - collateral management process, including review and approval of margin reconciliations with clearing houses; and
  - review and approval of fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- In relation to the subjective valuation of complex Level 2 and Level 3 financial instruments, with our valuation specialists:
  - Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives;
  - Comparing the Company and Group's valuation methodology to industry practice and the criteria in the accounting standards.
- With the assistance of our valuation specialists, independently re-valuing a selection of financial instruments and FVAs of the Company and Group. This involved sourcing independent inputs from comparable data in the market and available alternatives. We challenged the Company and Group where our revaluations significantly differed from the Company and Group's valuations.
- Assessing the appropriateness of the Company and Group's disclosures in the financial reports using our understanding obtained from our testing and against the requirements of the accounting standards.

CARRYING VALUE OF INVESTMENT IN PT BANK PAN INDONESIA (PT PANIN) (Group $1,318m)

Refer to the critical accounting estimates, judgements and disclosures in Note 27 to the Group Financial Report.

The Key Audit Matter

The carrying value of the Group's investment in associate, PT Panin, is a key audit matter as:

- The investment is equity accounted as an associate and where indicators of impairment are identified the recoverable amount must be assessed. This involves judgement and consideration of valuation models given historical volatility in the market price of the shares and limited liquidity in the market for the shares. Impairment has been recognised in prior periods.
- The Group's impairment assessment identified that the Group's investment in associate, PT Panin, experienced a significant increase in the quoted share price during the period. At 30 September 2022, this indicated a value greater than its carrying value, indicating a possible reversal of previous impairment under accounting standard requirements.
- We critically evaluated the Group's conclusion not to reverse the impairment losses recorded against the investment in PT Panin in prior periods. This required analysis of the market and comparison against the Group's value in use modelled outcome and other fair value approaches.
- We focused on critically evaluating the Group's judgement in relation to key assumptions for assessing the recoverable amount, including:
  - The nature of alternative valuation methodologies;
  - Forecast earnings, forecast growth rates and terminal growth rates – the Group's model is highly sensitive to small changes in these assumptions;
  - Discount rates – these are complicated in nature and vary according to the conditions and environment the associate investment operates in.
- We involved our valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- Considering the appropriateness of the recoverable amount assessment used by the Group to conclude the carrying value of the Group's investment in associate, PT Panin, is supportable;
- Understanding the features of the PT Panin stock and the drivers of the recent significant increase in fair value indicated by reference to the quoted share price. This included analysis of the volatility of movements, the nature and size of the Group's shareholdings and the volumes of trading of the limited free float of shares;
- Critically evaluating other fair valuation approaches and comparing this to the quoted share price value, and the Group's value in use outcome;
- Considering the appropriateness of the value in use valuation method applied by the Group against the requirements of the accounting standards. This included:
  - Assessing the integrity of the model used, including the accuracy of the underlying calculation formulas;
  - Assessing the Group's key assumptions used in the model, such as, discount rates, forecast earnings, forecast growth rates and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;

KEY AUDIT MATTERS (continued)

- Independently developing a discount rate estimate or range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the investment and the market and industry it operates in;
- Comparing the forecast earnings contained in the model to broker consensus reports, and released financial results;
- Assessing the accuracy of previous forecasts to inform our evaluation of current forecasts incorporated in the model;
- Considering the sensitivity of the model by varying key assumptions, such as, discount rates and terminal growth rates, within a reasonable possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.

- Assessing the recoverable amount at the reporting date against the recoverable amount of the investment when it was last impaired to critically assess reversal of previous impairment losses;
- Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

PROVISIONS FOR CUSTOMER REMEDIATION (Group $662m; Company $600m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 23 and 33 to the Group and Company Financial Reports.

The Key Audit Matter

The Company and Group have recognised provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

Provisions for customer remediation activities is a key audit matter due to the judgements required by us in assessing the Company and Group's determination of:

- The completeness of the population of matters requiring remediation;
- The existence of a present legal or constructive obligation arising from a past event, considering the conditions of the event against the criteria in the accounting standards;
- Reliable estimates of the remediation amounts which may be paid arising from investigations and legal actions, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from their regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audits

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Company and Group's processes and controls for identifying and assessing the impact of the investigations into customer remediation activities;
- Enquiring with the Company and Group regarding ongoing legal, regulatory and other investigations into past activities which may require remediation;
- Conducting independent discussions on significant matters with external legal counsel;
- Reading the minutes and other relevant documentation of the Company's Board of Directors, Board Committees, various management committees, and attending the Company's Audit and Risk Committee meetings, for consistency to the basis used to estimate the provision;
- Inspecting correspondence with relevant regulatory bodies and comparing the status and positioning with the basis for estimation used by the Company and Group;
- For a sample of individual customer remediation matters, evaluating the basis for recognition of a provision and associated costs against the requirements of the accounting standards and for consistency with the Group and Company's policies. We did this by obtaining an understanding of the matter and its status and independently assessing this against the recognition requirements of the accounting standards;
- For a sample of individual customer remediation matters:
  - Assessing and challenging the methods, data and assumptions used by the Company and Group to provide for customer remediation matters;
  - Sample checking data accuracy to underlying systems;
  - Performing model integrity checks;
  - Testing the accuracy of historical remediation provisions by comparing to actual payments. We used this knowledge to challenge the Group's and Company's current estimates and to inform our further procedures.
- Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Company and Group's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;

KEY AUDIT MATTERS (continued)

- Assessing the appropriateness of the Company and Group's conclusions against the requirements of Australian Accounting Standards where estimates were unable to be reliably made for a provision to be recognised;
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Company and Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial reports which provide a true and fair view of the Company and Group's financial positions and performance.

The IT systems and controls, as they impact the financial recording and reporting of the Company and Group's transactions, is a key audit matter as our audit approaches could significantly differ depending on the effective operation of the Company and Group's IT controls. We work with our IT specialists as a core part of our audit team.

How the matter was addressed in our audits

Our testing focused on the technology control environments for key IT applications (systems) used in processing significant transactions and recording balances in the general ledgers, and the automated controls embedded within these systems which link the technology-enabled business processes. Working with our IT specialists, our audit procedures included:

- Assessing the governance and higher-level controls across the IT environments, including those regarding policy design, policy review and awareness, and IT Risk and cyber security management practices;
- Design and operating effectiveness testing of key controls across the user access management lifecycle, including how users are on-boarded, reviewed for access levels assigned, and removed on a timely basis from key IT applications and supporting infrastructure. We also examined the management of privileged roles and functions across relevant IT application and the supporting infrastructure;
- Design and operating effectiveness testing of key controls for IT change management including authorisation of changes prior to development, testing performed and approvals prior to migration into the production environment of key IT applications. We assessed user access to release changes to IT application production environments across the Company and Group and whether access was commensurate with their job responsibilities;
- Design and operating effectiveness testing of key controls used by the Company and Group's technology teams to restrict access to and monitor system batch job schedules;
- Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. Our testing included:
  - Configurations to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - Data integrity of key system reporting used by us in our audit to select samples and analyse data used by the Company and Group to generate financial reporting.

OTHER INFORMATION

Other Information is financial and non-financial information in Australia and New Zealand Banking Group Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORTS

The Directors are responsible for:

- preparing the Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal controls to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDITS OF THE FINANCIAL REPORTS

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2022 complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in pages 62 to 103 of the Directors' report for the year ended 30 September 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Martin McGrath
Partner

Melbourne
26 October 2022

shareholder.anz.com


2021 ANNUAL REPORT
THE BANK WE'RE BUILDING
ANZ

Remuneration report

2021 REMUNERATION REPORT – AUDITED

This year was perhaps even more challenging than last year, given the sustained economic and societal impacts of COVID-19.

While we all would have preferred to have confined the effects of the pandemic to 2020, we find ourselves at the end of 2021, still focused on managing the impacts on our customers, our people, the community and you, our shareholders.

What was pleasing, however, was the way everyone at ANZ, led by our Chief Executive Officer (CEO) Shayne Elliott and the executive team, responded to the continuing crisis.

It has been a very difficult period across our network. In Australia borders have been disrupted, while Sydney and Melbourne have endured lengthy lockdowns. The situation is similar in New Zealand.

We have managed the impacts across our 33 geographies, including our major operations centres in India and the Philippines.

Despite the difficult trading conditions, the bank delivered a solid result for shareholders that reflects the strength of our diversified portfolio.

We led the industry with our productivity and simplification initiatives and we are now in a strong position to take advantage of future opportunities.

We are rapidly building the capabilities we need for the digital world. This year alone we've recruited more than 3,000 engineering and data experts, many of whom are from the world's leading technology companies.

From a risk perspective, our strong frameworks enabled our sound response to COVID-19 and business continuity was maintained through the year with no major operational challenges associated with the pandemic.

We also progressed the delivery of our regulatory commitments, including implementing recommendations arising from the Royal Commission, our APRA self-assessment and the implementation of BS11 in New Zealand.

Despite the 12% increase in home loan revenue, there was a loss of market share in the Australian mortgage business as a result of home loan processing challenges, and a delivery delay with one of our digital transformative products. These issues are being addressed by management.

In assessing ANZ's performance the Board determined that management had exceeded or met most objectives, while also acknowledging that there have been challenges and performance was below expectations in a few key areas.

All these matters have been taken into account in assessing the Group's performance, Shayne's performance and the performance of the executive team for 2021.

2021 VARIABLE REMUNERATION OUTCOMES

As a Board we believe we have struck the right balance in rewarding our executives for good performance while taking account of shortcomings; balancing this year's results with the significant work done to prepare the bank for long term success.

Shayne has role modelled ANZ's values and is a respected leader among staff as well as externally. The Board's view is that these attributes are very important to the success of ANZ and values them highly.

While Shayne met most of his objectives, the Board determined, with Shayne's support, that the appropriate 2021 Annual Variable Remuneration (AVR) outcome was 53% of his maximum opportunity.

Long Term Variable Remuneration (LTVR) of $3.5 million is also proposed. This reinforces Shayne's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders. This allocation remains subject to shareholder approval at the 2021 Annual General Meeting and performance hurdles being met.

For Disclosed Executives, the Board determined their 2021 Variable Remuneration (VR) outcomes at an average outcome of 60% of maximum opportunity. This reflects the assessment of 'meeting most but not all expectations' within the Group Performance Framework.

43.3% of the performance rights granted in 2017 to the CEO and Disclosed Executives (excluding the Chief Risk Officer) vested when their performance was tested in November 2020 against their performance hurdles. The remaining 56.7% of rights lapsed and executives received no value from this proportion of the awards.

FIXED REMUNERATION

You may recall the Board decided last year there would be no fixed remuneration increases for our CEO and our Disclosed Executives.

Following the resignation of the Deputy CEO, the role was not replaced, with its BEAR accountabilities transitioned to a number of other executives. This resulted in materially expanded roles for three Disclosed Executives (Gerard Florian, Kathryn van der Merwe, and Mark Whelan) and their fixed remuneration was reviewed and adjusted accordingly.

There were no increases to Non-Executive Director fees for the 2021 year.

2022 REMUNERATION STRUCTURE

The introduction of a new remuneration standard by our regulator APRA has driven a review of how we reward our executives.

The new regulatory standard does not come into effect until 1 January 2023, however a range of changes are being considered for implementation in 2022, subject to Board approval.

These changes are designed not only to meet both the letter and spirit of APRA's new prudential standard, but also to maintain our strong focus on performance and risk management, and attract, motivate and retain the best talent.

The key structural changes being considered for the CEO and Group Executive Committee (ExCo) include:

- Reduction in variable remuneration opportunity and restructuring long term variable remuneration to deliver greater certainty and value for executives, while ensuring shareholder alignment.
- Longer deferral (up to 6 years) with around 80% of variable remuneration deferred to ensure long term focus.
- The ability to 'clawback' vested cash and equity variable remuneration.
- Separate AVR and LTVR for Disclosed Executives, bringing it in-line with the current structure for our Chief Executive.

As part of our design process we have spoken to a range of external stakeholders and will continue to do so. If the changes are approved by the Board, we will ensure they are clearly communicated to our stakeholders including disclosure in the 2022 Remuneration Report.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders at the 2021 Annual General Meeting.

Ilana Atlas, AO | Chair – Human Resources Committee

CONTENTS

The Remuneration Report for the Group outlines our remuneration strategy and framework and the remuneration practices that apply to Key Management Personnel (KMP). This report has been prepared, and audited, as required by the *Corporations Act 2001*. It forms part of the Directors' Report.

1. WHO IS COVERED BY THIS REPORT

KMP are Directors of Australia and New Zealand Banking Group Limited (ANZBGL) (whether executive directors or otherwise), and those personnel with a key responsibility for the strategic direction and management of the Group (i.e. members of the Group Executive Committee (ExCo)) who report directly to the Chief Executive Officer (CEO) (referred to as Disclosed Executives).

1.1 DISCLOSED EXECUTIVE AND NED CHANGES

There were several changes to our KMP during the 2021 year:

- Paul O'Sullivan commenced as Chairman on 28 October 2020 (following the retirement of David Gonski on that date).
- Michelle Jablko concluded as ANZ's Chief Financial Officer (CFO) in February 2021. Shane Buggle has been acting in the role since this time.
- Alexis George concluded as ANZ's Deputy CEO in May 2021 – the responsibilities of the Deputy CEO were subsequently split across three executives (Gerard Florian, Kathryn van der Merwe, and Mark Whelan).

1.2 KEY MANAGEMENT PERSONNEL (KMP)

The KMP whose remuneration is disclosed in this year's report are:

2021 Non-Executive Directors (NEDs) – Current

P O'Sullivan	Chairman from 28 October 2020 (previously Director)
I Atlas	Director
P Dwyer	Director
J Halton	Director
J Key	Director
G Liebelt	Director
J Macfarlane	Director

2021 Non-Executive Directors (NEDs) – Former

D Gonski	Former Chairman – retired 28 October 2020

2021 Chief Executive Officer (CEO) and Disclosed Executives – Current

S Elliott	CEO and Executive Director
S Buggle	Acting CFO – from 8 February 2021 (concluded in role 10 October 2021)
M Carnegie	Group Executive, Digital and Australia Transformation
K Corbally	Chief Risk Officer (CRO)
G Florian	Group Executive, Technology
M Hand	Group Executive, Australia Retail and Commercial Banking
K van der Merwe	Group Executive, Talent & Culture and Service Centres (GE T&C) (title changed effective 17 May 2021 from Group Executive, Talent & Culture)
A Watson	Group Executive and CEO, New Zealand (NZ)
M Whelan	Group Executive, Institutional

2021 Disclosed Executives – Former

A George	Former Deputy CEO – concluded in role 16 May 2021 and ceased employment 30 July 2021
M Jablko	Former CFO – concluded in role 7 February 2021 and ceased employment 26 March 2021

Changes to KMP since the end of 2021 up to the date of signing the Directors' Report, in addition to the one noted above include as previously announced:

- Farhan Faruqui appointed as CFO from 11 October 2021.
- Christine O'Reilly's appointment to the ANZ Board as a Non-Executive Director, effective 1 November 2021.

2. 2021 OUTCOMES AT A GLANCE

Chief Executive Officer (CEO) remuneration

For 2021, our CEO:

- Had no increase to fixed remuneration.
- Was awarded Annual Variable Remuneration (AVR) of 53% of maximum opportunity, having exceeded or met most but not all performance expectations (see section 4).
- Will be awarded Long Term Variable Remuneration (LTVR) of $3.5 million subject to shareholder approval at the 2021 Annual General Meeting (AGM).
- Received total remuneration of $5.75 million in 2021 (i.e. includes the value of prior equity awards which vested in 2021 as per section 4.2).

Disclosed Executive remuneration

For 2021:

- There were no increases to fixed remuneration for Disclosed Executives other than for adjustments to three executives in May 2021 as a result of their roles expanding following the departure of the Deputy CEO.
- Disclosed Executives' VR outcomes averaged 60% of maximum opportunity, with individual outcomes ranging from 46% to 66% of maximum opportunity.

Performance rights outcomes (CEO and Disclosed Executives)

43.3% of the performance rights granted in late 2017 to the CEO and Disclosed Executives (excluding the CRO) vested and the remaining 56.7% lapsed when tested against the performance hurdles at the end of the performance period in November 2020 (see section 4.4.3).

Non-Executive Director (NED) fees

No increases to NED fees (the Chairman, NED base fee, and Committee fees remained unchanged (see section 7.1)).

3. OVERVIEW OF ANZ'S REMUNERATION FRAMEWORK

3.1 REMUNERATION FRAMEWORK OVERVIEW

The structure of our remuneration framework is aligned with our Reward Principles and has been designed to support ANZ's purpose and strategy. No changes have been made to our remuneration framework in 2021.

ANZ'S PURPOSE AND STRATEGY[1]

IS UNDERPINNED BY OUR REMUNERATION POLICY WHICH INCLUDES OUR REWARD PRINCIPLES:

- Attract, motivate and keep great people
- Reward our people for doing the right thing having regard to our customers and shareholders
- Focus on **how** things are achieved as much as **what** is achieved
- Are fair and simple to understand

WITH REMUNERATION DELIVERED TO OUR CEO AND DISCLOSED EXECUTIVES THROUGH:

Fixed remuneration Cash salary and superannuation contributions. The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities reflecting their responsibilities, performance, qualifications, experience and location.

Variable remuneration (at risk) The CEO and Disclosed Executives are eligible to receive variable remuneration under the ANZ Incentive Plan (ANZIP), our variable remuneration plan.

CEO

Annual Variable Remuneration (AVR)

- Rewards the achievement of Group, and individual outcomes over a 12-month period
- Determination: ANZ Group Performance Framework, individual strategic objectives, ANZ values[2] and risk/compliance assessments, and Board discretion
- Maximum opportunity: 150% of fixed remuneration
- Delivery: 50% cash and 50% as ANZ shares deferred over four years, subject to malus[3]

Long Term Variable Remuneration (LTVR)

- Reinforces the CEO's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders
- Face value at full vesting: 140% of fixed remuneration
- Delivery: Performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative total shareholder return (TSR) (75%), absolute TSR (25%)

DISCLOSED EXECUTIVES[4]

Variable Remuneration (VR)

- Rewarded under a single VR framework, with the appropriate mix of short and long term rewards (including performance hurdles) deferred over the short, medium and longer term
- Determination: ANZ Group Performance Framework, Divisional Performance Frameworks, ANZ values and risk/compliance assessments, and Board discretion
- Maximum opportunity: 402% of fixed remuneration[5]
- Delivery: 25% cash, 25% as ANZ shares deferred over four years subject to malus, and 50% as performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative TSR (75%), absolute TSR (25%)

Board discretion is applied when determining CEO and Disclosed Executive performance and remuneration outcomes, and also before any scheduled release of previously deferred remuneration (see section 5.3). All deferred variable remuneration is subject to malus adjustment.

REINFORCED BY ALIGNING REMUNERATION AND RISK:

- Assessing behaviours based on ANZ's values and risk/compliance standards (including the Banking Executive Accountability Regime (BEAR))
- Determining variable remuneration outcomes, with risk as a key input at a pool and individual level
- Weighting remuneration toward the longer-term with a significant proportion at risk
- Determining accountability and applying consequences where appropriate
- Prohibiting the hedging of unvested equity

WHILE SUPPORTING THE ALIGNMENT OF EXECUTIVES AND SHAREHOLDERS THROUGH:

- Substantial shareholding requirements
- Significant variable remuneration deferral in ANZ equity
- Use of relative and absolute TSR hurdles
- Consideration of cash profit and economic profit in determining the ANZIP variable remuneration pool
- Consideration of the shareholder experience in respect of the share price and dividends

WHILE GOVERNED BY:

The Human Resources (HR) Committee and the Board determining fixed remuneration and the variable remuneration outcomes for the CEO and each Disclosed Executive. Additionally, the CEO's LTVR outcome is also subject to shareholder approval at the AGM.

1. See the 'About our business' and 'Our strategy' sections of the Annual Report. **2.** ANZ's values (**I**ntegrity, **C**ollaboration, **A**ccountability, **R**espect, **E**xcellence (ICARE)) – the foundation of how we work, supported by our Code of Conduct and our Ways of Leading framework. **3.** Malus relates to downward adjustment of unvested remuneration. **4.** The maximum opportunity and delivery of VR differs for the CRO to that of other Disclosed Executives. See section 5 for further details. **5.** Performance rights face value at full vesting.

4. 2021 OUTCOMES

Variable remuneration at ANZ is genuinely at risk and can range from zero to maximum opportunity. Annual performance objectives are set at the Group and also at the Divisional/individual level at the start of each year. They are designed to be stretching yet achievable. The HR Committee and the Board make variable remuneration outcome decisions for the CEO and Disclosed Executives following lengthy and detailed discussions and assessment, supported by comprehensive analysis of performance from a number of sources. Where expectations are met, variable remuneration is likely to be awarded around target opportunity. Where performance is below expectations, awards will be less (potentially down to zero), and where above expectations, awards will be more (potentially up to maximum opportunity).

Remuneration outcomes have been presented in the following three ways:

i. **Year-on-Year Remuneration Awarded** (see section 4.1): Reflects actual remuneration **awarded** in respect of the relevant financial year. As non-cash components are subject to future vesting outcomes, the awarded value may be higher or lower than the future realised value.

ii. **Actual Remuneration Received** (see section 4.2): Reflects the actual remuneration **received** in 2021. Received amounts include cash and the value of **prior** equity awards which vested in 2021.

iii. **Statutory Remuneration** (see section 9.1): Reflects remuneration in accordance with Australian Accounting Standards which includes fixed remuneration and the amortised accounting value of variable remuneration (not the actual awarded or received value in respect of the relevant financial year).

4.1 YEAR-ON-YEAR REMUNERATION AWARDED

These tables show a year-on-year comparison of remuneration awarded to the CEO and Disclosed Executives for the 2019, 2020 and 2021 performance periods. Remuneration awarded includes any cash payments (e.g. fixed remuneration and cash variable remuneration) and the value of deferred shares and performance rights awarded for the year but which have not yet vested (i.e. the value was not received during the year).

2021 remuneration outcomes reflect both the overall performance of the Group and the variability in the performance of each individual/ Division. In particular, the outcomes for the CEO, the Group Executive, Australia Retail and Commercial Banking, and Group Executive, Digital and Australia Transformation, have been most impacted by the Australian mortgage business loan processing challenges and delivery delays in a key area of our digital transformation agenda.

Variable remuneration outcomes for the CEO and Disclosed Executives are higher in 2021 compared to 2020. In 2020, the Board used its discretion and applied a 50% reduction to the 2020 variable remuneration outcomes (AVR for the CEO), having regard to the impact of COVID-19 on the business, shareholders, as well as the broader community. If we compare 2021 to 2020 without the 50% COVID-19 reduction, the CEO's total remuneration would be lower.

CEO

The 2021 LTVR shown below has not yet been awarded to the CEO, approval will be sought from shareholders at the 2021 AGM.

YEAR-ON-YEAR REMUNERATION AWARDED IN THE RELEVANT FINANCIAL YEAR – CEO:
The awarded value may be higher or lower than future realised value

	Financial year	Fixed remuneration $	AVR cash $	AVR deferred shares $	Total AVR $	Threshold vesting: LTVR performance rights $	Threshold vesting: Total remuneration awarded $	Full vesting: LTVR performance rights $	Full vesting: Total remuneration awarded $	AVR as % of: Target opport-unity	AVR as % of: Maximum opport-unity
CEO											
S Elliott	2021	2,500,000	1,000,000	1,000,000	2,000,000	1,750,000	6,250,000	3,500,000	8,000,000	80%	53%
	2020	2,500,000	625,000	625,000	1,250,000	1,750,000	5,500,000	3,500,000	7,250,000	50%	33%
	2019	2,100,000	750,000	750,000	1,500,000	2,100,000	5,700,000	4,200,000	7,800,000	71%	48%

Disclosed Executives

- Fixed remuneration was increased for three Disclosed Executives (Gerard Florian, Kathryn van der Merwe, and Mark Whelan). This was due to their roles expanding in May 2021 as they took on additional BEAR accountabilities, previously held by the Deputy CEO, following the Board's decision to not replace that role post Alexis George's resignation.
- The change in Antonia Watson's fixed remuneration from 2020 to 2021 reflects the impact of exchange rate conversions, noting that her fixed remuneration is paid in NZD and converted to AUD for disclosure purposes.
- The average VR outcome for Disclosed Executives is 90% of target (60% of maximum opportunity), reflecting the overall Group performance assessment of 'met most but not all expectations' (see section 4.5.3). Outcomes as a percentage of maximum range from 46% to 66%, with the variability at the lower end of the range largely due to the impact of the home loan processing issues in the Australian mortgage business and the challenges and complexities experienced in progressing some aspects of the digital agenda at pace.

- For the 2021 Disclosed Executives who were in role for full year 2020 and 2021, year-on-year total remuneration has increased on average by 40%. The year-on-year change primarily reflects the 50% reduction to Disclosed Executives' VR outcomes in 2020 having regard to the impact of COVID-19. The differential has also been impacted by the increases to fixed remuneration applied to three executives following the transition of Deputy CEO accountabilities.
- For both Mark Hand and Antonia Watson, 2021 and 2020 remuneration awarded is not directly comparable with 2019, as they were Disclosed Executives for only part of the 2019 financial year. Antonia Watson's 2020 remuneration awarded reflects her permanent appointment to the Group Executive and CEO, NZ role.
- Shane Buggle's 2021 remuneration awarded reflects the period he acted as the CFO.
- Variable remuneration continues to differ both year-on-year and between different executives demonstrating the at risk nature of this element of remuneration and the variability in Group and individual performance year-on-year. See section 4.4 for details.

YEAR-ON-YEAR REMUNERATION AWARDED IN THE RELEVANT FINANCIAL YEAR – DISCLOSED EXECUTIVES:

The awarded value may be higher or lower than future realised value

					Threshold vesting		Full vesting		VR as % of	
	Financial year	Fixed remuneration $	VR cash $	VR deferred shares[1] $	VR performance rights[2] $	Total remuneration awarded $	VR performance rights[2] $	Total remuneration awarded $	Target opport-unity	Maximum opport-unity
Current Disclosed Executives										
S Buggle (8 months Acting in role)	2021	704,000	462,000	462,000	476,000	2,104,000	952,000	2,580,000	99%	66%
M Carnegie	2021	1,200,000	569,250	569,250	586,500	2,925,000	1,173,000	3,511,500	72%	48%
	2020	1,200,000	409,200	409,200	421,600	2,440,000	843,200	2,861,600	52%	34%
	2019	1,000,000	495,000	495,000	510,000	2,500,000	1,020,000	3,010,000	75%	50%
K Corbally	2021	1,100,000	613,800	613,800	632,400	2,960,000	632,400	2,960,000	94%	63%
	2020	1,100,000	429,000	429,000	442,000	2,400,000	442,000	2,400,000	66%	44%
	2019	950,000	478,500	478,500	493,000	2,400,000	493,000	2,400,000	85%	57%
G Florian	2021	1,084,500	676,500	676,500	697,000	3,134,500	1,394,000	3,831,500	95%	63%
	2020	1,075,000	371,250	371,250	382,500	2,200,000	765,000	2,582,500	52%	35%
M Hand	2021	1,200,000	544,500	544,500	561,000	2,850,000	1,122,000	3,411,000	69%	46%
	2020	1,200,000	462,000	462,000	476,000	2,600,000	952,000	3,076,000	58%	39%
(9 months as Disclosed Executive)	2019	726,000	198,000	198,000	204,000	1,326,000	408,000	1,530,000	41%	28%
K van der Merwe	2021	907,000	594,000	594,000	612,000	2,707,000	1,224,000	3,319,000	99%	66%
	2020	850,000	330,000	330,000	340,000	1,850,000	680,000	2,190,000	59%	39%
A Watson[3]	2021	1,078,682	687,167	687,167	707,991	3,161,008	1,415,981	3,868,998	97%	64%
	2020	1,015,599	334,681	334,681	344,822	2,029,783	689,645	2,374,605	50%	33%
(3.5 months in role)	2019	219,440	170,255	113,504	–	503,199	–	503,199	65%	43%
M Whelan	2021	1,276,000	810,150	810,150	834,700	3,731,000	1,669,400	4,565,700	96%	64%
	2020	1,200,000	363,000	363,000	374,000	2,300,000	748,000	2,674,000	46%	31%
	2019	1,200,000	874,500	874,500	901,000	3,850,000	1,802,000	4,751,000	110%	74%
Former Disclosed Executives										
A George (10 months to term date)	2021	913,000	n/a	n/a	n/a	913,000	n/a	913,000	n/a	n/a
	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	528,000	528,000	544,000	2,600,000	1,088,000	3,144,000	80%	53%
M Jablko (6 months to term date)	2021	528,000	n/a	n/a	n/a	528,000	n/a	528,000	n/a	n/a
	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	544,500	544,500	561,000	2,650,000	1,122,000	3,211,000	83%	55%

1. Deferred share rights for the Acting CFO. **2.** Deferred share rights for the CRO. **3.** Paid in NZD and converted to AUD. Year to date average exchange rate used to convert NZD to AUD as at 30 September for the relevant year.

4.2 2021 ACTUAL REMUNERATION RECEIVED

Actual remuneration received

This table shows the remuneration the CEO and Disclosed Executives actually received in relation to the 2021 performance year as cash, or in the case of prior equity awards, the value which vested in 2021. The final column also shows the value of prior equity awards which lapsed/were forfeited in 2021. These awards reflect the 2017 performance rights which partially met their performance hurdles when tested in November 2020, and additionally for Alexis George and Michelle Jablko the forfeiture of unvested deferred remuneration on resignation.

ACTUAL REMUNERATION RECEIVED IN 2021 – CEO AND DISCLOSED EXECUTIVES: Received value includes the value of prior equity awards which vested in that year

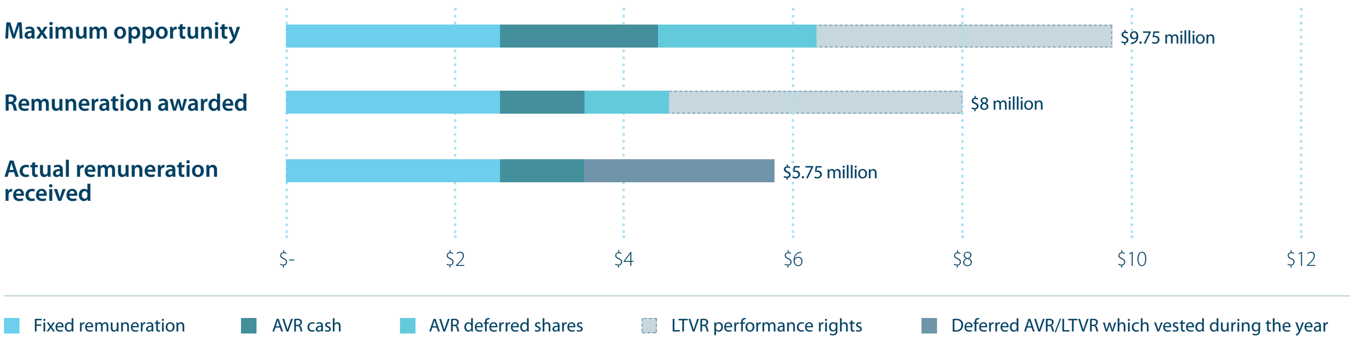
	Fixed remuneration $	Cash variable remuneration $	Total cash $	Deferred variable remuneration which vested during the year[1] $	Other deferred remuneration which vested during the year[1] $	Actual remuneration received $	Deferred variable remuneration which lapsed/forfeited during the year[1, 2] $
CEO and Current Disclosed Executives							
S Elliott	2,500,000	1,000,000	3,500,000	2,252,821	–	5,752,821	(1,895,738)
S Buggle	704,000	462,000	1,166,000	–	–	1,166,000	-
M Carnegie	1,200,000	569,250	1,769,250	807,983	–	2,577,233	(499,918)
K Corbally	1,100,000	613,800	1,713,800	297,341	–	2,011,141	(39,997)
G Florian	1,084,500	676,500	1,761,000	424,282	–	2,185,282	(257,321)
M Hand	1,200,000	544,500	1,744,500	329,920	–	2,074,420	(59,348)
K van der Merwe	907,000	594,000	1,501,000	378,251	–	1,879,251	(154,402)
A Watson[3]	1,078,682	687,167	1,765,849	309,419	–	2,075,268	(37,204)
M Whelan	1,276,000	810,150	2,086,150	1,561,716	–	3,647,866	(963,057)
Former Disclosed Executives							
A George	913,000	n/a	913,000	582,907	–	1,495,907	(4,344,826)
M Jablko[4]	528,000	n/a	528,000	991,724	119,239	1,638,963	(5,514,701)

1. The point in time value of previously deferred remuneration granted as shares/share rights and/or performance rights is based on the one day Volume Weighted Average Price (VWAP) of the Company's shares traded on the ASX on the date of vesting or lapsing/forfeiture multiplied by the number of shares/share rights and/or performance rights. **2.** The lapsed/forfeited values relate to 56.7% of the performance rights we awarded in November/December 2017 which lapsed in November/December 2020 due to the performance hurdles not being met, and for A George and M Jablko forfeiture on resignation of unvested deferred remuneration. **3.** Paid in NZD and converted to AUD. **4.** Other deferred remuneration for M Jablko relates to previously disclosed compensation for deferred remuneration forfeited as a result of joining ANZ.

CEO Comparison of Remuneration Awarded vs Remuneration Received in 2021

- The chart below shows that the remuneration **awarded** to the CEO in 2021 was less than the maximum opportunity under the current remuneration structure. The future realised value for the CEO may be higher or lower than the awarded value based on the vesting share price for awarded equity (including the percentage of equity that vests or is forfeited).
- Actual remuneration **received** in 2021 reflects the impact of prior equity awards that vested in 2021. For example, the performance rights awarded value in 2017 was $4.2 million, but the received value that vested to the CEO in 2021 was $1.45 million.

2021 CEO REMUNERATION AWARDED (POTENTIAL VALUE NOT REALISED VALUE) AND ACTUAL REMUNERATION RECEIVED ($m)



4.3 APPLICATION OF REWARD PRINCIPLES

In considering the 2021 outcomes the HR Committee and Board reflected on the application of ANZ's Reward Principles:

- **Reward our people for doing the right thing having regard to our customers and shareholders:** Variable remuneration should be primarily based on 'outcomes' rather than 'effort' and proportionate relative to performance. It also needs to consider the experience and expectations of a range of stakeholders (including shareholders, customers, employees, community and regulators).
- **Attract, motivate and keep great people:** In determining remuneration outcomes, the Board acknowledged the importance of balancing performance with being market competitive to ensure retention of key talent – particularly in a tight talent market.
- **Focus on how things are achieved as much as what is achieved:** The Board has ensured that appropriate consideration and weight was given to performance against a balanced scorecard of objectives (which includes a risk modifier), a risk standards assessment (capturing financial and non-financial risks), and how that performance was achieved (i.e. in accordance with our values and purpose).
- **Be fair and simple to understand:** Variable remuneration should be fair and consistent through the cycle and have regard to external influences outside of management's control.

4.4 VARIABLE REMUNERATION – DETAIL

4.4.1 CEO performance, AVR and LTVR

Performance

With regard to AVR, the CEO is assessed 50% on the ANZ Group Performance Framework and 50% on achievement of individual strategic objectives aligned to ANZ's strategy. Both the Group Performance Framework and individual strategic objectives are agreed by the Board at the start of the financial year and are stretching.

WEIGHTING OF FINANCIAL METRICS

AVR

Financial metrics have a 35% weighting in the Group Performance Framework and therefore notionally have a 17.5% weighting in the CEO's AVR. However, the CEO's AVR is not formulaic – outcomes are moderated by the Risk element of the Group Performance Framework and the Board's judgement on the appropriate AVR considering all aspects of performance.

LTVR

100% of the LTVR hurdles are based on TSR (both relative and absolute).

At the end of the financial year, ANZ's performance is assessed against the Group Performance Framework, and the CEO's performance is assessed against his individual strategic objectives, the ANZ values (behaviours), delivery of the BEAR obligations and ANZ's risk and compliance standards. In conducting the CEO's performance assessment, the HR Committee seeks input from the Chairman, CRO (on risk management), CFO (on financial performance), GE T&C (on talent and culture matters) and Group General Manager Internal Audit (GGM IA) (on internal audit matters). Material risk, audit and conduct events that have either occurred or come to light in the year are also considered together with input from both the Audit Committee and the Risk Committee of the Board.

The Board has assessed the CEO's 2021 performance as follows:

Group Performance Framework	=	Met most but not all expectations (see section 4.5.3)
Individual strategic objectives	=	Met most but not all expectations (see Board assessment below)
ANZ values	=	Above expectations
Risk/compliance assessment	=	Met expectations
Overall	=	Met most but not all expectations

The Board has considered the CEO's performance in determining the appropriate AVR outcome for 2021. The Board determined, with the CEO's support, that an AVR outcome of 53% of maximum opportunity was appropriate.

2021 CEO INDIVIDUAL STRATEGIC OBJECTIVES

- Lead and role model the culture and accountability required to transform ANZ
- Enhance the reputation of ANZ
- Drive the strategic direction of the organisation, focused on building long term sustainable growth and improving ROE relative to industry peers
- Deliver our digital transformation aspiration to materially enhance our customer proposition and build a platform for creating value
- Focus on operational excellence and resilience, including remediation and system stability, to ensure ANZ has a robust and reliable platform to support long-term growth
- Show material progress on productivity initiatives to improve customer and staff experience while driving run the bank operating costs towards a materially reduced run rate
- Continue to build ExCo effectiveness and CEO succession

BOARD ASSESSMENT OF PERFORMANCE ON INDIVIDUAL STRATEGIC OBJECTIVES:

MET MOST BUT NOT ALL EXPECTATIONS

The CEO publicly outlined in 2021 the bank's strategy to simplify and strengthen the business through automation and process digitisation. One outcome being a further reduction in run the bank costs, with productivity initiatives allowing for a higher level of investment spend. This was an area of continued out-performance in 2021. Other financial highlights include a strengthened balance sheet, strong capital management, improved ROE, and a declining long run credit loss rate, despite the challenging environment.

Despite the positive outcomes and business momentum as we enter 2022, there was a loss of market share in the Australian mortgage business as a result of home loan processing challenges, and a delay in being 'market ready' in respect of one of our transformative digital products (noting that these matters impacted both the assessment of Group Performance as well as the Board's assessment of the CEO's performance).

The executive team performed well in a challenging environment, demonstrating a coordinated and effective response to employees, customers and regulators in a timely manner. Executive development continues with expanded portfolios for three executives as a result of the resignation of Alexis George (former Deputy CEO), and the recent appointment of Farhan Faruqui (Group Executive, International) to the position of CFO following Michelle Jablko's (previous CFO) resignation.

The CEO has successfully led ANZ through a challenging year, progressing our key initiatives whilst also responding to the impacts of the COVID-19 pandemic.

He personally role models the ANZ values and is a respected leader among staff and also externally, as evidenced by the number of senior executives across Australia seeking to interact with the CEO on a range of matters – particularly our culture and purpose. The CEO's continued focus on culture, building leaders, and supporting leaders through change has resulted in another year of high engagement (despite the challenging environment), and the achievement of the #1 position as employer of choice (relative to peers) in Glassdoor[1].

He continues to engage deeply with regulators and government, and proactively manages our external reputation.

The CEO continued to focus on delivering against strategy and our purpose, while ensuring disciplined execution and appropriate risk management. Key outcomes include:

- A refreshed strategy which includes Board support for building out platforms and engaging in digital ecosystems
- An updated climate change strategy, including leading the way on the importance of sustainability to the banking sector
- Strengthening our future as a digital bank by progressing work around our digital agenda
- Further cementing customer financial wellbeing at the heart of our business – including strong support to customers in need
- Managing risk well with an improved control environment, driving reviews of key risk areas and ensuring Board visibility of material risks, and strong progress against all regulatory obligations
- Improving systems and infrastructure performance, resulting in reduced system outages and customer errors
- The finalisation of a four-year Diversity & Inclusion Strategy and action plans to build the foundations for long-term sustainable improvement in gender diversity. Women in leadership in 2021 was also a positive result, increasing 1.9%
- Continued strong overall employee engagement of 81%

While the Australian home loan issue was a key factor impacting the overall assessment of the CEO's 2021 performance, the bank has ended the 2021 year stronger financially and culturally through the CEO's leadership, with a refreshed strategy and capability ready for the challenges and opportunities of 2022 and beyond.

1. Glassdoor is a website where employees and former employees anonymously review companies and their management.

AVR and LTVR

At the end of the financial year, the HR Committee makes a recommendation to the Board for their approval in respect of the CEO's AVR outcome.

The CEO's AVR will vary up or down year-on-year, it is not guaranteed, and may range from zero to a maximum opportunity.

The Board exercised their discretion and determined that an AVR outcome of $2 million (53% of maximum opportunity) was appropriate for 2021 having regard to both the performance of the CEO (50% weighting) and also the overall performance of the Group (50% weighting).

The CEO's proposed LTVR of $3.5 million (performance rights face value at full vesting) ($3.5 million in 2020) is subject to shareholder approval at the 2021 AGM.

2021 AVR Awarded

This table shows the AVR awarded to the CEO for the year ending 30 September 2021.

2021 AVR AWARDED – CEO

CEO

Maximum opportunity

S Elliott[1]

AVR $2,000,000 = **$1,000,000** cash + **$1,000,000** deferred shares

53% of max

+

LTVR $3,500,000 performance rights face value at full vesting (subject to shareholder approval at the 2021 AGM)

=

Total variable remuneration $5,500,000

1. Variable remuneration for the CEO = AVR + LTVR.

Summary of Total Remuneration

The remuneration Shayne Elliott received in 2021 (which includes prior year awards which vested), differs to the remuneration he was awarded in relation to the 2021 performance year (which may or may not vest in future years). It also differs to his statutory remuneration which reflects the accounting expense value for 2021. Awarded remuneration shown below includes the face value of the performance rights at both threshold (50%) and full (100%) vesting.

Shayne Elliott's 2020 remuneration outcome was impacted by the Board exercising its discretion to apply a 50% reduction to his AVR (having regard to the impact of COVID-19 on the business, shareholders and broader community), resulting in higher remuneration outcomes (awarded, received and statutory) in 2021. The remuneration received difference between 2021 and 2020 has also been positively impacted by the 43.3% LTVR vesting outcome in 2021 compared to 0% in 2020.

SUMMARY OF TOTAL REMUNERATION – CEO

	Total Remuneration			
	Awarded			
	Threshold vesting $	Full vesting $	Received[1] $	Statutory[2] $
2021	**6,250,000**	**8,000,000**	**5,752,821**	**5,473,399**
2020	5,500,000	7,250,000	3,722,362	5,225,308
2019	5,700,000	7,800,000	4,093,464	5,181,339

1. Includes the value of previously awarded AVR deferred shares and LTVR performance rights at the date of vesting. **2.** Includes the value of AVR and LTVR that has been expensed in the year.

Historical AVR and LTVR

This table shows the AVR as a % of maximum opportunity and LTVR vesting outcomes for the CEO over the last five years.

HISTORICAL AVR AND LTVR – CEO

	2017	2018	2019	2020 (post 50% COVID-19 reduction)	2021
AVR outcome (% of maximum opportunity)	63%	56%	48%	33%	**53%**
LTVR vesting outcome (% vested)	0%	0%	21.8%	0%	**43.3%**

4.4.2 Disclosed Executive performance and VR

Performance

At the start of each year, stretching performance objectives are set in the form of Divisional Performance Frameworks for each of our Disclosed Executives, in alignment with the Group Performance Framework approved by the Board.

At the end of the financial year, the performance of each Disclosed Executive[1] is assessed against the Group Performance Framework (25% to 50% weighting), their Divisional Performance Framework, ANZ's values (behaviours), delivery of BEAR obligations and ANZ's risk and compliance standards.

The Group Performance Framework weighting for Disclosed Executives was introduced in 2021 to reinforce the importance of collective accountability and contribution to Group outcomes. The respective weighting varies based on role focus:

- 50% weighting: CFO, GE T&C, and GE Technology
- 25% weighting: CRO, GE Digital & Australia Transformation, GE Australia Retail & Commercial Banking, GE & CEO NZ, GE Institutional

Similar to the Group Performance Framework, the Divisional Performance Frameworks include the key elements of Financial Discipline and Operational Resilience, Customer, and People and Culture, with Risk acting as a modifier[2]. The weighting of each element varies to reflect the responsibilities of each individual's role. The Financial Discipline and Operational Resilience element weightings range from 20% to 50%.

The HR Committee seeks input from the CEO, and independent reports from Risk, Finance, Talent and Culture, and Internal Audit, and also reviews material risk, audit and conduct events, and seeks input from both the Audit Committee and the Risk Committee of the Board.

The HR Committee reviews and recommends to the Board for approval the overall performance outcomes for each Disclosed Executive.

VR

At the end of the financial year, the CEO and HR Committee determine VR recommendations for each Disclosed Executive, which are ultimately approved by the Board[3]. VR should and does vary year-on-year in line with performance – it is not guaranteed and may be adjusted up or down ranging from zero to a maximum opportunity.

As highlighted in section 4, performance against objectives impacts variable remuneration outcomes (e.g. where expectations are met, variable remuneration is likely to be awarded around target opportunity).

1. Performance arrangements for the CRO are addressed additionally by the Risk Committee. Performance arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ HR Committee/ANZ NZ Board in consultation with and endorsed by the HR Committee/Board, consistent with their respective regulatory obligations. **2.** Except for the CRO who has a percentage weighting assigned to Risk measures. **3.** Remuneration arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ Board in consultation with and endorsed by the Board, consistent with their respective regulatory obligations.

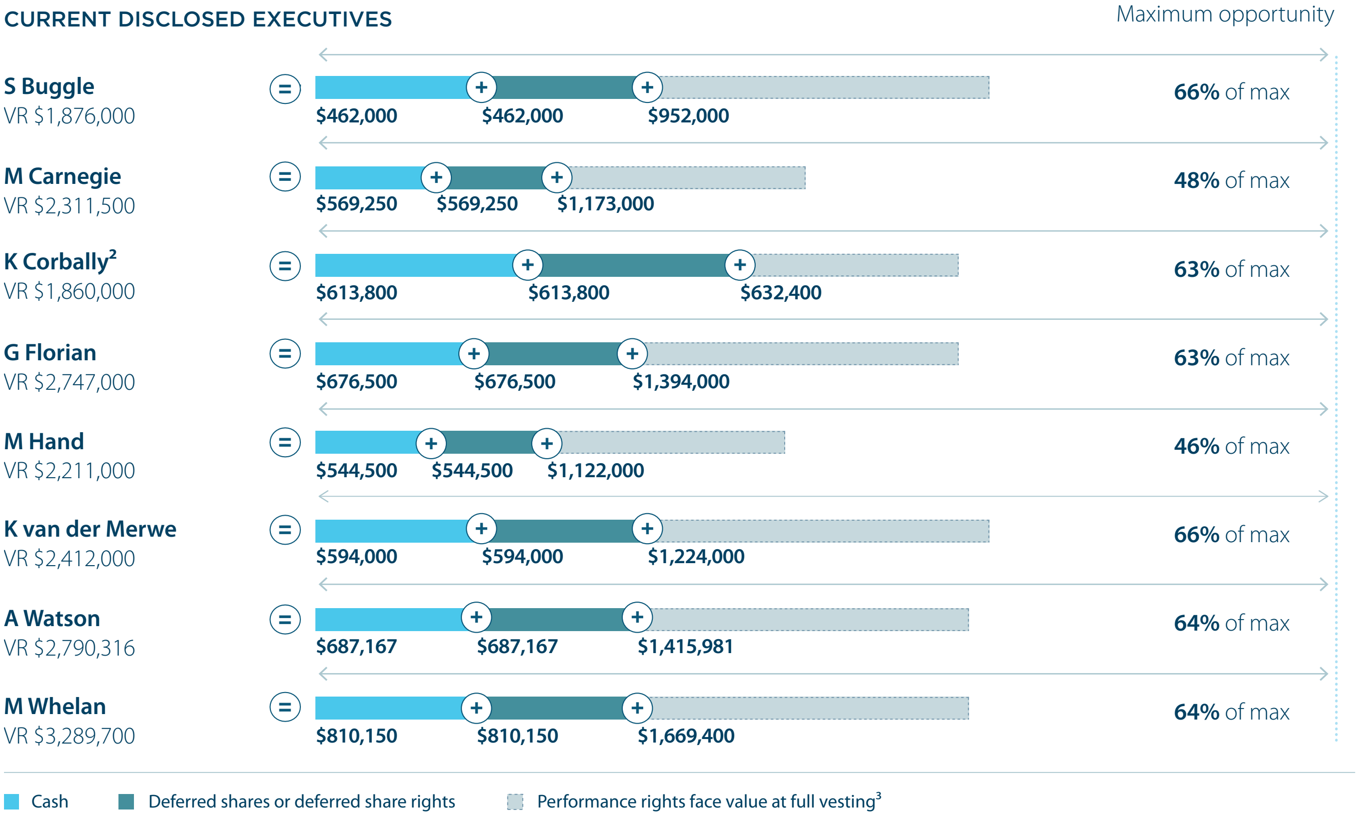
The degree of variance in individual VR outcomes reflect the weighting of the Group component (i.e. roles with 50% Group weighting will generally have less differentiation), and relative performance of the different areas/individuals, ensuring appropriate alignment between performance and reward. The outcomes demonstrate the at risk nature of VR, and that outcomes vary across the Disclosed Executives and also from year to year. The average 2021 VR for Disclosed Executives is 60% of maximum opportunity (ranging from 46% to 66%).

2021 VR Awarded

This table shows the combined VR awarded to Disclosed Executives for the year ending 30 September 2021.

2021 VR AWARDED – DISCLOSED EXECUTIVES[1]

CURRENT DISCLOSED EXECUTIVES



1. 2021 VR not awarded to former Disclosed Executives A George and M Jablko. **2.** CRO receives deferred share rights instead of performance rights. **3.** Divide by two to convert to face value at threshold vesting for performance rights.

Historical Disclosed Executive VR

This table shows the VR as a % of maximum opportunity for the executives who were disclosed over the last five years.

HISTORICAL DISCLOSED EXECUTIVE VR

	2017	2018	2019	2020 (post 50% COVID-19 reduction)	2021
VR outcome (average % of maximum opportunity)	64%	51%	45%	36%	60%
VR outcome (range % of maximum opportunity)	51% – 91%	40% – 60%	0% – 74%	31% – 44%	46% – 66%
VR performance rights vesting outcome (% vested)	0%	0%	21.8%	0%	43.3%

4.4.3 Performance rights outcomes (CEO and Disclosed Executives)

Performance rights granted to the CEO in December 2017 and Disclosed Executives (excluding the CRO) in November 2017 reached the end of their performance period in November 2020. Based on performance against hurdles, 43.3% of these rights vested, the remaining 56.7% lapsed and executives received no value for this portion of the award.

PERFORMANCE RIGHTS OUTCOMES

Hurdle	Grant date[1]	First date exercisable[1]	ANZ TSR over three years/ CAGR[2] TSR	Median TSR over three years/ CAGR[2] TSR target	% vested	Overall performance rights outcome
75% relative TSR Select Financial Services (SFS) comparator group[3]	22-Nov-17	22-Nov-20	(27.28)%	(29.18)%	57.7%	43.3% vested and 56.7% lapsed
25% absolute CAGR[2] TSR	22-Nov-17	22-Nov-20	(10.08)%	9.50%	0%	

1. Grant date for the CEO was 19 December 2017, and date first exercisable was 19 December 2020. The CEO's performance period was the same as the performance period for Disclosed Executives. **2.** Compound Annual Growth Rate (CAGR). **3.** See section 5.2.3a for details of the SFS comparator group.

4.5 ANZIP VARIABLE REMUNERATION POOL AND GROUP PERFORMANCE

4.5.1 ANZIP variable remuneration

The ANZ Incentive Plan (ANZIP) is the variable remuneration plan operating across ANZ. The variable remuneration award each year, for around 80% of employees, is based on the overall performance of the Group (rather than individual performance) subject to individuals meeting minimum standards of performance and behaviour.

With the exception of the CEO, individual variable remuneration outcomes for all other employees including Disclosed Executives are funded under ANZIP. The Board decides the CEO's variable remuneration outcomes separately to help mitigate potential conflicts of interest. See section 8.1.3.

At the end of each financial year, the HR Committee makes a recommendation to the Board for their approval on the size of the ANZIP variable remuneration pool for that year. The Board exercise their judgement to determine the appropriate pool size – it is not a formulaic outcome.

ANZIP variable remuneration pool recommended to the Board for approval based on performance and affordability → Board review and approve the ANZIP variable remuneration pool → Business and individual allocations from ANZIP variable remuneration pool

An assessment of financial performance, in particular cash profit and economic profit informed the pool range. The Board then considered a range of factors in determining a fair and reasonable ANZIP pool. These included:

- The Group Performance Framework assessment (see 4.5.3).
- The quality of earnings and operating environment.
- The shareholder experience during 2021 (e.g. share price growth and dividend comparison with prior periods).
- Our Reward Principles (e.g. attracting, motivating and keeping great people).

4.5.2 ANZ Group Performance Framework

The ANZ Group Performance Framework is approved by the Board at the start of each year. The key objective of our Group Performance Framework is to enable aligned focus across the organisation on delivering the critical outcomes that matter most in delivering on our strategy. It plays a key role to:

- message internally what matters most;
- reinforce the importance of sound management in addition to risk, customer, people and financial outcomes; and
- inform focus of effort, prioritisation and decision-making across ANZ.

The significant economic and social impacts of the COVID-19 pandemic continues to require rapid responses and reprioritisation of resources to ensure we are protecting our people, customers, shareholders and ANZ. In the face of these changes, we have regularly tested our business strategy and Group Performance Framework, and resolved they remain relevant to improving the financial wellbeing of our customers and creating long-term sustainable value for all of our stakeholders.

4.5.3 Assessment against the Group Performance Framework for 2021

RISK		CUSTOMER		PEOPLE & CULTURE		FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE		OVERALL
Overall Adjustment	X	**35% weight**	+	**30% weight**	+	**35% weight**	=	**Group Performance**
Assessment Met most but not all expectations		**Assessment** Below expectations		**Assessment** Above expectations		**Assessment** Met expectations		**Assessment** Met most but not all expectations

As managing risk appropriately is fundamental to the way ANZ operates, Risk forms an integral part of the assessment, directly impacting the overall Group Performance Framework outcome (a modifier ranging from 0% to 110% of the Group Performance assessment).

Overall, ANZ's performance met or exceeded most expectations when considering the objectives we set ourselves, but missed in a few key areas. In an uncertain and volatile environment, the bank performed well, delivering with purpose against the vast majority of our objectives, while recognising there are areas where continued focus is required to improve. These areas primarily relate to home lending momentum in Australia, the pace of delivery for one of our more complex projects focused on digital innovation, and non-financial risk outcomes.

The below table outlines ANZ's performance objectives in 2021 and provides a summary of outcomes for each of the key performance categories to inform the overall assessment for 2021. Performance against expectations is evaluated for each category using a holistic assessment of progress and outcomes delivered in line with our Group strategic priorities and annual focus areas. A range of objective indicators and subjective factors are considered including management input on work undertaken, evidence of outcomes realised and lessons learned, and with consideration given to the operating, regulatory and competitive environment.

RISK (MODIFIER 0% TO 110%)

Risk overall:
Met most but not all expectations

Performance commentary	Performance against expectations: Below	Met	Above
GROUP STRATEGIC PRIORITY: *Maintain risk discipline focused on good customer and regulatory outcomes.*	Below	Met	Above
Our already strong risk management framework enabled ANZ to continually manage the evolving risks presented by COVID-19 and support our customers and the community. Business continuity was maintained and improved throughout 2021 with no major operational challenges associated with the pandemic. No material unexpected credit events were recorded during the year. No material risk appetite statement breaches or overdue regulatory issues were recorded, and significant enhancements were made to streamline data capture and reporting to support the proactive management of the bank's risk appetite using trend analysis technology. Clear progress continues to be made on risk culture maturity, evidenced in employee engagement scores including 'My business leaders demonstrate personal accountability for managing risk and sound risk behaviours' (87%) and 'I can raise issues and concerns in ANZ without fear of reprisals or negative consequences' (80%), exceeding the record highs reached in 2020. These results are the product of sustained efforts over several years to encourage a speak up and risk culture where people feel they can challenge each other respectfully. Timeframes to report risk events once discovered has reduced year-on-year reflecting the significant work undertaken to uncover historical events and get on top of new issues quickly. ANZ was again the leading Australian bank as measured by the 2020 Dow Jones Sustainability Index[1], ranked in the 97th percentile globally in the banking sector and commended in areas including climate strategy and social and environmental reporting. ANZ ranked #1 overall amongst major domestic peers in the RepTrak™ [2] corporate reputation survey, while we are also leading peers in key Reputation Driver scores for Governance, Leadership, Products/Services, Citizenship and Workplace. Sound progress has been made in addressing the findings of the Risk Governance Self-Assessment and on key regulatory/non-financial risk projects. However, we are not as advanced with some Non-Financial Risk projects as we would have liked to be and a $500 million APRA capital overlay remains in place pending confirmation of an improvement in operational risk management across the bank. As a result of not meeting all of the high standards we hold ourselves to, the overall Risk assessment rating is 'met most but not all expectations'.	●	●	

2021 focus areas	Performance commentary	Performance against expectations: Below	Met	Above
		Below	Met	Above
Deliver major regulatory commitments	• Strong progress was made against regulatory obligations and commitments, including clear plans and accountability for fixing issues in a sustainable manner. However, these plans could be more advanced. • Royal Commission: Implementation of December 2020 legislative reforms are underway. 11 of the 41 applicable recommendations are complete, 13 are underway and 17 require external action in order to progress. • APRA Self-Assessment: Execution is underway and on track, with comprehensive plans and actions monitored by an internal Oversight Committee and assessed by a third party and ANZ's internal audit function. To date, the vast majority of actions have been completed and those remaining are tracking well. • Implementation of BS11 in New Zealand continues to move forward against our challenging, internally imposed delivery timeframes.		●	

1. Dow Jones Sustainability Indices (DJSI): Evaluates the sustainability performance of thousands of companies trading publicly, operated under a strategic partnership between S&P Dow Jones Indices and RobecoSAM (Sustainable Asset Management). **2.** RepTrak™ measures the reputation of the 60 largest companies operating nationally every quarter, as determined by the revenue classification of the IBISWorld Top 2000 list.

CUSTOMER (35% WEIGHT)

Customer overall: Below expectations

Performance commentary	Performance against expectations		
GROUP STRATEGIC PRIORITY: *Deliver great customer outcomes, focused on improving the financial wellbeing and experience of priority segments*	Below	Met	Above
We have continued to demonstrate our commitment to improve the financial wellbeing of our customers, which remains central to our business strategy. Sound progress has been made to deliver great outcomes across key segments, however after a strong first half, we experienced material challenges processing home loan application volumes in Australia. This has resulted in our customers experiencing longer than expected wait times for loan approval decisions and increased volumes in our assessment backlog. While we were able to tactically manage and improve the situation, strengthening our policy and processes in this area remains a high priority focus. Given the Australian Home Portfolio is a significant proportion of the group balance sheet, under performance in this area has significantly impacted the performance assessment. In Australia, our Financial Wellbeing activities achieved 1.34 million visits to our Financial Wellbeing Hub on anz.com.au since launch and a 7% uplift in consideration during the major 'Financial Wellbeing Challenge' campaign over the 2021 Australian Open. We also launched a 'gambling block' on the ANZ mobile app, a new Cashrewards program for customers to earn cashback payments on everyday spending and additional support for customers with persistent credit card debt. Saver Plus, established in partnership with The Brotherhood of St Laurence in 2003, remains Australia's largest and longest-running financial education and matched savings program. During 2021, program participants were supported to save $1.9 million, with a further $1.45 million matched by ANZ. Our GoBiz product was launched for business owners, creating the ability for customers to apply for loans in 20 minutes, while a new joint venture was established with Worldline for merchant services. In New Zealand, we launched a new Financial Wellbeing platform 'We Do How'. Key brand attributes have lifted as a result, including 'A bank that helps you improve your financial wellbeing' and 'A bank that helps you pay off your home loan faster'. In addition, we maintained our #1 ranking for Brand Consideration. Our Institutional business retained #1 rankings in Peter Lee[3] surveys, and continued to support customer-focused sustainability outcomes. We were awarded Sustainability Debt House of the Year and Sustainability Issuer of the Year by KangaNews, Australian Sustainability Issuer of the year by FinanceAsia, and maintained our position as the #1 provider in AUD and NZD Sustainable Bonds.	●		

2021 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Improve time to first decision for home loans in Australia	• Restoring momentum in Australian home lending remains a priority to add scale, efficiency and capacity to deliver faster and more consistent application response times for our customers. • Median time to first decision for Broker and Mobile Lending applications reduced from 35 days in mid-2020 to 7.4 days and application backlogs have also continued to reduce, however there is still work ahead to meet customer expectations and our own high standards.	●		
Remediate past mistakes in Australia and NZ	• Our Responsible Banking teams in Australia and New Zealand refunded approximately $209 million to around 2.6 million customer accounts during 2021. • 13 major remediation streams have been completed in Australia, while in New Zealand, 45 remediation events have been closed.		●	
Treat our customers fairly, particularly as COVID-19 loan deferrals are reassessed and managed	• We have proactively ensured that customers undergoing financial stress, including due to the impacts of COVID-19, have access to support options. • Over the last 12 months, approximately 143k loan deferrals were provided to Australia Retail and Commercial customers. At the completion of deferrals in March 2021, 96% of our home lending customers, and 90% of our commercial and private bank customers had either returned or advised their intention to return to payments. Remaining loans have been either restructured or are in Hardship or Lending Services, with around 1% not suitable for either form of assistance. • Additional support packages were announced in early July and ANZ has since provided assistance to Home Loan and Commercial customers. • In New Zealand, communications were sent to 250,000 customers who had not taken assistance during COVID-19 who ANZ felt might need support, with 7,000 customers taking assistance as a result. Home loan deferrals resulted in very few defaults and/or referrals to our financial wellbeing team, with strong oversight and assistance remaining in place.			●
Deliver new customer service propositions	• Several digital innovation projects are underway to deliver new customer propositions, with early customer satisfaction testing results exceeding expectations. The complexity and scale of this work has resulted in unexpected delays however robust tracking and support remains in place.		●	

3. Peter Lee Associates 2021 Large Corporate and Institutional Relationship Banking surveys, Australia and NZ.

PEOPLE & CULTURE (30% WEIGHT)

People & Culture overall: Above expectations

Performance commentary	Performance against expectations		
GROUP STRATEGIC PRIORITY: *Build a diverse team who listen, learn and adapt*	Below	Met	Above
Our consistently strong management of people and culture was again a highlight and reflects multiple years of purposeful investment in building the right leadership behaviours and enhancing our culture frameworks. ANZ was awarded the #1 position in the Australian Financial Review's Best Place to Work Awards (Banking, Superannuation & Financial Services) and we achieved the outright #1 position amongst major bank peers in Glassdoor[4] ratings. Staff engagement survey results remained strong, and following a global trend which saw employer scores spike in 2020, ANZ's 2021 results expectedly returned to a steady positive trend. Key scores remained within target thresholds and above 2019 levels, with overall engagement at 81% (86% in 2020; 77% in 2019). The wellbeing of our people continued to be a priority, with all staff supported to complete mental health awareness training. We also have been reshaping how we work by mobilising our employees into three flexible working modes across all geographies where regulatory requirements have permitted. We made the strongest improvement in gender diversity in several years, with female representation in leadership roles increasing by 1.9% to 35.3%. A new Diversity & Inclusion Strategy was also endorsed to drive further long-term sustainable improvements. Embedding of our reward and performance framework continued, with a focus on continuous performance management capabilities, employee recognition, and reward arrangements for high performers in critical talent populations.			●

2021 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Roll out enterprise wide change leadership programs	• We successfully rolled out an enterprise wide program to support all of our people leaders to lead their teams through disruption and change. • Activities to embed these key leadership behaviours have been developed and introduced into key phases of the employee lifecycle. • In New Zealand, additional workshops have been delivered to over 80% of people leaders to further educate them on our leadership frameworks and tools.			●
Strengthen strategic priority capabilities	• To enhance our critical strategic capabilities, we have placed over 3,700 external hires and 700 internal transfers into engineering roles, while more than 400 external hires and over 200 internal moves were completed into data roles. • We continued to build priority engineering skills, with approximately 7,000 hours of content consumed on our leading edge learning platforms relating to Cloud, DevOps, Coding and Scripting and Data Modelling. • Critical pipelines for engineering capability were also increased through various programs to improve workforce diversity and participation.			●

4. Glassdoor is a website where employees and former employees anonymously review companies and their management.

FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE (35% WEIGHT)	Financial Discipline & Operational Resilience overall: Met expectations

Performance commentary	Performance against expectations		
GROUP STRATEGIC PRIORITY: *Run core businesses well, focused on delivering sustainable growth and operational improvements*	Below	Met	Above
In an uncertain and volatile environment, ANZ delivered solid underlying earnings. This reflects the continued execution of our long-term strategy to maintain a strong balance sheet, prudently manage risk and remain focused on cost management. We remained disciplined in our focus on margins and returns, although lending volumes in our Australian home loan business were impacted by challenges in processing application volumes. Costs were again well managed, enabling record levels of investment in both growth initiatives and reducing operational complexity. Our capital strength was again evident enabling us to increase dividends and commence returning capital to shareholders.		●	

2021 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Deliver Group Economic Profit in a high quality and sustainable manner	• On a cash continuing basis, Economic Profit[5] of $769 million was generated. This was on target, notwithstanding that NPAT was impacted by $946 million (post-tax) of large/notable items[6]. • Excluding large/notable items, revenue was down 3% as the performance of our Markets business normalised reflecting lower market volatility and customer hedging activity. Elsewhere, strong risk-adjusted margin discipline was evident despite environmental and structural headwinds. • Cost management remained disciplined. Run the bank costs reduced 4% which enabled high levels of investment to grow and simplify the business, and meet our regulatory and compliance obligations. • The credit quality of our lending portfolio remains strong, with long-run loss rates continuing to decline. • Capital continued to be well managed. CET1 of 12.3% has enabled increased dividends to be paid to our shareholders and a $1.5 billion share buyback to be commenced, while retaining flexibility to use our balance sheet to support customers as required.		●	
Deliver our Acceleration to Cloud with a focus on our Windows Server Fleet	• We are ahead of schedule in the migration of the Windows Server Fleet to Cloud.		●	

OVERALL	Group Performance assessment: Met most but not all expectations		
On balance, the Board considered an overall assessment of 'Met most but not all expectations' a fair and appropriate rating, reflecting that overall Group performance was slightly below expectations. The bank performed well, delivering with purpose against the vast majority of our objectives, while recognising there are areas where continued focus is required to improve. These areas primarily relate to home lending momentum in Australia, and the pace at which we are delivering complex projects to achieve digital innovation and non-financial risk outcomes.		●	

5. Economic profit is a risk adjusted profit measure used to evaluate business unit performance and is not subject to audit by the external auditor. Economic profit is calculated via a series of adjustments to cash profit with the economic credit cost adjustment replacing the accounting credit loss charge; the inclusion of the benefit of imputation credits (measured at 70% of Australian tax) and an adjustment to reflect the cost of capital. **6.** Large/notable items include the impact of divestments, customer remediation, litigation settlements, restructuring and Asian Associate items.

4.5.4 ANZ performance outcomes

ANZ's financial performance 2017–2021

As discussed in section 4.5.1, when determining variable remuneration outcomes for Disclosed Executives and employees more broadly cash profit and economic profit are considered. The Group uses cash profit[1] as a measure of performance for the Group's ongoing business activities, as this provides a basis to assess Group and Divisional performance against earlier periods and against peer institutions. Although cash profit is not audited, the external auditor has informed the Audit Committee that recurring adjustments have been determined on a consistent basis across each period presented.

Statutory profit has increased 72% compared to the prior financial year, while cash profit from continuing operations has increased 65%. This improvement was driven primarily by a credit provision release of $567 million (compared to a $2.7 billion pre-tax charge in the prior financial year) as a result of an improved economic outlook.

During 2021 the Group commenced a $1.5 billion share buy-back to return surplus capital to its shareholders, which up to 30 September 2021 has resulted in the Group returning $654 million of capital to shareholders via the acquisition of 23 million shares on market. See 'Note 23 Shareholders' Equity' of the Annual Report.

The table below provides ANZ's financial performance, including cash profit, over the last five years.

	2017	2018	2019	2020	2021
Statutory profit ($m)	6,406	6,400	5,953	3,577	**6,162**
Cash profit ($m, unaudited)	6,938	5,805	6,161	3,660	**6,181**
Cash profit – Continuing operations ($m, unaudited)	6,809	6,487	6,470	3,758	**6,198**
Cash profit before provisions – Continuing operations ($m, unaudited)	10,849	9,966	9,958	8,369	**8,396**
Cash ROE (%) – Continuing operations (unaudited)	11.7	11.0	10.9	6.2	**9.9**
Cash EPS – Continuing operations (unaudited)	232.7	223.4	227.6	132.7	**218.3**
Share price at 30 September ($) (On 1 October 2016, opening share price was $27.63)	29.60	28.18	28.52	17.22	**28.15**
Total dividend (cents per share)	160	160	160	60	**142**
Total shareholder return (12 month %)	13.1	0.6	9.2	(36.9)	**70.7**

1. Cash profit excludes non-core items included in statutory profit and is provided to assist readers understand the results of the core business activities of the Group.

ANZ TSR performance (1 to 10 years)

The table below compares ANZ's TSR performance against the median TSR and upper quartile TSR of the performance rights Select Financial Services (SFS) comparator group[1] over one to ten years, noting that for this table TSR is measured over a different timeframe (i.e. to 30 September 2021) to the performance period for our performance rights.

- ANZ's TSR performance was above the median TSR of the SFS comparator group[1] when comparing over one and three years; and
- slightly below the median over five years and ten years.

	Years to 30 September 2021			
	1	3[2]	5	10
ANZ (%)	**70.7**	**15.8**	**31.8**	**151.0**
Median TSR SFS (%)	60.6	7.0	33.8	152.8
Upper quartile TSR SFS (%)	65.0	32.1	83.2	279.0

1. See section 5.2.3a for details of the SFS comparator group. **2.** The outcomes for performance rights granted in November/December 2017 and tested in November 2020 are detailed in section 4.4.3.

5. 2021 EXECUTIVE REMUNERATION STRUCTURE AND DELIVERY

There are two core components of remuneration at ANZ – fixed remuneration and at risk variable remuneration.

In structuring remuneration, the Board aims to find the right balance between fixed and variable remuneration (at risk), the way it is delivered (cash versus deferred remuneration) and appropriate time frames (the short, medium and long-term).

The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities and reflecting their responsibilities, performance, qualifications and experience.

The way variable remuneration operates differs somewhat between the CEO and Disclosed Executives. Namely:

- The CEO's variable remuneration is comprised of AVR and LTVR (subject to shareholder approval), which provides consistency with external market practice, and LTVR reinforces his focus on achieving longer term strategic objectives and long-term stakeholder value creation.
- Disclosed Executives are subject to one combined VR plan (i.e. a mix of short and also long term rewards with performance hurdles) deferred over the short, medium and longer term.

Variable remuneration seeks to differentiate for performance and is designed to focus our CEO and Disclosed Executives on stretching performance objectives supporting our business strategy, risk management and the delivery of long-term stakeholder value.

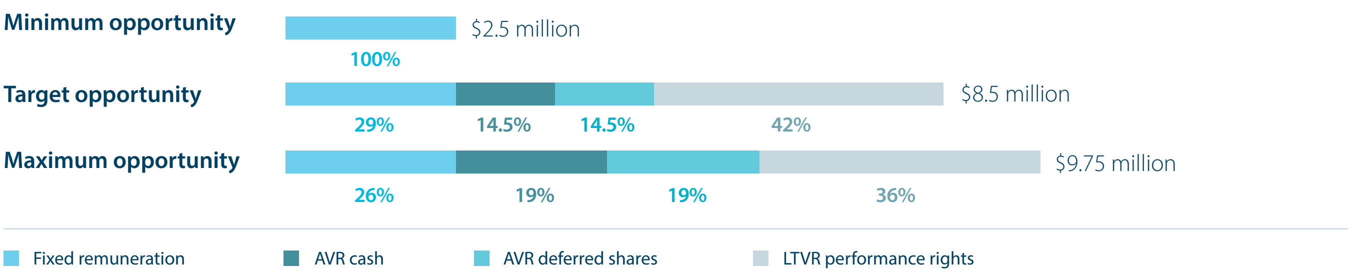
By deferring a significant portion of variable remuneration (74% of maximum opportunity for the CEO, 75% for Disclosed Executives and 67% for the CRO), we seek to ensure alignment with shareholder interests to deliver on ANZ's strategic objectives and ensure a focus on long-term value creation. Deferred variable remuneration has significant retention elements, and most importantly, can be adjusted downwards, including to zero, allowing the Board to hold executives accountable, individually or collectively, for the longer term impacts of their decisions and actions.

Board discretion is applied when determining all CEO and Disclosed Executive variable remuneration outcomes, and also before any scheduled release of previously deferred remuneration (i.e. consider malus or further deferral). See section 5.3.

5.1 REMUNERATION MIX (PERFORMANCE RIGHTS AT FULL VESTING)

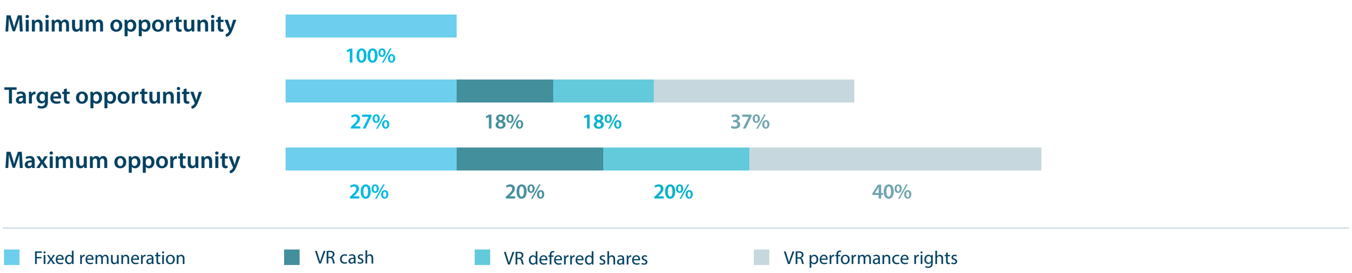
We structure the CEO and Disclosed Executives' remuneration as follows:

REMUNERATION MIX – CEO



Minimum = Fixed remuneration ($2.5 million)
Target = Fixed remuneration + target AVR (100% of fixed remuneration) + LTVR (140% of fixed remuneration)
Maximum = Fixed remuneration + maximum AVR (150% of fixed remuneration) + LTVR (140% of fixed remuneration)

REMUNERATION MIX – DISCLOSED EXECUTIVES[1]



Minimum = Fixed remuneration
Target = Fixed remuneration + target VR (268% of fixed remuneration)
Maximum = Fixed remuneration + maximum VR (402% of fixed remuneration (150% of target VR))

1. Excluding CRO.

CRO

To preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation, the CRO's remuneration arrangements differ to other Disclosed Executives.

The remuneration mix is 27% fixed remuneration and 73% VR at maximum opportunity. The VR target opportunity is 180% of fixed remuneration and VR maximum opportunity is 270% of fixed remuneration. VR is delivered as 33% cash, 33% deferred shares and 34% deferred share rights (instead of performance rights).

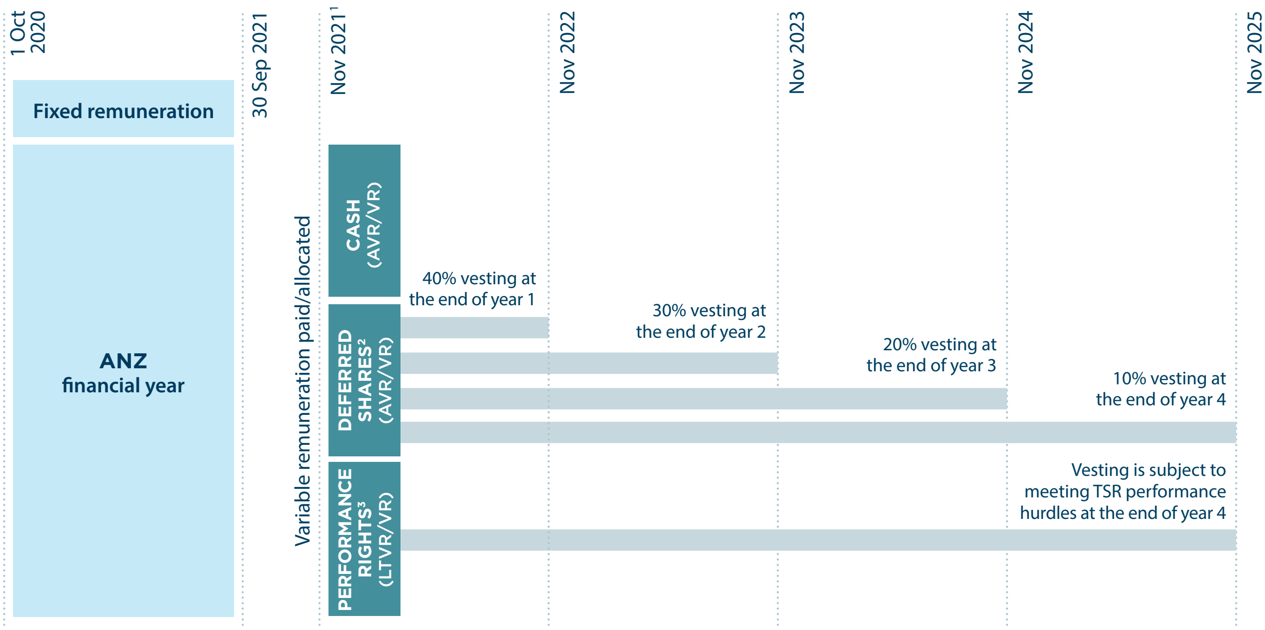
5.2 VARIABLE REMUNERATION DELIVERY

Variable remuneration for the CEO and the Disclosed Executives (excluding the CRO) is delivered partly in cash, shares deferred over four years, and performance rights deferred for four years. The performance rights are also subject to performance hurdles which determine whether they vest in four years' time.

60% of variable remuneration (AVR plus LTVR) for the CEO, 53% of VR for Disclosed Executives (other than the CRO), and 41% of VR for the CRO will be deferred for at least four years (from the date the Board approved the variable remuneration in October (and the date shareholders approve the CEO's LTVR)), noting that this complies with the BEAR minimum deferral requirement of 60% for the CEO and 40% for Disclosed Executives.

Before any scheduled release of deferred shares/deferred share rights/performance rights, the Board considers whether any malus/downward adjustment of previously deferred remuneration (or further deferral of vesting) should be made for the CEO and Disclosed Executives. See section 5.3.

VARIABLE REMUNERATION DELIVERY – CEO AND DISCLOSED EXECUTIVES



1. Variable remuneration outcomes were approved by the ANZBGL Board on 15 October 2021, and in addition for A Watson by the ANZ NZ Board on 19 October 2021. The CEO's performance rights are subject to shareholder approval at the 2021 AGM. **2.** Deferred shares for the CRO vest as follows: 30% at the end of years 1 and 2, and 20% at the end of years 3 and 4. **3.** Deferred share rights for the CRO.

5.2.1 Cash – CEO (AVR) and Disclosed Executives (VR)

The cash component of variable remuneration is paid to executives at the end of the annual Performance and Remuneration Review (December 2021).

5.2.2 Deferred shares – CEO (AVR) and Disclosed Executives (VR)

Deferred shares are ordinary shares, deferred over one to four years. By deferring part of an executives' remuneration over time (and it remaining subject to malus), we enable a substantial amount of their remuneration to be directly linked to delivering long-term shareholder value. We grant deferred shares in respect of performance for the 1 October to 30 September financial year in late November each year.

We calculate the number of deferred shares to be granted based on the VWAP of the shares traded on the ASX in the five trading days leading up to and including the date of grant. For disclosure and expensing purposes, we use the one day VWAP at the date of grant to determine the fair value.

In some cases, we may grant deferred share rights to executives instead of deferred shares. Each deferred share right entitles the holder to one ordinary share.

5.2.3a Performance rights – CEO (LTVR) and Disclosed Executives (VR) excluding the CRO

A performance right is a right to acquire one ordinary ANZ share at nil cost – as long as time and performance hurdles are met. The future value of performance rights may range from zero to an indeterminate value. The value depends on our performance against the hurdles and on the share price at the time of exercise.

The performance rights have a four-year performance period (and remain subject to malus up to the vesting date). For the 2021 grant, the performance period is from 22 November 2021 to 21 November 2025. A four-year performance period provides sufficient time for longer term performance to be reflected.

More detail relating to the 2021 performance rights is provided below.

<table>
<tr><th>Element</th><th>Detail</th></tr>
<tr><td>Performance rights hurdles</td><td>The performance rights have TSR performance hurdles reflecting the importance of focusing on achieving longer term strategic objectives and aligning executives' and shareholders' interests. We will apply two TSR performance hurdles for the 2021 grants of performance rights:
• 75% will be measured against a relative TSR hurdle, tranche 1.
• 25% will be measured against an absolute TSR hurdle, tranche 2.

TSR represents the change in value of a share plus the value of reinvested dividends paid. We regard it as the most appropriate long-term measure – it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance. The combination of relative and absolute TSR hurdles provides balance to the plan by:
• Relative: rewarding executives for performance that exceeds that of comparator companies; and
• Absolute: ensuring there is a continued focus on providing positive growth – even when the market is declining.

The two hurdles measure separate aspects of performance:
• the relative TSR hurdle measures our TSR compared to that of the Select Financial Services (SFS) comparator group, made up of core local and global competitors. This comparator group is chosen to broadly reflect the geographies and business segments in which ANZ competes for revenue; and
• the absolute Compound Annual Growth Rate (CAGR) TSR hurdle provides executives with a more direct line of sight to the level of shareholder return to be achieved. It also provides a tighter correlation between the executives' rewards and the shareholders' financial outcomes.

We will measure ANZ's TSR against each hurdle at the end of the four-year performance period to determine whether each tranche of performance rights become exercisable. We measure each tranche independently from the other – for example one tranche may vest fully or partially but the other tranche may not vest.</td></tr>
<tr><td>Relative TSR hurdle for the November/ December 2021 grant</td><td>The relative TSR hurdle is an external hurdle that measures our TSR against that of the SFS comparator group over four years. The SFS comparator group (unchanged from prior years) is made up of: Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Commonwealth Bank of Australia Limited; DBS Bank Limited; Macquarie Group Limited; National Australia Bank Limited; Standard Chartered PLC; Suncorp Group Limited; and Westpac Banking Corporation.

<table>
<tr><th>If our TSR when compared to the TSR of the comparator group</th><th>then the percentage of performance rights that vest</th></tr>
<tr><td>is less than the 50th percentile</td><td>is nil</td></tr>
<tr><td>reaches at least the 50th percentile, but is less than the 75th percentile</td><td>is 50% plus 2% for every one percentile increase above the 50th percentile</td></tr>
<tr><td>reaches or exceeds the 75th percentile</td><td>is 100%</td></tr>
</table></td></tr>
<tr><td>Absolute TSR hurdle for the November/ December 2021 grant</td><td>The absolute CAGR TSR hurdle is an internal hurdle as to whether ANZ achieves or exceeds a threshold level of growth the Board sets at the start of the performance period. The Board reviews and approves the absolute TSR targets each year for that year's award. When reviewing the targets, the Board references ANZ's assessed Cost of Capital. The Cost of Capital is determined using methodologies including the Capital Asset Pricing Model (CAPM). The Cost of Capital is regularly reviewed and updated to reflect current market conditions. During 2021, a number of inputs in the calculation were updated, such that the Cost of Capital was revised for the second half of 2021. As a result, the Board determined the CAGR TSR targets for 2021 by averaging the Cost of Capital for 1H21 and 2H21.

<table>
<tr><th>If the absolute CAGR of our TSR</th><th>then the percentage of performance rights that vest</th></tr>
<tr><td>is less than 8.1%</td><td>is nil</td></tr>
<tr><td>is 8.1%</td><td>is 50%</td></tr>
<tr><td>reaches at least 8.1%, but is less than 12.2%</td><td>is progressively increased on a pro-rata, straight-line, basis from 50% to 100%</td></tr>
<tr><td>reaches or exceeds 12.2%</td><td>is 100%</td></tr>
</table></td></tr>
</table>

Calculating TSR performance	When calculating performance against TSR, we: • reduce the impact of share price volatility – by using an averaging calculation over a 90-trading day period for start and end values; • ensure an independent measurement – by engaging the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate ANZ's performance against the TSR hurdles; and • test the performance against the relevant hurdle once only at the end of the four-year performance period – the rights lapse if the performance hurdle is not met – there is no retesting.
Calculating the number of performance rights	The number of performance rights we grant is calculated using a face value basis – i.e. the full share price. Face value at full vesting is split into two tranches. Each tranche value is then divided by the market price (five trading day VWAP of ANZ shares at the start of the performance period) to determine the number of performance rights we award in each tranche. Performance rights are allocated in late November/early December for Disclosed Executives and December for the CEO (subject to shareholder approval).
Expensing performance rights	ANZ engages PricewaterhouseCoopers to independently determine the fair value of performance rights, which is only used for expensing purposes. They consider factors including: the market performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date.

5.2.3b Deferred share rights – CRO (VR)

The CRO receives deferred share rights instead of performance rights to preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation.

The CRO's deferred share rights are subject to a time-based vesting hurdle of four years. The value the Board uses to determine the number of deferred share rights to be allocated to the CRO is the face value of the Company's shares traded on the ASX at the time of grant (five trading day VWAP).

5.3 MALUS (DOWNWARD ADJUSTMENT OF PREVIOUSLY DEFERRED REMUNERATION) – BOARD DISCRETION

All deferred remuneration we award to an employee is subject to ANZ's on-going and absolute discretion to adjust this downward (malus) (including to zero) at any time.

ANZ may exercise this discretion, for example, where:

- there is a need to protect the financial soundness of ANZ or to meet regulatory requirements or there has been a material failure of risk management or controls within ANZ;
- the employee has acted fraudulently or dishonestly, failed to act with due care, skill and diligence, or failed to comply with ANZ policies (including the Code of Conduct), processes or directions;
- the employee is responsible or accountable, directly or indirectly, by virtue of their role or seniority for an occurrence/event which has had an adverse impact on ANZ;
- there has been misconduct and the employee was involved directly or indirectly, failed to take adequate steps, could be considered responsible due to their seniority, or the decision to award or grant the deferred remuneration was made on the basis of misinformation.

Further, where the CEO and/or Disclosed Executives of ANZ have failed to comply with their accountability obligations under the BEAR, their deferred remuneration will be reduced by an amount that is proportionate to the failure, as required by the BEAR.

An employee's deferred remuneration is also subject to ANZ's on-going and absolute discretion to further defer the vesting. Where ANZ exercises this discretion, the vesting date is postponed and will not vest unless and until ANZ determines it should vest.

Before any scheduled vesting of deferred remuneration, the Board (for the CEO, Disclosed Executives and other specified roles) and/or the Enterprise Accountability Group (EAG) (for other employees) considers whether malus/downward adjustment or further deferral should be applied. See section 6 for details.

6. ACCOUNTABILITY AND CONSEQUENCE FRAMEWORK

Throughout 2021 we continued to strengthen and evolve ANZ's Accountability and Consequence Framework (A&CF).

The Enterprise Accountability Group (EAG) operates under the delegated authority of the Board HR Committee and:

- supports the Board in monitoring the implementation and ongoing effectiveness of ANZ's A&CF, being cognisant of its impact on the culture of ANZ.
- is chaired by the CEO and members include the CRO, CFO and GE T&C.
- reviews the most material risk, conduct and audit events (as relevant), accountability and the application of consequences, where appropriate.
- provides guidance to the Divisions and considers initiatives across the Divisions to strengthen risk behaviours and recognise risk role models, whose achievements are profiled across the organisation.

In 2021, 43 individuals were recognised as role modelling outstanding risk behaviours for their work to manage and mitigate the organisation's risks and their continuous improvement of our risk culture. The recognition provided included personalised messages from the CEO, the opportunity to meet with the Board and ExCo, and having their achievements profiled on our intranet and in internal newsletters.

The EAG has processes in place to ensure that we mitigate the risk of conflicts of interest in reviewing events and determining accountability and consequences. For example, when undertaking accountability reviews, a recommendation regarding the review leader must be sent to the CRO or (in the case of an event involving Group Risk) the CEO, for review and approval to ensure the individual is capable of undertaking an impartial and unbiased review. Further, considerations regarding accountability and consequences for our most senior executives are considered and determined by the HR Committee and Board.

Reports on the most material risk, audit and conduct issues were presented to the HR, Risk and Audit Committees at a concurrent meeting. This information was taken into consideration by the Board when considering the performance of the Group and the 2021 ANZIP variable remuneration pool for all employees, and determining the performance and remuneration outcomes of the CEO and Disclosed Executives.

The HR Committee and Board consider accountability and consequences for the CEO and Disclosed Executives, including the application of malus to previously deferred remuneration. No malus was applied to the previously deferred remuneration of the CEO and Disclosed Executives during 2021.

When determining consequences, consideration is given to the level of accountability, and the severity of the issue, including customer impacts. Consequences may include, for example, one or more of the following: counselling, formal warnings, impacts to in year performance and remuneration outcomes or application of malus to previously deferred remuneration and ultimately termination of employment for the most serious issues.

Our ongoing focus on accountability, consequences and driving a strong risk culture supports our customer commitment that when things go wrong, we fix them quickly and hold executives, current (and former where we can), to account where appropriate. We are also focused on ensuring that we learn from the cause of the event, and mitigate the risk of future recurrences and continuously seek to strengthen our risk culture. We review the effectiveness of the A&CF every year and implement enhancements to further strengthen the framework based on regulatory and internal stakeholder input.

We also continue to raise employee awareness of, and promote the various ways that employees can speak up and raise issues and ideas for improvement including through initiatives such as the Whistleblower Awareness Day, and through monitoring responses in our employee engagement surveys. Key risk and speak-up scores, including 'Leaders demonstrate accountability for risk' (87%), 'I can raise issues without fear of reprisals' (80%) and 'When I speak up, my ideas, opinions and concerns are heard' (81%) held firm at or near the 2020 highs.

In 2021, there were 1,435 matters involving alleged breaches of our Code of Conduct with 573 resulting in a formal consequence or the employee leaving ANZ, marginally up from 569 in 2020. Breaches ranged from compliance/procedural breaches (44%), general unacceptable behaviour (31%) through to email/systems misuse (11%), attendance issues (5%), fraud/theft (4%), conflict of interest (3%) and breaches of our Equal Opportunity, Bullying and Harassment Policy (2%). Outcomes following investigations of breaches this year included 114 terminations, 381 warnings and 78 employees leaving ANZ[1]. There was no evidence of broader systemic conduct issues.

In relation to the application of consequences to our senior leadership population (senior executives, executives and senior managers), 16 current and former employees (34 in 2020) had a consequence applied as a result of the application of our Code of Conduct policy and/or findings of accountability for a relevant event. Consequences included warnings, impacts on performance and remuneration outcomes and, for former employees, downward adjustment of previously deferred remuneration where relevant. The 16 current and former employees represent 0.6% of our senior leadership population.

1. Employees are listed in all categories which are relevant, meaning one employee may be listed in multiple categories.

7. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

7.1 REMUNERATION STRUCTURE

The HR Committee reviewed NED fees for 2021 and determined not to increase their fees.

NEDs receive a base fee for being a Director of the Board, and additional fees for either chairing, or being a member of a Board Committee. The Chairman of the Board does not receive additional fees for serving on a Board Committee.

In setting Board and Committee fees, the Board considers: general industry practice, ASX Corporate Governance Principles and Recommendations, the responsibilities and risks attached to the NED role, the time commitment expected of NEDs on Group and Company matters, and fees paid to NEDs of comparable companies.

ANZ compares NED fees to a comparator group of Australian listed companies with a similar market capitalisation, with particular focus on the major financial services institutions. This is considered an appropriate group, given similarity in size and complexity, nature of work and time commitment by NEDs.

To maintain NED independence and impartiality:

- NED fees are not linked to the performance of the Group; and
- NEDs are not eligible to participate in any of the Group's variable remuneration arrangements.

The current aggregate fee pool for NEDs of $4 million was approved by shareholders at the 2012 AGM. The annual total of NEDs' fees, including superannuation contributions, is within this agreed limit.

This table shows the NED fee policy structure for 2021.

2021 NED FEE POLICY STRUCTURE

	Board[1, 2]	Audit Committee	Risk Committee	HR Committee	Digital Business & Technology Committee	Ethics, Environment, Social & Governance Committee
Chair fee	$825,000	$65,000	$62,000	$57,000	$45,000	$35,000
Member fee	$240,000	$32,500	$31,000	$29,000	$15,000	$15,000

1. Including superannuation. **2.** The Chairman of the Board does not receive additional fees for serving on a Board Committee. The Chairman of the Board and NEDs do not receive a fee for serving on the Nomination and Board Operations Committee.

NED shareholding guidelines

We expect our NEDs to hold ANZ shares. NEDs are required:

- to accumulate shares – over a five-year period from their appointment – to the value of 100% (200% for the Chairman) of the NED member fee; and
- to maintain this shareholding while they are a Director of ANZ.

As at 30 September 2021, based on the ANZ share price at that time, all NEDs who have served five years met the holding requirement.

7.2 2021 STATUTORY REMUNERATION – NEDS

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards for the NEDs.

In addition to the fees shown below, Sir John Key also received NZD 391,000 in each of 2020 and 2021 for his role as Chairman of ANZ Bank New Zealand Limited.

2021 STATUTORY REMUNERATION – NEDS

		Short-term NED benefits		Post-employment	
	Financial year	Fees[1] $	Non monetary benefits[2] $	Super contributions[1] $	Total remuneration[3] $
Current Non-Executive Directors					
P O'Sullivan[4]	2021	764,033	19,931	22,163	806,127
	2020	243,331	–	19,207	262,538
I Atlas	2021	322,337	–	22,163	344,500
	2020	323,324	–	21,176	344,500
P Dwyer	2021	365,000	–	–	365,000
	2020	354,326	–	10,674	365,000
J Halton	2021	306,837	–	22,163	329,000
	2020	307,824	–	21,176	329,000
J Key	2021	278,837	–	22,163	301,000
	2020	279,824	–	21,176	301,000
G Liebelt	2021	341,337	–	22,163	363,500
	2020	342,324	–	21,176	363,500
J Macfarlane	2021	296,337	–	22,163	318,500
	2020	297,324	–	21,176	318,500
Former Non-Executive Directors					
D Gonski[5]	2021	57,348	3,363	5,424	66,135
	2020	803,824	–	21,176	825,000
Total of all Non-Executive Directors	2021	2,732,066	23,294	138,402	2,893,762
	2020	2,952,101	–	156,937	3,109,038

1. Year-on-year differences in fees relate to changes in Committee memberships and changes to the superannuation Maximum Contribution Base. From 1 January 2020 to 30 September 2021, P Dwyer elected to receive all payments in fees and therefore did not receive superannuation contributions during this period. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking and gifts provided upon retirement. **3.** Long-term benefits and share-based payments do not apply for the NEDs.
4. P O'Sullivan commenced as a NED on 4 November 2019 and as Chairman from 28 October 2020, so 2020 remuneration reflects a partial service year. **5.** D Gonski retired as Chairman on 28 October 2020, so 2021 remuneration reflects a partial service year.

8. REMUNERATION GOVERNANCE

8.1 THE HUMAN RESOURCES (HR) COMMITTEE

8.1.1 Role of the HR Committee

The HR Committee supports the Board on remuneration and other HR matters. It reviews the remuneration policies and practices of the Group, and monitors market practice and regulatory and compliance requirements in Australia and overseas.

During the year the HR Committee met on five occasions[1] and reviewed and approved, or made recommendations to the Board on matters including:

- remuneration for the CEO and other key executives (broader than those disclosed in the Remuneration Report) covered by the ANZBGL Remuneration Policy, and fees for the NEDs;
- ANZ's response to the industry-wide Retail Remuneration Review by Stephen Sedgwick AO;
- updates on APRA's draft Prudential Standard CPS 511 Remuneration, the BEAR Thematic Review, and Treasury's Financial Accountability Regime (FAR);
- potential changes to the executive reward structure in light of CPS 511[2];
- the ANZ Group Performance Framework (annual objectives setting and assessment) and annual variable remuneration spend;
- performance and reward outcomes for key senior executives, including the consideration of material events that have either occurred or came to light in the year;
- the release, further deferral or application of malus/downward adjustment of deferred remuneration;
- key senior executive appointments and terminations;
- the effectiveness of the ANZBGL Remuneration Policy;
- building capabilities required to deliver on our strategy;
- succession plans for key senior executives;
- culture and governance including updates on the strengthened Accountability and Consequence Framework (A&CF); and
- diversity, inclusion, and employee engagement.

More details about the role of the HR Committee, including its Charter, can be found on our website. Go to anz.com > Our company > Strong governance framework > ANZ Human Resources Committee Charter.

1. A subset of the HR Committee also met on a number of occasions during the year to discuss regulatory developments and 2021 outcomes. **2.** A HR Committee sub-group was established to review in detail the executive reward structure.

8.1.2 Link between remuneration and risk

The HR Committee has a strong focus on the relationship between business performance, risk management and remuneration, aligned with our business strategy. The chairs of the Risk and Audit Committees are members of the HR Committee and the full Board is in attendance for specific HR Committee meetings. A concurrent meeting of the HR, Risk and Audit Committees was held to review:

- material risk, conduct and audit events that either occurred or came to light in 2021;
- 2021 performance and variable remuneration recommendations at both the Group and Disclosed Executive level.

To further reflect the importance of the link between remuneration and risk:

- the Board had two NEDs (in addition to the Chairman) in 2021 who served on both the HR Committee and the Risk Committee;
- the HR Committee has free and unfettered access to risk and financial control personnel (the CRO and CFO attend HR Committee meetings for specific agenda items);
- the CRO provides an independent report to the HR Committee on the most material risk, conduct and audit events (as relevant) to help inform considerations of performance and remuneration, and accountability and consequences at the Group, Divisional and individual level;
- the CRO also provides an independent report to assist the Board in their assessment of performance and remuneration outcomes for the CEO and Disclosed Executives;
- the chairs of the Audit and Risk Committees are asked to provide input to ensure appropriate consideration of all relevant risk and internal audit issues; and
- the Group Performance Framework and Divisional Performance Frameworks include Risk as a key element acting as a modifier, and it forms an integral part of each framework's assessment and directly impacts the overall outcomes.

8.1.3 Conflict of interest

To help mitigate potential conflicts of interest:

- management are not in attendance when their own performance or remuneration is being discussed by the HR Committee or Board;
- the CEO's AVR is funded and determined separately from the ANZIP pool;
- the CRO's remuneration arrangements differ to other Disclosed Executives to preserve the independence of the role;
- the EAG also has processes in place to help mitigate conflicts of interest as outlined in section 6; and
- the HR Committee seeks input from a number of sources to inform their consideration of performance and remuneration outcomes for the CEO and Disclosed Executives including:
  - independent reports from Risk, Finance, Talent and Culture, and Internal Audit;
  - material risk, conduct and audit event data provided by the CRO;
  - input from both the Audit Committee and the Risk Committee of the Board.

8.1.4 External advisors provided information but not recommendations

The HR Committee can engage independent external advisors as needed.

Throughout the year, the HR Committee and management received information from the following external providers: Aon, Ashurst, EY, Mercer Consulting (Australia) Pty Ltd and PricewaterhouseCoopers. This information related to market data, market practices, analysis and modelling, legislative requirements and the interpretation of governance and regulatory requirements.

During the year, ANZ did not receive any remuneration recommendations from external consultants about the remuneration of KMP.

ANZ employs in-house remuneration professionals who provide recommendations to the HR Committee and the Board. The Board made its decisions independently, using the information provided and with careful regard to ANZ's strategic objectives, purpose and values, risk appetite and the ANZBGL Remuneration Policy and Principles.

8.2 INTERNAL GOVERNANCE

8.2.1 Hedging prohibition

All deferred equity must remain at risk until it has fully vested. Accordingly, executives and their associated persons must not enter into any schemes that specifically protect the unvested value of equity allocated. If they do so, then they would forfeit the relevant equity.

8.2.2 CEO and Disclosed Executives' shareholding guidelines

We expect the CEO and each Disclosed Executive to, over a five-year period:

- accumulate ANZ shares to the value of 200% of their fixed remuneration; and
- maintain this shareholding level while they are an executive of ANZ.

For this purpose, shareholdings include all vested and unvested equity that is not subject to performance hurdles. Based on equity holdings as at 30 September 2021, and the equity to be granted on 22 November 2021 as a result of the 2021 Performance and Remuneration Review outcomes, the CEO and all Disclosed Executives meet or, if less than five years' tenure, are on track to meet their minimum shareholding guidelines requirements.

8.2.3 CEO and Disclosed Executives' contract terms and equity treatment

The details of the contract terms and also the equity treatment on termination (in accordance with the Conditions of Grant) relating to the CEO and Disclosed Executives are below. Although they are similar, they vary in some cases to suit different circumstances.

Type of contract	Permanent ongoing employment contract.
Notice on resignation	• 12 months by CEO; • 6 months by Disclosed Executives[1].
Notice on termination by ANZ[2]	• 12 months by ANZ for CEO and Disclosed Executives[3]. However, ANZ may immediately terminate an individual's employment at any time in the case of serious misconduct. In that case, the individual will be entitled only to payment of fixed remuneration up to the date of their termination and their statutory entitlements.
How unvested equity is treated on leaving ANZ	Executives who resign or are terminated will forfeit all their unvested deferred equity – unless the Board determines otherwise. If an executive is terminated due to redundancy or they are classified as a 'good leaver', unless the Board determines otherwise, then: • their deferred shares/share rights are released at the original vesting date; • their performance rights[4] remain on foot and are released at the original vesting date (to the extent that the performance hurdles are met); and • their performance rights[4] (for grants awarded pre 31 December 2020) are prorated for service to the full notice termination date and released at the original vesting date (to the extent that the performance hurdles are met). On an executive's death or total and permanent disablement, their deferred equity vests. Unvested equity remains subject to malus post termination.
Change of control (applies to the CEO only)	If a change of control or other similar event occurs, then we will test the performance conditions applying to the CEO's performance rights. They will vest to the extent that the performance conditions are satisfied.

1. 3 months by the Acting CFO. **2.** For K Corbally and M Hand, their contracts state that in particular circumstances they may be eligible for a retrenchment benefit in accordance with the relevant ANZ policy, as varied from time to time, and M Hand is also eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons (see footnote 5 of section 9.1). For A Watson, notice on retrenchment is 6 weeks and compensation on retrenchment is calculated on a scale up to a maximum of 79 weeks after 25 years' service. **3.** 6 months by ANZ for the Acting CFO. **4.** Or deferred share rights granted to the CRO instead of performance rights.

9. OTHER INFORMATION

9.1 2021 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards. While it shows the fixed remuneration awarded (cash and superannuation contributions) and also the cash component of the 2021 variable remuneration award, it does not show the actual variable remuneration awarded or received in 2021 (see sections 4.1 and 4.2), but instead shows the amortised accounting value for this financial year of deferred remuneration (including prior year awards).

2021 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

		Short–term employee benefits			Post–employment	
	Financial year	Cash salary[1] $	Non monetary benefits[2] $	Total cash incentive[3] $	Super contributions[4] $	Retirement benefit accrued during year[5] $
CEO and Current Disclosed Executives						
S Elliott	2021	2,478,132	15,025	1,000,000	21,868	–
	2020	2,478,824	15,089	625,000	21,176	–
S Buggle[10]	2021	689,935	–	462,000	14,065	–
M Carnegie	2021	1,178,047	22,621	569,250	22,453	–
	2020	1,178,824	20,646	409,200	21,676	–
K Corbally	2021	1,078,030	9,525	613,800	21,970	–
	2020	1,078,824	9,589	429,000	21,176	–
G Florian	2021	1,062,530	21,431	676,500	21,970	–
	2020	1,053,824	20,646	371,250	21,176	–
M Hand	2021	1,178,047	9,525	544,500	21,953	5,218
	2020	1,178,824	9,589	462,000	21,176	25,177
K van der Merwe	2021	885,012	15,620	594,000	22,488	–
	2020	828,824	15,089	330,000	21,676	–
A Watson[11]	2021	1,042,346	9,786	687,167	36,336	–
	2020	975,974	11,176	334,681	39,625	–
M Whelan	2021	1,254,082	12,275	810,150	21,918	–
	2020	1,178,824	9,589	363,000	21,176	–
Former Disclosed Executives						
A George[12]	2021	891,030	18,837	–	22,470	–
	2020	1,078,824	26,146	363,000	21,676	–
M Jablko[13]	2021	516,787	7,552	–	11,713	–
	2020	1,078,824	9,589	363,000	21,676	–

1. Cash salary includes any adjustments required to reflect the use of ANZ's Lifestyle Leave Policy for the period in the KMP role. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking, taxation services, costs met by the Company in relation to in-country benefits, and gifts received on leaving ANZ for former Disclosed Executives. **3.** The total cash incentive relates to the cash component only. The relevant amortisation of the AVR/VR deferred components is included in share-based payments and has been amortised over the vesting period. The total AVR/VR was approved by the ANZBGL Board on 15 October 2021, and in addition for A Watson by the ANZ NZ Board on 19 October 2021. 100% of the cash component of the AVR/VR awarded for the 2020 and 2021 years vested to the executive in the applicable financial year. **4.** For all Australian based executives, the 2020 and 2021 superannuation contributions reflect the Superannuation Guarantee Contribution based on the Maximum Contribution Base. A Watson participates in KiwiSaver where ANZ provides an employer superannuation contribution matching member contributions up to 4% of total gross pay (less employer superannuation contribution tax). **5.** Accrual relates to Retirement Allowance. As a result of being employed with ANZ before November 1992, M Hand is eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as three months of preserved notional salary (which is 65% of fixed remuneration) plus an additional 3% of notional salary for each year of full-time service above 10 years less the total accrual value of long service leave (including taken and untaken). **6.** Long service leave accrued during the year increased year-on-year for K van der Merwe and M Whelan as a result of their fixed remuneration increases. **7.** As required by AASB 2 Share-based payments, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. The fair value is determined at grant date and is allocated on a straight-line basis over the relevant vesting period. The amount included as remuneration neither relates to, nor indicates, the benefit (if any) that the executive may ultimately realise if the equity

Long-term employee benefits	Share-based payments[7]					
	Total amortisation value of					
	Variable remuneration			Other equity allocations[8]		
Long service leave accrued during the year[6] $	Shares $	Share rights $	Performance rights $	Shares $	Termination benefits[9] $	Total remuneration $
37,880	880,970	–	1,039,524	–	–	5,473,399
100,651	828,507	–	1,156,061	–	–	5,225,308
52,757	112,974	159,613	71,423	–	–	1,562,767
18,182	534,990	–	267,586	–	–	2,613,129
28,120	502,572	–	196,150	–	–	2,357,188
16,667	472,538	357,462	1,984	–	–	2,571,976
32,255	378,884	258,090	16,398	–	–	2,224,216
18,058	478,255	–	312,520	–	–	2,591,264
24,403	333,927	–	238,329	–	–	2,063,555
18,182	451,897	–	266,258	–	–	2,495,580
112,623	367,507	–	203,224	–	–	2,380,120
22,929	457,267	–	298,076	–	–	2,295,392
16,580	358,605	–	229,707	–	–	1,800,481
4,130	439,710	22,321	200,921	564	–	2,443,281
17,383	237,502	82,845	93,742	711	–	1,793,639
69,359	730,123	–	355,857	–	–	3,253,764
18,232	754,535	–	417,161	–	–	2,762,517
–	(465,856)	–	(701,309)	–	174,828	(60,000)
25,551	430,514	–	219,525	–	–	2,165,236
–	(609,753)	–	(1,081,003)	10,950	74,947	(1,068,807)
21,570	535,573	–	307,228	50,316	–	2,387,776

becomes exercisable. No terms of share-based payments have been altered or modified during the financial year. There were no cash settled share-based payments or any other form of share-based payment compensation during the financial year for the CEO or Disclosed Executives. **8.** Other equity allocations relate to employment arrangements such as compensation for deferred remuneration forfeited, and shares received in relation to the historical Employee Share Offer. **9.** Termination benefits reflect payment of accrued annual leave and long service leave in accordance with contract, payable on cessation. **10.** S Buggle's 2021 remuneration reflects a partial service year as he commenced in a Disclosed Executive role on 8 February 2021. **11.** A Watson's fixed remuneration is paid in NZD and converted to AUD. In 2018, 2019 and 2020 A Watson was eligible to receive shares under the historical Employee Share Offer. That offer provided a grant of ANZ shares in each financial year to eligible employees subject to Board approval. See Note 31 Employee Share and Option Plans for further details on the historical Employee Share Offer. **12.** A George ceased employment 30 July 2021. Remuneration reflects up to her date of resignation (noting her annual fixed remuneration for 2021 remained unchanged at $1.1 million). Share-based payments include the expensing treatment on resignation for unvested deferred remuneration (including reversals for forfeiture on resignation). Termination benefits reflect payment for accrued annual leave and long service leave in accordance with contract, payable on resignation. **13.** M Jablko ceased employment 7 February 2021. Remuneration reflects up to her date of resignation (noting her annual fixed remuneration for 2021 remained unchanged at $1.1 million). Share-based payments include the expensing treatment on resignation for unvested deferred remuneration (including reversals for forfeiture on resignation). Other equity allocations for M Jablko relate to previously disclosed compensation for deferred remuneration forfeited. Termination benefits reflect payment for accrued annual leave in accordance with contract, payable on resignation.

9.2 EQUITY HOLDINGS

For the equity granted to the CEO and Disclosed Executives in November/December 2020, all deferred shares were purchased on the market. For deferred share rights and performance rights, we will determine our approach to satisfying awards closer to the time of vesting.

9.2.1 CEO and Disclosed Executives equity granted, vested, exercised/sold and lapsed/forfeited

The table below sets out details of deferred shares and rights that we granted to the CEO and Disclosed Executives:

- during the 2021 year; or
- in prior years and that then vested, were exercised/sold or which lapsed/were forfeited during the 2021 year.

EQUITY GRANTED VESTED, EXERCISED/SOLD AND LAPSED/FORFEITED – CEO AND DISCLOSED EXECUTIVES

							Vested			Lapsed/ Forfeited			Exercised/Sold				
Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Number	%	Value[2] $	Number	%	Value[2] $	Number	%	Value[2] $	Vested and exercis–able as at 30 Sep 2021[3]	Unexer–cisable as at 30 Sep 2021[4]
CEO and Current Disclosed Executives																	
S Elliott	Deferred shares	6,941		22–Nov–16	22–Nov–20	–	6,941	100	155,095	–	–	–	(6,941)	100	161,895	–	–
	Deferred shares	8,529		22–Nov–17	22–Nov–20	–	8,529	100	190,578	–	–	–	(8,529)	100	198,935	–	–
	Deferred shares	8,622		22–Nov–18	22–Nov–20	–	8,622	100	192,656	–	–	–	(8,622)	100	201,104	–	–
	Deferred shares	12,006		22–Nov–19	22–Nov–20	–	12,006	100	268,270	–	–	–	(12,006)	100	280,034	–	–
	Deferred shares	10,843	23.30	07–Dec–20	22–Nov–21	–	–	–	–			–	–	–	–	–	10,843
	Deferred shares	8,130	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	8,130
	Deferred shares	5,420	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	5,420
	Deferred shares	2,710	23.30	07–Dec–20	22–Nov–24	–	–	–	–			–	–	–	–	–	2,710
	Performance rights	53,191		17–Dec–15	17–Dec–18	17–Dec–20	–	–	–	–	–	–	(34,733)	65	800,099	–	–
	Performance rights	107,471		19–Dec–17	19–Dec–20	19–Dec–22	62,010	58	1,446,222	(45,461)	42	(1,060,260)	–	–	–	62,010	–
	Performance rights	35,823		19–Dec–17	19–Dec–20	19–Dec–22	–	–	–	(35,823)	100	(835,478)	–	–	–	–	–
	Performance rights	119,481	10.55	16–Dec–20	16–Dec–24	16–Dec–26	–	–	–	–	–	–	–	–	–	–	119,481
	Performance rights	39,827	6.67	16–Dec–20	16–Dec–24	16–Dec–26	–	–	–	–	–	–	–	–	–	–	39,827
S Buggle[5]	Deferred shares	4,703		21–Nov–14	21–Nov–17	–	–	–	–	–	–	–	(3,800)	81	100,845	903	–
	Deferred shares	2,938		22–Nov–16	22–Nov–19	–	–	–	–	–	–	–	(2,938)	100	83,214	–	–
	Deferred shares	6,277		22–Nov–17	22–Nov–19	–	–	–	–	–	–	–	(1,562)	25	44,241	4,715	–
	Deferred shares	6,464		22–Nov–18	22–Nov–19	–	–	–	–	–	–	–	(3,700)	57	100,212	2,764	–
M Carnegie	Deferred shares	1,182		22–Nov–16	22–Nov–20	–	1,182	100	26,411	–	–	–	–	–	–	1,182	–
	Deferred shares	4,785		22–Nov–17	22–Nov–20	–	4,785	100	106,919	–	–	–	–	–	–	4,785	–
	Deferred shares	5,202		22–Nov–18	22–Nov–20	–	5,202	100	116,237	–	–	–	–	–	–	5,202	–
	Deferred shares	7,924		22–Nov–19	22–Nov–20	–	7,924	100	177,059	–	–	–	–	–	–	7,924	–
	Deferred shares	7,099	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	7,099
	Deferred shares	5,323	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	5,323
	Deferred shares	3,549	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	3,549
	Deferred shares	1,774	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,774
	Performance rights	29,580		22–Nov–17	22–Nov–20	22–Nov–22	17,067	58	381,357	(12,513)	42	(279,599)	–	–	–	17,067	–
	Performance rights	9,860		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(9,860)	100	(220,319)	–	–	–	–	–
	Performance rights	28,784	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	28,784
	Performance rights	9,594	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	9,594

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercis-able as at 30 Sep 2021[3]	Unexer-cisable as at 30 Sep 2021[4]
CEO and Current Disclosed Executives																	
K Corbally	Deferred shares	2,115		22-Nov-17	22-Nov-20	–	2,115	100	47,259	–	–	–	(2,115)	100	48,721	–	–
	Deferred shares	3,007		22-Nov-18	22-Nov-20	–	3,007	100	67,191	–	–	–	(3,007)	100	69,268	–	–
	Deferred shares	5,745		22-Nov-19	22-Nov-20	–	5,745	100	128,370	–	–	–	(5,745)	100	132,340	–	–
	Deferred shares	5,582	23.30	07-Dec-20	22-Nov-21	–	–	–	–	–	–	–	–	–	–	–	5,582
	Deferred shares	5,581	23.30	07-Dec-20	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	5,581
	Deferred shares	3,720	23.30	07-Dec-20	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	3,720
	Deferred shares	3,720	23.30	07-Dec-20	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	3,720
	Deferred share rights	20,118	19.06	07-Dec-20	22-Nov-24	29-Nov-24	–	–	–	–	–	–	–	–	–	–	20,118
	Performance rights	4,230		22-Nov-17	22-Nov-20	22-Nov-22	2,440	58	54,521	(1,790)	42	(39,997)	(2,440)	58	56,207	–	–
G Florian	Deferred shares	2,465		22-Nov-17	22-Nov-18	–	–	–	–	–	–	–	(2,465)	100	69,696	–	–
	Deferred shares	2,462		22-Nov-17	22-Nov-19	–	–	–	–	–	–	–	(2,462)	100	69,611	–	–
	Deferred shares	2,462		22-Nov-17	22-Nov-20	–	2,462	100	55,013	–	–	–	–	–	–	2,462	–
	Deferred shares	3,254		22-Nov-18	22-Nov-19	–	–	–	–	–	–	–	(3,254)	100	92,004	–	–
	Deferred shares	3,251		22-Nov-18	22-Nov-20	–	3,251	100	72,643	–	–	–	–	–	–	3,251	–
	Deferred shares	4,491		22-Nov-19	22-Nov-20	–	4,491	100	100,350	–	–	–	–	–	–	4,491	–
	Deferred shares	6,442	23.30	07-Dec-20	22-Nov-21	–	–	–	–	–	–	–	–	–	–	–	6,442
	Deferred shares	4,829	23.30	07-Dec-20	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	4,829
	Deferred shares	3,219	23.30	07-Dec-20	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	3,219
	Deferred shares	1,609	23.30	07-Dec-20	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	1,609
	Performance rights	15,225		22-Nov-17	22-Nov-20	22-Nov-22	8,784	58	196,276	(6,441)	42	(143,922)	–	–	–	8,784	–
	Performance rights	5,075		22-Nov-17	22-Nov-20	22-Nov-22	–	–	–	(5,075)	100	(113,399)	–	–	–	–	–
	Performance rights	26,115	10.59	07-Dec-20	22-Nov-24	22-Nov-26	–	–	–	–	–	–	–	–	–	–	26,115
	Performance rights	8,705	6.46	07-Dec-20	22-Nov-24	22-Nov-26	–	–	–	–	–	–	–	–	–	–	8,705
M Hand	Deferred shares	3,138		22-Nov-17	22-Nov-20	–	3,138	100	70,118	–	–	–	(3,138)	100	71,641	–	–
	Deferred shares	3,251		22-Nov-18	22-Nov-20	–	3,251	100	72,643	–	–	–	(3,251)	100	74,220	–	–
	Deferred shares	4,755		22-Nov-19	22-Nov-20	–	4,755	100	106,249	–	–	–	(4,755)	100	108,557	–	–
	Deferred shares	8,015	23.30	07-Dec-20	22-Nov-21	–	–	–	–	–	–	–	–	–	–	–	8,015
	Deferred shares	6,010	23.30	07-Dec-20	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	6,010
	Deferred shares	4,006	23.30	07-Dec-20	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	4,006
	Deferred shares	2,003	23.30	07-Dec-20	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	2,003
	Performance rights	6,277		22-Nov-17	22-Nov-20	22-Nov-22	3,621	58	80,910	(2,656)	42	(59,348)	(3,621)	58	82,667	–	–
	Performance rights	32,498	10.59	07-Dec-20	22-Nov-24	22-Nov-26	–	–	–	–	–	–	–	–	–	–	32,498
	Performance rights	10,832	6.46	07-Dec-20	22-Nov-24	22-Nov-26	–	–	–	–	–	–	–	–	–	–	10,832
K van der Merwe	Deferred shares	1,479		22-Nov-17	22-Nov-18	–	–	–	–	–	–	–	(800)	54	21,011	679	–
	Deferred shares	1,477		22-Nov-17	22-Nov-20	–	1,477	100	33,003	–	–	–	–	–	–	1,477	–
	Deferred shares	3,577		22-Nov-18	22-Nov-20	–	3,577	100	79,927	–	–	–	–	–	–	3,577	–
	Deferred shares	6,604		22-Nov-19	22-Nov-20	–	6,604	100	147,564	–	–	–	–	–	–	6,604	–
	Deferred shares	5,724	23.30	07-Dec-20	22-Nov-21	–	–	–	–	–	–	–	–	–	–	–	5,724
	Deferred shares	4,293	23.30	07-Dec-20	22-Nov-22	–	–	–	–	–	–	–	–	–	–	–	4,293
	Deferred shares	2,862	23.30	07-Dec-20	22-Nov-23	–	–	–	–	–	–	–	–	–	–	–	2,862
	Deferred shares	1,431	23.30	07-Dec-20	22-Nov-24	–	–	–	–	–	–	–	–	–	–	–	1,431
	Performance rights	9,135		22-Nov-17	22-Nov-20	22-Nov-22	5,270	58	117,757	(3,865)	42	(86,362)	–	–	–	5,270	–
	Performance rights	3,045		22-Nov-17	22-Nov-20	22-Nov-22	–	–	–	(3,045)	100	(68,040)	–	–	–	–	–
	Performance rights	23,213	10.59	07-Dec-20	22-Nov-24	22-Nov-26	–	–	–	–	–	–	–	–	–	–	23,213
	Performance rights	7,737	6.46	07-Dec-20	22-Nov-24	22-Nov-26	–	–	–	–	–	–	–	–	–	–	7,737

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercis-able as at 30 Sep 2021[3]	Unexer-cisable as at 30 Sep 2021[4]
CEO and Current Disclosed Executives																	
A Watson	Deferred shares	3,904		22–Nov–19	22–Nov–20	–	3,904	100	87,234	–	–	–	–	–	–	3,904	–
	Deferred shares	5,806	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	5,806
	Deferred shares	4,354	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	4,354
	Deferred shares	2,902	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	2,902
	Deferred shares	1,451	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,451
	Employee Share Offer	23		04–Dec–14	04–Dec–17	–	–	–	–	–	–	–	(23)	100	612	–	–
	Employee Share Offer	26		03–Dec–15	03–Dec–18	–	–	–	–	–	–	–	(26)	100	692	–	–
	Employee Share Offer	24		01–Dec–17	01–Dec–20	–	24	100	548	–	–	–	(24)	100	639	–	–
	Deferred share rights	2,332		22–Nov–17	22–Nov–20	22–Nov–22	2,332	100	52,108	–	–	–	(2,332)	100	53,013	–	–
	Deferred share rights	5,318		22–Nov–18	22–Nov–20	22–Nov–22	5,318	100	118,829	–	–	–	(5,318)	100	120,894	–	–
	Performance rights	3,934		22–Nov–17	22–Nov–20	22–Nov–22	2,269	58	50,700	(1,665)	42	(37,204)	(2,269)	58	51,581	–	–
	Performance rights	23,542	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	23,542
	Performance rights	7,847	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	7,847
M Whelan	Deferred shares	6,724		22–Nov–16	22–Nov–20	-	6,724	100	150,246	–	–	–	(6,724)	100	158,473	–	–
	Deferred shares	9,218		22–Nov–17	22–Nov–20	–	9,218	100	205,973	–	–	–	(9,218)	100	217,252	–	–
	Deferred shares	7,072		22–Nov–18	22–Nov–20	–	7,072	100	158,022	–	–	–	(7,072)	100	166,674	–	–
	Deferred shares	13,998		22–Nov–19	22–Nov–20	–	13,998	100	312,781	–	–	–	(13,998)	100	329,908	–	–
	Deferred shares	6,297	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	6,297
	Deferred shares	4,722	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	4,722
	Deferred shares	3,148	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	3,148
	Deferred shares	1,574	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,574
	Performance rights	56,985		22–Nov–17	22–Nov–20	22–Nov–22	32,880	58	734,694	(24,105)	42	(538,619)	(32,880)	58	774,922	–	–
	Performance rights	18,995		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(18,995)	100	(424,438)	–	–	–	–	–
	Performance rights	25,534	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	25,534
	Performance rights	8,511	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	8,511

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercis-able as at 30 Sep 2021[3]	Unexer-cisable as at 30 Sep 2021[4]
Former Disclosed Executives																	
A George[6]	Deferred shares	3,096		22–Nov–17	22–Nov–20	–	3,096	100	69,179	–	–	–	–	–	–	3,096	–
	Deferred shares	3,096		22–Nov–17	22–Nov–21	–	–	–	–	(3,096)	100	(85,924)	–	–	–	–	–
	Deferred shares	3,495		22–Nov–18	22–Nov–20	–	3,495	100	78,095	–	–	–	–	–	–	3,495	–
	Deferred shares	3,495		22–Nov–18	22–Nov–21	–	–	–	–	(3,495)	100	(96,997)	–	–	–	–	–
	Deferred shares	3,495		22–Nov–18	22–Nov–22	–	–	–	–	(3,495)	100	(96,997)	–	–	–	–	–
	Deferred shares	8,453		22–Nov–19	22–Nov–20	–	8,453	100	188,880	–	–	–	–	–	–	8,453	–
	Deferred shares	6,338		22–Nov–19	22–Nov–21	–	–	–	–	(6,338)	100	(175,899)	–	–	–	–	–
	Deferred shares	4,225		22–Nov–19	22–Nov–22	–	–	–	–	(4,225)	100	(117,257)	–	–	–	–	–
	Deferred shares	2,112		22–Nov–19	22–Nov–23	–	–	–	–	(2,112)	100	(58,615)	–	–	–	–	–
	Deferred shares	6,297	23.30	07–Dec–20	22–Nov–21	–	–	–	–	(6,297)	100	(174,761)	–	–	–	–	–
	Deferred shares	4,722	23.30	07–Dec–20	22–Nov–22	–	–	–	–	(4,722)	100	(131,050)	–	–	–	–	–
	Deferred shares	3,148	23.30	07–Dec–20	22–Nov–23	–	–	–	–	(3,148)	100	(87,367)	–	–	–	–	–
	Deferred shares	1,574	23.30	07–Dec–20	22–Nov–24	–	–	–	–	(1,574)	100	(43,683)	–	–	–	–	–
	Performance rights	19,140		22–Nov–17	22–Nov–20	22–Nov–22	11,043	58	246,753	(8,097)	42	(180,925)	(11,043)	58	252,112	–	–
	Performance rights	6,380		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(6,380)	100	(142,559)	–	–	–	–	–
	Performance rights	21,610		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(21,610)	100	(599,744)	–	–	–	–	–
	Performance rights	7,203		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(7,203)	100	(199,906)	–	–	–	–	–
	Performance rights	32,653		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(32,653)	100	(906,222)	–	–	–	–	–
	Performance rights	10,884		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(10,884)	100	(302,065)	–	–	–	–	–
	Performance rights	25,534	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(25,534)	100	(708,648)	–	–	–	–	–
	Performance rights	8,511	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(8,511)	100	(236,207)	–	–	–	–	–

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/Forfeited Number	Lapsed/Forfeited %	Lapsed/Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercis–able as at 30 Sep 2021[3]	Vested and Unexer–cisable as at 30 Sep 2021[4]
Former Disclosed Executives																	
M Jablko[6]	Deferred shares	11,444		20–Aug–16	27–Feb–19	–	–	–	–	–	–	–	(11,444)	100	304,489	–	–
	Deferred shares	7,617		20–Aug–16	27–Feb–20	–	–	–	–	–	–	–	(7,617)	100	202,665	–	–
	Deferred shares	4,540		20–Aug–16	27–Feb–21	–	4,540	100	119,239	–	–	–	–	–	–	4,540	–
	Deferred shares	1,182		22–Nov–16	22–Nov–19	–	–	–	–	–	–	–	(1,182)	100	31,449	–	–
	Deferred shares	1,182		22–Nov–16	22–Nov–20	–	1,182	100	26,411	–	–	–	(1,182)	100	31,449	–	–
	Deferred shares	6,305		22–Nov–17	22–Nov–19	–	–	–	–	–	–	–	(6,305)	100	167,757	–	–
	Deferred shares	6,305		22–Nov–17	22–Nov–20	–	6,305	100	140,883	–	–	–	(6,305)	100	167,757	–	–
	Deferred shares	6,305		22–Nov–17	22–Nov–21	–	–	–	–	(6,305)	100	(177,651)	–	–	–	–	–
	Deferred shares	5,693		22–Nov–18	22–Nov–19	–	–	–	–	–	–	–	(5,693)	100	151,473	–	–
	Deferred shares	5,690		22–Nov–18	22–Nov–20	–	5,690	100	127,141	–	–	–	(5,690)	100	151,393	–	–
	Deferred shares	5,690		22–Nov–18	22–Nov–21	–	–	–	–	(5,690)	100	(160,323)	–	–	–	–	–
	Deferred shares	5,690		22–Nov–18	22–Nov–22	–	–	–	–	(5,690)	100	(160,323)	–	–	–	–	–
	Deferred shares	8,717		22–Nov–19	22–Nov–20	–	8,717	100	194,779	–	–	–	(8,717)	100	231,932	–	–
	Deferred shares	6,536		22–Nov–19	22–Nov–21	–	–	–	–	(6,536)	100	(184,160)	–	–	–	–	–
	Deferred shares	4,357		22–Nov–19	22–Nov–22	–	–	–	–	(4,357)	100	(122,764)	–	–	–	–	–
	Deferred shares	2,178		22–Nov–19	22–Nov–23	–	–	–	–	(2,178)	100	(61,368)	–	–	–	–	–
	Deferred shares	6,297	23.30	07–Dec–20	22–Nov–21	–	–	–	–	(6,297)	100	(177,426)	–	–	–	–	–
	Deferred shares	4,722	23.30	07–Dec–20	22–Nov–22	–	–	–	–	(4,722)	100	(133,048)	–	–	–	–	–
	Deferred shares	3,148	23.30	07–Dec–20	22–Nov–23	–	–	–	–	(3,148)	100	(88,699)	–	–	–	–	–
	Deferred shares	1,574	23.30	07–Dec–20	22–Nov–24	–	–	–	–	(1,574)	100	(44,349)	–	–	–	–	–
	Performance rights	38,976		22–Nov–17	22–Nov–20	22–Nov–22	22,489	58	502,510	(16,487)	42	(368,397)	(22,489)	58	518,050	–	–
	Performance rights	12,992		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(12,992)	100	(290,302)	–	–	–	–	–
	Performance rights	35,179		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(35,179)	100	(991,211)	–	–	–	–	–
	Performance rights	11,726		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(11,726)	100	(330,394)	–	–	–	–	–
	Performance rights	33,673		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(33,673)	100	(948,777)	–	–	–	–	–
	Performance rights	11,224		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(11,224)	100	(316,250)	–	–	–	–	–
	Performance rights	25,534	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(25,534)	100	(719,451)	–	–	–	–	–
	Performance rights	8,511	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(8,511)	100	(239,808)	–	–	–	–	–

1. For the purpose of the five highest paid executive disclosures, Executives are defined as Disclosed Executives or other members of the ExCo. For the 2021 financial year the five highest paid executives include four Disclosed Executives and the Group Executive, International (F Faruqui). Rights granted to Disclosed Executives as remuneration in 2021 are included in the table. Rights granted to F Faruqui as remuneration in 2021 include four tranches of deferred share rights and two tranches of performance rights granted on 07 Dec 2020. (6,459 (tranche 1) deferred share rights first exercisable 22 Nov 2021, expiring 29 Nov 2021; 5,158 (tranche 2) deferred share rights first exercisable 22 Nov 2022, expiring 29 Nov 2022; 3,619 (tranche 3) deferred share rights first exercisable 22 Nov 2023, expiring 29 Nov 2023; 1,904 (tranche 4) deferred share rights first exercisable 22 Nov 2024, expiring 29 Nov 2024; 25,534 (tranche 1) and 8,511 (tranche 2) performance rights first exercisable 22 Nov 2024 subject to meeting performance hurdles, expiring 22 Nov 2026). No rights have been granted to the CEO, Disclosed Executives or the five highest paid executives since the end of 2021 up to the Directors' Report sign-off date. **2.** The point in time value of shares/share rights and/or performance rights is based on the one day VWAP of the Company's shares traded on the ASX on the date of vesting, lapsing/forfeiture or exercising/sale/transfer out of trust, multiplied by the number of shares/share rights and/or performance rights. The exercise price for all share rights/performance rights is $0.00. No terms or conditions of grant of the share-based payment transactions have been altered or modified during the reporting period. **3.** The number vested and exercisable is the number of shares, options and rights that remain vested at the end of the reporting period. No shares, options and rights were vested and unexercisable.

4. Performance rights granted in prior years (by grant date) that remained unexerciseable at 30 Sep 2021 include:

	Nov-18	Nov-19	Nov-20
S Elliott	110,365	168,066	159,308
S Buggle	6,464	–	–
M Carnegie	42,884	40,816	38,378
K Corbally	–	–	–
G Florian	26,802	23,128	34,820
M Hand	26,802	24,489	43,330
K van der Merwe	29,482	34,013	30,950
A Watson	4,802	–	31,389
M Whelan	58,296	72,108	34,045
A George	–	–	–
M Jablko	–	–	–

Performance rights granted to S Elliott in 2021 were approved by shareholders at the 2020 AGM in accordance with ASX Listing Rule 10.14.
5. Equity transactions disclosed from date commenced as a KMP. **6.** Equity transactions disclosed up to date ceased employment.

9.2.2 NED, CEO and Disclosed Executives equity holdings

The table below sets out details of equity held directly, indirectly or beneficially by each NED, the CEO and each Disclosed Executive, including their related parties.

EQUITY HOLDINGS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Type of equity	Opening balance at 1 Oct 2020	Granted during the year as remuneration[1]	Received during the year on exercise of options or rights	Resulting from any other changes during the year[2]	Closing balance at 30 Sep 2021[3, 4]
Current Non–Executive Directors						
P O'Sullivan	Ordinary shares	4,078	–	–	–	4,078
	Capital notes 2	9,250	–	–	–	9,250
I Atlas	Ordinary shares	14,360	–	–	–	14,360
P Dwyer	Ordinary shares	17,500	–	–	–	17,500
J Halton	Ordinary shares	9,049	–	–	–	9,049
J Key	Ordinary shares	3,000	–	–	–	3,000
G Liebelt	Ordinary shares	20,315	–	–	–	20,315
	Capital notes 1	1,500	–	–	(1,500)	–
	Capital notes 2	2,500	–	–	–	2,500
	Capital notes 6	–	–	–	2,500	2,500
J Macfarlane	Ordinary shares	17,851	–	–	–	17,851
	Capital notes 2	2,000	–	–	–	2,000
	Capital notes 3	5,000	–	–	–	5,000
	Capital notes 6	–	–	–	2,140	2,140
Former Non–Executive Directors						
D Gonski[6]	Ordinary shares	31,488	–	–	–	31,488
CEO and Current Disclosed Executives						
S Elliott	Deferred shares	79,877	27,103	–	(36,098)	70,882
	Ordinary shares	216,821	–	34,733	39,121	290,675
	Performance rights	456,458	159,308	(34,733)	(81,284)	499,749
S Buggle[5]	Deferred shares	98,664	–	–	(12,000)	86,664
	Ordinary shares	19,759	–	–	1,415	21,174
	Capital notes 2	730	–	–	(240)	490
	Capital notes 6	–	–	–	590	590
	Deferred share rights	24,624	–	–	–	24,624
	Performance rights	6,464	–	–	–	6,464
M Carnegie	Deferred shares	74,539	17,745	–	–	92,284
	Ordinary shares	5,491	–	–	3,179	8,670
	Performance rights	123,140	38,378	–	(22,373)	139,145
K Corbally	Deferred shares	30,283	18,603	–	(10,867)	38,019
	Ordinary shares	1,095	–	2,440	(2,104)	1,431
	Capital notes 6	–	–	–	1,400	1,400
	Deferred share rights	34,273	20,118	–	–	54,391
	Performance rights	4,230	–	(2,440)	(1,790)	–
G Florian	Deferred shares	34,365	16,099	–	(8,181)	42,283
	Ordinary shares	2,194	–	–	9,783	11,977
	Performance rights	70,230	34,820	–	(11,516)	93,534
M Hand	Deferred shares	24,775	20,034	–	(11,144)	33,665
	Ordinary shares	1,189	–	3,621	(3,575)	1,235
	Performance rights	57,568	43,330	(3,621)	(2,656)	94,621
K van der Merwe	Deferred shares	36,894	14,310	–	(800)	50,404
	Ordinary shares	1,936	–	–	(654)	1,282
	Performance rights	75,675	30,950	–	(6,910)	99,715
A Watson	Deferred shares	16,247	14,513	–	–	30,760
	Employee Share Offer	134	–	–	(73)	61
	Ordinary shares	12,048	–	9,919	1,780	23,747
	Deferred share rights	10,467	–	(7,650)	–	2,817
	Performance rights	8,736	31,389	(2,269)	(1,665)	36,191
M Whelan	Deferred shares	81,369	15,741	–	(37,012)	60,098
	Ordinary shares	1,126	–	32,880	381	34,387
	Performance rights	206,384	34,045	(32,880)	(43,100)	164,449
Former Disclosed Executives						
A George[6]	Deferred shares	80,090	15,741	–	(38,502)	57,329
	Ordinary shares	10,289	–	11,043	3,567	24,899
	Capital notes 1	802	–	–	–	802
	Performance rights	97,870	34,045	(11,043)	(120,872)	–
M Jablko[6]	Deferred shares	89,431	15,741	–	(100,632)	4,540
	Ordinary shares	5,244	–	22,489	(27,733)	–
	Performance rights	143,770	34,045	(22,489)	(155,326)	–

1. Details of options/rights granted as remuneration during 2021 are provided in the previous table. **2.** Shares resulting from any other changes during the year include the net result of any shares purchased (including under the ANZ Share Purchase Plan), forfeited, sold or acquired under the Dividend Reinvestment Plan. **3.** The following shares (included in the holdings above) were held on behalf of the NEDs, CEO and Disclosed Executives (i.e. indirect beneficially held shares) as at 30 September 2021 (or the date ceased as a KMP): P O'Sullivan - 0, I Atlas - 14,360, P Dwyer - 17,500, J Halton - 0, J Key - 3,000, G Liebelt - 8,158, J Macfarlane - 26,991, D Gonski - 31,488, S Elliott - 358,519, S Buggle - 87,744, M Carnegie - 92,284, K Corbally - 39,419, G Florian - 52,182, M Hand - 33,665, K van der Merwe - 50,404, A Watson - 30,821, M Whelan - 94,485, A George - 60,809 and M Jablko - 4,540. **4.** 93,131 rights were vested and exercisable, and zero options/rights were vested and unexerciseable as at 30 September 2021. There was no change in the balance as at the Directors' Report sign-off date. **5.** Commencing balance is based on holdings as at the date of commencement as a KMP. **6.** Concluding balance is based on holdings as at the date ceased as a KMP.

9.3 LOANS

9.3.1 Overview

When we lend to NEDs, the CEO or Disclosed Executives, we do so in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers – this includes the term of the loan, the security required and the interest rate. Details of the terms and conditions of lending products can be found on anz.com. No amounts have been written off during the period, or individual assessed allowance for expected credit losses raised in respect of these balances.

Total loans to NEDs, the CEO and Disclosed Executives, including their related parties at 30 September 2021 (including those with balances less than $100,000) was $26,866,853 (2020: $32,451,547) with interest paid of $776,791 (2020: $888,019) during the period.

9.3.2 NED, CEO and Disclosed Executives loan transactions

The table below sets out details of loans outstanding to NEDs, the CEO and Disclosed Executives including their related parties, if – at any time during the year – the individual's aggregate loan balance exceeded $100,000.

LOAN TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Opening balance at 1 October 2020[1] $	Closing balance at 30 September 2021 $	Interest paid and payable in the reporting period[2] $	Highest balance in the reporting period $
Current Non–Executive Directors				
P O'Sullivan	891,715	789,338	110	900,809
I Atlas	1,608,028	–	23,057	1,627,610
J Macfarlane	13,281,199	12,858,040	343,014	15,041,667
CEO and Current Disclosed Executives				
S Elliott	2,787,423	2,616,885	54,845	2,820,507
S Buggle[3]	632,287	504,008	14,147	760,461
G Florian	2,304,601	4,483,293	64,530	4,636,219
M Hand	4,226,595	24,631	123,011	4,942,880
K van der Merwe	3,587,416	2,464,654	83,718	3,745,883
M Whelan	1,575,953	1,628,540	46,073	1,690,773
Former Disclosed Executives				
A George[4]	1,535,414	1,480,152	24,216	1,564,179
Total	32,430,631	26,849,541	776,721	37,730,988

1. Opening balances have been adjusted to take account of minor timing variances. **2.** Actual interest paid after considering offset accounts. The loan balance is shown gross, however the interest paid takes into account the impact of offset amounts. **3.** Opening balance is as at the date of commencement as a KMP. **4.** Closing balance is as at the date ceased in a KMP role.

9.4 OTHER TRANSACTIONS

Other transactions with NEDs, the CEO and Disclosed Executives, and their related parties included deposits.

OTHER TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

	Opening balance at 1 October 2020[1] $	Closing balance at 30 September 2021[2, 3] $
Total KMP deposits	48,482,790	45,703,445

1. Opening balance is at 1 October 2020 or the date of commencement as a KMP if part way through the year. **2.** Closing balance is at 30 September 2021 or at the date ceased in a KMP role if part way through the year. **3.** Interest paid on deposits for 2021 was $88,209 (2020: $498,931).

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage, bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions are no more favourable than those given to other employees or customers. Gifts in the form of charitable donations amounting to $500 were provided on behalf of the related parties of KMP during the year.

Directors' report

The Directors' Report for the financial year ended 30 September 2021 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 10
- Operating and financial review on pages 56 to 70
- Dividends on page 70
- Information on the Directors, Company Secretaries and Directors' meetings on pages 40 to 50
- Remuneration report on pages 74 to 109.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the Group's state of affairs.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 22 October 2021, a Group fund that owns 19% of the shares in Cashrewards Limited announced it would make an off-market takeover offer to acquire the remaining 81% of the shares, for ~$80 million. The offer is subject to a number of conditions and completion remains uncertain.

Other than the matter above, there have been no significant events from 30 September 2021 to the date of signing this report.

POLITICAL DONATIONS

For the year ending 30 September 2021, our Public Policy Advocacy, Political Donations and Foreign Influence Policy included an annual donation to the two major federal political parties to support Australia's democratic process. In October 2020, ANZ donated $100,000 to the Liberal Party of Australia and $100,000 to the Australian Labor Party. ANZ also attended paid events including business forums hosted by the major Australian Federal political parties, totalling $47,600. ANZ discloses associated costs and donations through the Australian Electoral Commission's (AEC) donors annual return process, noting the AEC's reporting year is a different period to ANZ's financial year.

ANZ updated its policy on 1 October 2021. It prohibits political donations, but allows attendance at paid events hosted by the major Australian Federal political parties.

ENVIRONMENTAL REGULATION

ANZ recognises the expectations of its stakeholders – customers, shareholders, staff and the community – to operate in a way that mitigates its environmental impact.

In Australia, ANZ meets the requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth), which imposes reporting obligations where energy production, usage or greenhouse gas emissions trigger specified thresholds.

The Group does not believe that its operations are subject to any other particular and significant environmental regulation under a law of the Commonwealth of Australia or of an Australian State or Territory. It may become subject to environmental regulation as a result of its lending activities in the ordinary course of business and has developed policies, which are reviewed on a regular basis to help identify and manage such environmental matters.

Having made due enquiry, and to the best of ANZ's knowledge, no entity of the Group has incurred any material environmental liability during the year. Further details of ANZ's environmental performance, including progress against its targets and management of material issues aligned with its commitment to fair and responsible banking and priority areas of financial wellbeing, environmental sustainability and housing, are available in ANZ's ESG Supplement, at anz.com/annualreport.

CORPORATE GOVERNANCE STATEMENT

ANZ is committed to maintaining a high standard in its governance framework. ANZ confirms it has followed the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition)* during the 2021 financial year. ANZ's Corporate Governance Statement, together with the ASX Appendix 4G which relates to the Corporate Governance Statement, can be viewed at anz.com/corporategovernance and has been lodged with the ASX.

PILLAR 3 INFORMATION

ANZ provides information required by APS 330: *Public Disclosure* in the Regulatory Disclosures section at anz.com/shareholder/centre/reporting/regulatory-disclosure/.

EXTERNAL AUDITOR

The Group's external auditor is KPMG. The Group appointed Peat, Marwick, Mitchell & Co (predecessor to KPMG) in 1969.

The Board Audit Committee conducts a formal annual performance assessment of the external auditor, including whether to commence an external tender for the audit. After considering relevant factors including tenure, audit quality, local and international capability and experience, and independence, the Board Audit Committee resolved to reappoint KPMG for the 30 September 2022 financial year audit.

The KPMG Lead Audit Engagement Partner for the Group was appointed for the financial year ended 30 September 2021 replacing the previous Lead Audit Engagement partner who had been in the role since the 30 September 2017 financial year. In addition, KPMG regularly rotates the Engagement Quality Control Review Partner with the most recent rotation being for the financial year ended 30 September 2020.

NON-AUDIT SERVICES

The Group's Stakeholder Engagement Model for Relationship with the External Auditor (the Policy), which incorporates requirements of the *Corporations Act 2001* and industry best practice, prevents the external auditor from providing services that are perceived to be in conflict with the role of the external auditor or breach independence requirements. This includes consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

Specifically the Policy:

- Limits the scope of non-audit services that may be provided;
- Requires that audit, audit-related and permitted non-audit services be considered in light of independence requirements and for any potential conflicts of interest before they are approved by the Audit Committee, or approved by the Chair of the Audit Committee (or delegate) and notified to the Audit Committee; and
- Requires pre-approval before the external auditor can commence any engagement for the Group.

Further details about the Policy can be found in the Corporate Governance Statement.

The external auditor has confirmed to the Audit Committee that it has:

- Implemented procedures to ensure it complies with independence rules in applicable jurisdictions; and
- Complied with applicable policies and regulations in those jurisdictions regarding the provision of non-audit services, and the Policy.

The Audit Committee has reviewed the non-audit services provided by the external auditor during the 2021 financial year, and has confirmed that the provision of these services is consistent with the Policy, compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*. This has been formally advised by the Audit Committee to the Board of Directors.

The categories of non-audit services supplied to the Group during the year ended 30 September 2021 by the external auditor, KPMG, or by another person or firm on KPMG's behalf, and the amounts paid or payable (including GST) by the Group are as follows:

	Amount paid/payable $'000's	
Non-audit services	**2021**	**2020**
Training and related services	–	16
Controls related assessments	90	–
Methodology and procedural reviews	101	107
Total	**191**	**123**

Further details on the compensation paid to KPMG is provided in Note 34 Auditor Fees to the financial statements including details of audit-related services provided during the year of $4.43 million (2020: $5.37 million).

For the reasons set out above, the Directors are satisfied that the provision of non-audit services by the external auditor during the year ended 30 September 2021 is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

DIRECTORS' AND OFFICERS' INDEMNITY

The Company's Constitution (Rule 11.1) permits the Company to:

- Indemnify any officer or employee of the Company, or its auditor, against liabilities (so far as may be permitted under applicable law) incurred as such by an officer, employee or auditor, including liabilities incurred as a result of appointment or nomination by the Company as a trustee or as an officer or employee of another corporation; and
- Make payments in respect of legal costs incurred by an officer, employee or auditor in defending an action for a liability incurred as such by an officer, employee or auditor, or in resisting or responding to actions taken by a government agency, a duly constituted Royal Commission or other official inquiry, a liquidator, administrator, trustee in bankruptcy or other authorised official.

It is the Company's policy that its employees should be protected from any liability they incur as a result of acting in the course of their employment, subject to appropriate conditions.

Under the policy, the Company will indemnify employees and former employees against any liability they incur to any third party as a result of acting in the course of their employment with the Company or a subsidiary of the Company and this extends to liability incurred as a result of their appointment/nomination by or at the request of the Group as an officer or employee of another corporation or body or as trustee.

The indemnity is subject to applicable law and certain exceptions. In accordance with the employee indemnity policy, the Company has during or since the year ended 30 September 2021 paid legal expenses totalling $1,815,847.35 incurred by Mr Richard Moscati in relation to legal proceedings brought against him and the Company by a third party.

The Company has entered into Indemnity Deeds with each of its Directors, with certain secretaries and former Directors of the Company, and with certain employees and other individuals who act as directors or officers of related bodies corporate or of another company, to indemnify them against liabilities and legal costs of the kind mentioned in the Company's Constitution.

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and employees of the Company and related bodies corporate of the Company. In accordance with common commercial practice, the insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium.

KEY MANAGEMENT PERSONNEL AND EMPLOYEE SHARE AND OPTION PLANS

The Remuneration Report contains details of Non-Executive Directors, Chief Executive Officer and Disclosed Executives' equity holdings and options/rights issued during the 2021 financial year and as at the date of this report.

Note 31 Employee Share and Option Plans to the 2021 Financial Report contains details of the 2021 financial year and as at the date of this report:

- Options/rights issued over shares granted to employees;
- Shares issued as a result of the exercise of options/rights granted to employees; and
- Other details about share options/rights issued, including any rights to participate in any share issues of the Company.

The names of all persons who currently hold options/rights are entered in the register kept by the Company pursuant to section 170 of the *Corporations Act 2001*. This register may be inspected free of charge.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial statements and this Directors' Report have been rounded to the nearest million dollars unless specifically stated otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Paul D O'Sullivan | Chairman

Shayne C Elliott | Managing Director

27 October 2021

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditors Independence Declaration given under Section 307C of the *Corporations Act 2001* is set out below and forms part of the Directors' Report for the year ended 30 September 2021.

To: the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2021, there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Martin McGrath | Partner

27 October 2021

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INCOME STATEMENTS

For the year ended 30 September	Note	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Interest income[1]		19,529	24,426	15,347	19,362
Interest expense		(5,368)	(10,377)	(4,822)	(8,926)
Net interest income	2	14,161	14,049	10,525	10,436
Other operating income	3	3,325	3,355	4,854	3,652
Net income from insurance business	3	110	78	-	-
Share of associates' profit/(loss)	3	(176)	155	(1)	(1)
Operating income		17,420	17,637	15,378	14,087
Operating expenses	4	(9,051)	(9,383)	(7,594)	(7,788)
Profit before credit impairment and income tax		8,369	8,254	7,784	6,299
Credit impairment (charge)/release	14	567	(2,738)	469	(2,337)
Profit before income tax		8,936	5,516	8,253	3,962
Income tax expense	5	(2,756)	(1,840)	(1,922)	(1,156)
Profit after tax from continuing operations		6,180	3,676	6,331	2,806
Profit/(Loss) after tax from discontinued operations	29	(17)	(98)	-	-
Profit for the year		6,163	3,578	6,331	2,806
Comprising:					
Profit attributable to shareholders of the Company		6,162	3,577	6,331	2,806
Profit attributable to non-controlling interests		1	1	-	-

For the year ended 30 September	Note	Consolidated 2021	Consolidated 2020
Earnings per ordinary share (cents) including discontinued operations			
Basic	7	217.1	126.4
Diluted	7	204.9	118.0
Earnings per ordinary share (cents) from continuing operations			
Basic	7	217.7	129.8
Diluted	7	205.4	121.1
Dividend per ordinary share (cents)	6	142	60

1. Includes interest income calculated using the effective interest method on financial assets measured at amortised cost or fair value through other comprehensive income of $19,054 million (2020: $23,787 million) in the Group and $14,363 million (2020: $18,073 million) in the Company.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated		The Company	
For the year ended 30 September	2021 $m	2020 $m	2021 $m	2020 $m
Profit for the year from continuing operations	6,180	3,676	6,331	2,806
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Investment securities - equity securities at FVOCI	80	(157)	67	(151)
Other reserve movements	(41)	13	(95)	23
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation reserve[1]	456	(550)	(14)	(109)
Other reserve movements	(1,052)	712	(1,003)	587
Income tax attributable to the above items	301	(180)	303	(149)
Share of associates' other comprehensive income[2]	(48)	51	-	-
Other comprehensive income after tax from continuing operations	(304)	(111)	(742)	201
Profit/(Loss) after tax from discontinued operations	(17)	(98)	-	-
Other comprehensive income after tax from discontinued operations	-	-	-	-
Total comprehensive income for the year	5,859	3,467	5,589	3,007
Comprising total comprehensive income attributable to:				
Shareholders of the Company	5,858	3,467	5,589	3,007
Non-controlling interests	1	-	-	-

1. Includes foreign currency translation differences attributable to non-controlling interests of nil (2020: $1 million loss) in the Group.
2. Share of associates' other comprehensive income includes a FVOCI reserve loss of $42 million (2020: $48 million gain), defined benefits loss of $5 million (2020: $3 million gain), cash flow hedge reserve gain of $1 million (2020: $1 million loss) and a foreign currency translation reserve loss of $2 million (2020: $1 million gain) that may be reclassified subsequently to profit or loss in the Group.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

BALANCE SHEETS

		Consolidated		The Company	
As at 30 September	Note	2021 $m	2020 $m	2021 $m	2020 $m
Assets					
Cash and cash equivalents	9	151,260	107,923	141,436	98,083
Settlement balances owed to ANZ		7,530	7,541	7,183	7,116
Collateral paid[1]		9,166	14,308	8,343	13,012
Trading securities	10	44,688	50,913	34,752	38,423
Derivative financial instruments[1]	11	38,736	135,331	38,292	130,552
Investment securities	12	83,126	93,391	67,940	80,284
Net loans and advances	13	629,719	617,093	488,487	488,002
Regulatory deposits		671	801	213	199
Due from controlled entities		-	-	23,530	24,017
Shares in controlled entities	25	-	-	15,693	15,022
Investments in associates	26	1,972	2,164	20	20
Current tax assets		57	161	55	155
Deferred tax assets		2,339	2,124	1,887	1,744
Goodwill and other intangible assets	21	4,124	4,379	1,017	1,097
Premises and equipment		2,734	3,013	2,415	2,643
Other assets		2,735	3,144	1,909	2,072
Total assets		978,857	1,042,286	833,172	902,441
Liabilities					
Settlement balances owed by ANZ		17,427	22,241	14,922	19,556
Collateral received[1]		5,657	9,304	5,148	8,074
Deposits and other borrowings	15	743,056	682,333	606,723	558,136
Derivative financial instruments[1]	11	36,035	134,711	37,005	131,230
Due to controlled entities		-	-	23,079	24,295
Current tax liabilities		419	349	193	81
Deferred tax liabilities		70	80	70	79
Payables and other liabilities		8,647	9,128	7,244	8,070
Employee entitlements		602	596	447	441
Other provisions	22	2,214	2,579	1,873	2,157
Debt issuances	16	101,054	119,668	81,088	97,050
Total liabilities		915,181	980,989	777,792	849,169
Net assets		63,676	61,297	55,380	53,272
Shareholders' equity					
Ordinary share capital	23	25,984	26,531	25,907	26,454
Reserves	23	1,228	1,501	341	1,018
Retained earnings	23	36,453	33,255	29,132	25,800
Share capital and reserves attributable to shareholders of the Company	23	63,665	61,287	55,380	53,272
Non-controlling interests	23	11	10	-	-
Total shareholders' equity	23	63,676	61,297	55,380	53,272

1. During 2021, a change was made to the legal arrangements for the settlement of derivative transactions with a central clearing counterparty which resulted in the reduction of derivative financial instrument assets by $55.1 billion, derivative financial instrument liabilities by $55.2 billion and net collateral paid by $0.1 billion.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

CASH FLOW STATEMENTS

For the year ended 30 September	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Profit after income tax	6,163	3,578	6,331	2,806
Adjustments to reconcile to net cash provided by/(used in) operating activities:				
Allowance for expected credit losses	(567)	2,738	(469)	2,337
Impairment of investment in associates	-	815	-	-
Depreciation and amortisation[1]	1,087	1,391	959	1,214
Goodwill impairment	-	77	-	10
(Profit)/Loss on sale of premises and equipment	(11)	(8)	(11)	-
Net derivatives/foreign exchange adjustment[2]	(6,350)	(2,678)	(4,374)	(1,807)
(Gain)/Loss on sale from divestments	238	25	(12)	11
Other non-cash movements	(237)	(80)	(456)	64
Net (increase)/decrease in operating assets:				
Collateral paid	4,995	283	4,484	33
Trading securities	10	(1,803)	(2,778)	1,908
Net loans and advances	(8,259)	(7,119)	(300)	(7,526)
Net intra-group loans and advances	-	-	(1,212)	(393)
Other assets	143	(76)	89	(26)
Net increase/(decrease) in operating liabilities:				
Deposits and other borrowings[3]	48,896	39,873	41,908	28,660
Settlement balances owed by ANZ	(4,928)	11,476	(4,671)	10,286
Collateral received	(3,466)	1,739	(2,728)	1,426
Other liabilities[2]	6,108	(9,949)	5,579	(9,489)
Total adjustments	37,659	36,704	36,008	26,708
Net cash (used in)/provided by operating activities[4]	43,822	40,282	42,339	29,514
Cash flows from investing activities				
Investment securities assets:				
Purchases	(52,639)	(40,029)	(23,040)	(33,731)
Proceeds from sale or maturity	63,445	28,642	35,493	25,346
Proceeds from divestments, net of cash disposed	13	1,309	-	688
Repayment of IOOF secured notes	-	(800)	-	(800)
Net movement in shares in controlled entities	-	-	(175)	(75)
Net investments in other assets	(561)	(587)	(650)	(567)
Net cash (used in)/provided by investing activities	10,258	(11,465)	11,628	(9,139)
Cash flows from financing activities				
Deposits and other borrowings drawn down[3]	9,310	12,002	8,091	12,002
Debt issuances:[5]				
Issue proceeds	12,624	12,260	9,517	10,064
Redemptions	(27,709)	(21,430)	(23,104)	(17,179)
Dividends paid[6]	(2,834)	(2,861)	(2,834)	(2,861)
On market purchase of treasury shares	(79)	(122)	(79)	(122)
Repayment of lease liabilities	(330)	(281)	(288)	(267)
Share buyback	(654)	-	(654)	-
Net cash (used in)/provided by financing activities	(9,672)	(432)	(9,351)	1,637
Net (decrease)/increase in cash and cash equivalents	44,408	28,385	44,616	22,012
Cash and cash equivalents at beginning of year	107,923	81,621	98,083	77,949
Effects of exchange rate changes on cash and cash equivalents	(1,071)	(2,083)	(1,263)	(1,878)
Cash and cash equivalents at end of year	151,260	107,923	141,436	98,083

1. 2020 includes accelerated amortisation of $197 million for the Group and $184 million for the Company following the Group's change in the application of its software amortisation policy in 2020.
2. Certain non-cash adjustments were reclassified from Other liabilities to Net derivatives/foreign exchange adjustment within Net cash (used in)/ provided by operating activities to better reflect the nature of the item. Comparatives have been restated (2020 Group and Company reduction to net derivative foreign exchange adjustment: $368 million).
3. Funding in relation to TFF has been reclassified from operating activities to financing activities. Comparatives have been restated (2020 Group: $12,002 million; 2020 Company: $12,002 million).
4. Net cash (used in)/provided by operating activities for the Group includes interest received of $19,649 million (2020: $24,791 million), interest paid of $5,793 million (2020: $11,156 million) and income taxes paid of $2,427 million (2020: $2,348 million). Net cash (used in)/provided by operating activities for the Company includes interest received of $15,435 million (2020: $19,657 million), interest paid of $5,117 million (2020: $9,577 million) and income taxes paid of $1,541 million (2020: $1,596 million).
5. Non-cash changes in debt issuances includes fair value hedging gain of $1,488 million (2020: $1,127 million loss) and foreign exchange gains of $1,525 million (2020: $1,623 million gain) for the Group, and fair value hedging gain of $1,114 million (2020: $532 million loss) and foreign exchange gains of $1,262 million (2020: $858 million loss) for the Company.
6. Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Consolidated	Ordinary share capital $m	Reserves $m	Retained earnings $m	Share capital and reserves attributable to shareholders of the Company $m	Non-controlling interests $m	Total shareholders' equity $m
As at 1 October 2019	26,490	1,629	32,664	60,783	11	60,794
Impact on transition to AASB 16	-	-	(88)	(88)	-	(88)
Profit or loss from continuing operations	-	-	3,675	3,675	1	3,676
Profit or loss from discontinued operations	-	-	(98)	(98)	-	(98)
Other comprehensive income for the year from continuing operations	-	(124)	14	(110)	(1)	(111)
Other comprehensive income for the year from discontinued operations	-	-	-	-	-	-
Total comprehensive income for the year	-	(124)	3,591	3,467	-	3,467
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,922)	(2,922)	-	(2,922)
Dividend Reinvestment Plan	61	-	-	61	-	61
Other equity movements:						
Group employee share acquisition scheme	(20)	-	-	(20)	-	(20)
Other items	-	(4)	10	6	(1)	5
As at 30 September 2020	26,531	1,501	33,255	61,287	10	61,297
Profit or loss from continuing operations	-	-	6,179	6,179	1	6,180
Profit or loss from discontinued operations	-	-	(17)	(17)	-	(17)
Other comprehensive income for the year from continuing operations	-	(264)	(40)	(304)	-	(304)
Other comprehensive income for the year from discontinued operations	-	-	-	-	-	-
Total comprehensive income for the year	-	(264)	6,122	5,858	1	5,859
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,928)	(2,928)	-	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94	-	94
Group share buy-back[2]	(654)	-	-	(654)	-	(654)
Other equity movements:						
Group employee share acquisition scheme	13	-	-	13	-	13
Other items	-	(9)	4	(5)	-	(5)
As at 30 September 2021	25,984	1,228	36,453	63,665	11	63,676

1 4.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend); Nil for 2021 interim dividend and 2019 final dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP. On-market share purchases for the DRP in 2021 were $199 million (2020: $185 million).

2 The Company commenced a $1.5 billion on-market share buy-back on 4 August 2021. This resulted in 23 million shares ($654 million) being cancelled in the September 2021 half and a further 2 million shares ($55 million) being cancelled after 30 September 2021 in respect of purchase orders placed but not settled at 30 September 2021.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Company	Ordinary share capital $m	Reserves $m	Retained earnings $m	Total shareholders' equity $m
As at 1 October 2019	26,413	840	25,961	53,214
Impact on transition to AASB 16	-	-	(72)	(72)
Profit for the year	-	-	2,806	2,806
Other comprehensive income for the year	-	183	18	201
Total comprehensive income for the year	-	183	2,824	3,007
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(2,922)	(2,922)
Dividend Reinvestment Plan[1]	61	-	-	61
Other equity movements:				-
Group employee share acquisition scheme	(20)	-	-	(20)
Other items	-	(5)	9	4
As at 30 September 2020	26,454	1,018	25,800	53,272
Profit for the year	-	-	6,331	6,331
Other comprehensive income for the year	-	(668)	(74)	(742)
Total comprehensive income for the year	-	(668)	6,257	5,589
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(2,928)	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94
Group share buy-back[2]	(654)	-	-	(654)
Other equity movements:				
Group employee share acquisition scheme	13	-	-	13
Other items	-	(9)	3	(6)
As at 30 September 2021	25,907	341	29,132	55,380

1. 4.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend); Nil for 2021 interim dividend and 2019 final dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP. On-market share purchases for the DRP in 2021 were $199 million (2020: $185 million).
2. The Company commenced a $1.5 billion on-market share buy-back on 4 August 2021. This resulted in 23 million shares ($654 million) being cancelled in the September 2021 half and a further 2 million shares ($55 million) being cancelled after 30 September 2021 in respect of purchase orders placed but not settled at 30 September 2021.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

Notes to the financial statements

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for Australia and New Zealand Banking Group Limited ('the Company') and its controlled entities (together, 'the Group' or 'ANZ') for the year ended 30 September 2021. The Company is incorporated and domiciled in Australia. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008. The Group provides banking and financial services to individuals and business customers and operates in and across 32 markets.

On 27 October 2021, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Group's business during the period - for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Group's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative requirements of the *Corporations Act 2001*, the *Banking Act 1959 (Cth)* or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

This section of the financial statements:

- outlines the basis upon which the Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

This financial report is a general purpose (Tier 1) financial report prepared by a 'for profit' entity, in accordance with Australian Accounting Standards (AASs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*, and International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB).

We present the financial statements of the Group in Australian dollars, which is the Company's functional and presentation currency. We have rounded values to the nearest million dollars ($m), unless otherwise stated, as allowed under the *ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191*. We measure the financial statements of each entity in the Group using the currency of the primary economic environment in which that entity operates (the functional currency).

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except the following assets and liabilities which we have stated at their fair value:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedged item;
- financial instruments held for trading;
- financial assets and financial liabilities designated at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- assets and liabilities classified as held for sale (except those at carrying value).

In accordance with AASB 119 *Employee Benefits* (AASB 119) we have measured defined benefit obligations using the Projected Unit Credit Method.

DISCONTINUED OPERATIONS

The sale of Wealth Australia business to IOOF Holdings Limited (IOOF) and Zurich Financial Services Australia (Zurich) completed across 2020 and 2019. The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective.

BASIS OF CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of the Company and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Group when we determine that the Company has control over the entity. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Company the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Group.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at fair value through other comprehensive income, translation differences are included in other comprehensive income.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS THAT HAVE A FUNCTIONAL CURRENCY THAT IS NOT AUSTRALIAN DOLLARS

The financial statements of our foreign operations are translated into Australian dollars for consolidation into the Group Financial Statements using the following method:

Foreign currency item	Exchange rate used
Assets and liabilities	The reporting date rate
Equity	The initial investment date rate
Income and expenses	The average rate for the period – but if for a significant transaction we believe the average rate is not reasonable, then we use the rate at the date of the transaction

Exchange differences arising from the translation of financial statements of foreign operations are recognised in the foreign currency translation reserve in equity. When we dispose of a foreign operation, the cumulative exchange differences are transferred to profit or loss.

FIDUCIARY ACTIVITIES

The Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If ANZ is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its ongoing effects on the global economy has continued to impact our customers, operations and Group performance. Governments have responded at unprecedented levels to protect the health of the population, local economies and livelihoods. The course of the pandemic and vaccination levels has varied across the globe and government responses have differed in their extent and timing. Economies are reopening at different rates whilst the risk of subsequent waves of infection remain. Thus there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers in the ongoing management of the virus;
- the impact and expected response of the economy (and forecasts of key economic factors including GDP, employment and house prices). This includes the response of capital markets, and the impacts on credit quality, liquidity, unemployment, consumer spending, as well as specific sector impacts; and
- the efficacy of vaccines against variants of the virus, and the effectiveness of government and central bank measures to support businesses and consumers through this disruption.

The Group has made various accounting estimates in this Financial Report based on forecasts of economic conditions which reflect expectations and assumptions as at 30 September 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

INTEREST RATE BENCHMARK REFORM

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR) have played a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and in the valuation of financial instruments. Uncertainty surrounding the integrity of IBOR rates has led to regulators and industry to transition away from IBOR to alternative risk-free benchmark reference rates (RFRs).

As had been anticipated, in March 2021 the UK Financial Conduct Authority (FCA) announced the dates on which IBORs will cease, after which representative IBOR rates will no longer be available. The cessation of the majority of IBOR rates will occur on 31 December 2021, notably for the Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF) and Japanese Yen (JPY) settings in their entirety, and the US Dollar (USD) 1-week and 2-month LIBOR settings. The Group has ceased issuing new products referencing these rates. Other USD LIBOR settings will cease by 30 June 2023.

The Group has exposure to IBORs through its loan and derivative transactions with customers, issuance of debt and its asset and liability management activities.

Other significant interest rate benchmarks applicable to the Group's banking activities with customers and our own risk management activities include the Euro Interbank Offered Rate (Euribor), the AUD Bank Bill Swap Rate (BBSW) and the NZ Bank Bill Market (BKBM). These are not impacted by IBOR reform and these benchmark rates are expected to remain for the foreseeable future.

Group approach to interest rate benchmark reform

The development of new RFR products and the migration of the Group's existing contracts that reference IBORs to RFRs exposes the Group to financial, compliance, legal and operational risks. The Group is managing the transition to RFRs and these risks through an enterprise-wide Benchmark Transition Program (the Program), which is overseen by a formal Steering Committee of senior executives. The Program provides regular updates to the Group Executive and Board Audit & Board Risk committees.

The IBOR reforms have a wide-ranging impact for the Group and our customers given the fundamental differences between IBORs and RFRs. RFRs are available both as backward-looking in arrears rates and, for some currencies, as forward-looking term rates. The key difference between IBORs and RFRs is that IBOR rates include a term and bank credit risk premium, whereas RFRs do not. As a result of these differences, adjustments are required to an RFR to ensure contracts referencing an IBOR rate, transition on an economically comparable basis.

The Program includes the identification of impacted IBOR contracts across the Group, actions necessary to develop product capability and transition existing contracts to RFRs. This includes the assessment and mitigation of financial, legal and conduct risks arising from changes to pricing and valuation (largely interest rate risk), compliance risks arising from any potential non-compliance with relevant regulatory requirements, legal risks arising from changes to customer contracts, and operational risks including changes to IT systems, controls and reporting infrastructure. In undertaking these changes, the Group is actively engaging with various regulatory bodies across a number of countries in which the Group operates in respect of our IBOR transition readiness. From an industry perspective, the Group is also actively participating in, and contributing to, different RFR Working Groups, industry associations and business forums focusing on different aspects of interest rate benchmark reform.

To date, the Group has successfully transitioned a significant number of loan transactions that previously referenced an IBOR benchmark, to referencing an RFR benchmark rate. The Group has also commenced transitioning existing IBOR derivative trades to reference RFR benchmark rates. The Group continues to extend and deliver its RFR product suite and pricing options to be able support our customers in line with regulatory best practice guidelines.

The Program also includes the management of the impact on customers. The Group is well-progressed in ensuring all customer transition plans are finalised ahead of IBOR cessation dates, with the significant majority of our derivative counterparties with exposures referencing IBORs agreeing to amend existing contracts by adhering to the industry developed ISDA 2020 IBOR Fallbacks Protocol (ISDA Protocol) to facilitate a standardised and orderly transition to RFRs. The Group has also adhered to the ISDA Protocol.

In relation to our loan and transaction banking customers, the Group has commenced a proactive outreach program to ensure an orderly and well-managed migration to RFRs. Given that USD LIBOR will continue to be published for the most widely used settings until 30 June 2023, the Program is focussing on customer engagement with those customers whose arrangements reference IBORs ceasing on 31 December 2021.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

Changes to accounting standards

In 2018, given the uncertainty with regards to the longer term viability of IBORs, the International Accounting Standards Board (IASB) commenced a review of the financial reporting implications of the reforms, given the significant potential consequences for financial instrument accounting.

In October 2019, the Australian Accounting Standards Board (AASB) issued AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 1*, which amended certain existing hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The Group elected to early adopt the amendments from 1 October 2019, which have not had a significant impact on the Group.

In September 2020, the AASB issued AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (the Standard), which the Group early adopted from 1 April 2021. This Standard addresses issues that may affect the Group at the point of transition from an existing IBOR rate to a RFR, including the effects of changes to contractual cash flows or hedging relationships. The Standard includes amendments in respect of:

- Modification of a financial asset or a financial liability measured at amortised cost: IBOR reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Group. The Standard provides a practical expedient to account for a change in the basis for determining the contractual cash flows by updating the effective interest rate. As a result, no immediate gain or loss is recognised. This applies only when the change is a direct consequence of IBOR reform, and the new basis for determining the contractual cash flows is economically comparable to the previous basis;
- Additional relief for hedging relationships: the Standard also amends a number of existing hedge accounting requirements such that the Group will not have to discontinue any hedge accounting relationships solely because of changes made because of the reform if all other hedge accounting criteria are met; and
- Additional disclosure requirements: the Standard amended AASB 7 *Financial Instruments: Disclosures* which requires additional qualitative and quantitative disclosures in relation to the impact of IBOR reforms on the Group. These disclosures are contained within this note.

Financial Impacts of IBOR reform

The following sets out the Group's impact assessment in relation to IBOR reforms as at 30 September 2021:

i) Impact for the year ended 30 September 2021

For the year ended 30 September 2021, the net impact of the IBOR reforms recognised in the Group's net profit after tax is not material. The impacts recognised in the current year include:

a) changes in the fair values of certain derivative financial instruments for which it is known at balance sheet date – as a result of regulatory pronouncements confirming IBOR cessation – that the fair valuation will incorporate a change to an RFR at a future date; and

b) revenue from a small number of customers in the Institutional division who have transitioned to loan and derivative contracts referencing an RFR by 30 September.

ii) Exposures subject to benchmark reform as at 30 September 2021

The table below shows the Group's exposure to interest rate benchmarks subject to IBOR reform. These are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR, and have a contractual maturity date beyond the planned IBOR cessation date.

	Financial Instruments yet to transition to RFRs			
	USD Libor	JPY Libor	GBP Libor	Others[1]
As at 30 September 2021	$m	$m	$m	$m
Loan and advances[2]	12,744	635	508	465
Non-derivative financial assets[2]	3,115	-	1,655	78
Non-derivative financial liabilities[3]	614	-	-	55
Derivative asset (notional value)[4]	515,816	58,264	21,916	16,096
Derivative liability (notional value)[4]	486,716	83,039	21,524	14,855
Loan commitments[2,5]	26,982	4	762	3,695

1. Comprises financial instruments referencing other significant benchmark rates subject to cessation yet to transition to alternative benchmarks.
2. Excludes Expected Credit Losses (ECL).
3. Comprises floating rate debt issuances by the Group.
4. For cross-currency swaps, where both the receive and pay legs are in currencies subject to reform, the Group discloses the Australian dollar-equivalent notional amounts for both. Where one leg of a swap is subject to reform, the Group discloses the notional amount of the receive leg.
5. For multi-currency IBOR referenced facilities, the undrawn balance has been allocated to the base currency of the facility. In the event the base currency interest rate is not subject to cessation, but can be drawn in a currency subject to cessation, the allocation is based on most likely currency of drawdown.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

iii) Hedge accounting exposures subject to IBOR reform

The Group has hedge-accounted relationships referencing IBORs, with the most significant being USD LIBOR, primarily due to fixed rate investment securities and the Group's fixed rate debt issuances denominated in USD that are designated in fair value hedge accounting relationships.

The table below details the carrying values of the Group's USD exposures designated in hedge accounting relationships referencing LIBOR that will be impacted by reform. The nominal value of the associated hedging instruments is also included:

	As at 30 September 2021
Hedged items	$m
Investment securities at FVOCI	13,096
Net loans and advances	236
Deposits and other borrowings	577
Debt issuances	24,249

Hedging instruments	Notional designated up to 30 June 2023 $m	Notional designated beyond 30 June 2023 $m	Total notional amount $m
Fair value hedges	13,335	23,043	36,379
Cash flow hedges	458	258	716

As at 30 September 2021, the Group also has GBP, CHF and JPY exposures designated in hedge accounting relationships of $1,510 million, $940 million and $1,853 million respectively subject to IBOR reform.

Other hedge accounting relationships referencing the Euro Interbank Offered Rate (Euribor), the AUD Bank Bill Swap Rate (BBSW) and the NZ Bank Bill Market (BKBM) are not impacted by IBOR reform as these benchmark rates are expected to remain for the foreseeable future.

iv) Future Developments

As the most widely referenced USD LIBOR benchmark tenors will continue to be published up to 30 June 2023, the Group's transition program supporting our customers and the Group's own risk management activities will continue beyond 2021.

REVISED CONCEPTUAL FRAMEWORK

On 1 October 2020, the Group adopted the revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The adoption of the revised conceptual framework did not have a material impact on the Group.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2021, and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

AASB 9 *Financial Instruments* (AASB 9) introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Group until 1 October 2023. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

AASB 17 is not expected to have a material impact on the Group.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS NOT EARLY ADOPTED (continued)

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends AASB 112 Income Taxes and clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may include transactions such as leases and decommissioning or restoration obligations. This amendment is effective for the Group from 1 October 2023 and is not expected to have a significant impact.

CHANGE IN ACCOUNTING POLICY

INTRAGROUP TRANSACTIONS WITH CONSOLIDATED SECURITISATION ENTITIES

During the year, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all the instruments issued by the SE. The Company will no longer separately record a liability to pass the cash flows from the underlying loans to the SE and an asset in the form of notes issued by the SE which entitle the Company to those same cash flows. Rather the transactions will be considered together with the Company recording a net nil position with the SE in order to better reflect the economic substance of the intragroup transactions that are fully offsetting. Comparatives have been restated in the financial statements of the Company. There has been no change to the Group because the relevant securitisation SEs are fully consolidated and the intra-group transactions eliminated. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details of this change.

2. NET INTEREST INCOME

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Net interest income				
Interest income by type of financial asset				
Financial assets at amortised cost[1]	18,188	22,625	13,767	17,190
Investment securities at FVOCI	866	1,162	596	883
Trading securities	446	584	325	429
Financial assets designated at FV through profit or loss[1]	29	55	124	159
External interest income	19,529	24,426	14,812	18,661
Controlled entities income[2]	-	-	535	701
Interest income	19,529	24,426	15,347	19,362
Interest expense by type of financial liability				
Financial liabilities at amortised cost[1]	(4,830)	(9,751)	(3,681)	(7,477)
Securities sold short	(91)	(95)	(82)	(91)
Financial liabilities designated at FV through profit or loss[1]	(101)	(125)	(158)	(190)
External interest expense	(5,022)	(9,971)	(3,921)	(7,758)
Controlled entities expense[2]	-	-	(555)	(762)
Interest expense	(5,022)	(9,971)	(4,476)	(8,520)
Major bank levy	(346)	(406)	(346)	(406)
Net interest income[3]	14,161	14,049	10,525	10,436

1. Prior year comparative balances have been restated to align with the classification of the underlying financial asset or liability. The reclassification does not change the reported total interest income or interest expense in the prior year. Prior period comparatives were restated to reclassify interest income from Financial assets at amortised cost to Financial assets at FV through profit and loss (2020: $50 million for the Group and $159 million for the Company) and interest expense from Financial liabilities at amortised cost to Financial liabilities at FV through profit and loss (2020: $32 million for the Group and $125 million for the Company).
2. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Interest income from Controlled Entities by $2,377 million and Interest expense from Controlled Entities by $2,929 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.
3. Includes charges for customer remediation of $86 million (2020: $106 million) for the Group and $82 million (2020: $97 million) for the Company.

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at fair value through other comprehensive income or designated at fair value through profit or loss. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. These are presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

Major Bank Levy

The Major Bank Levy Act 2017 ('Levy' or 'Major bank levy') applies a rate of 0.06% to certain liabilities of the Company. The Group has determined that the levy represents a finance cost for the Group and the Company and it is presented as interest expense in the Income Statement.

3. NON-INTEREST INCOME

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Non-interest income				
Fee and commission income				
Lending fees[1]	474	579	436	532
Non-lending fees	2,552	2,687	1,961	2,087
Commissions	97	121	65	67
Funds management income	287	275	5	34
External fee and commission income	3,410	3,662	2,467	2,720
Controlled entities[2]	-	-	235	303
Fee and commission income	3,410	3,662	2,702	3,023
Fee and commission expense	(1,267)	(1,337)	(836)	(999)
Net fee and commission income	2,143	2,325	1,866	2,024
Other income				
Net foreign exchange earnings and other financial instruments income[3]	1,371	1,809	1,064	1,443
Impairment of AmBank	-	(595)	-	-
Impairment of PT Panin	-	(220)	-	-
Disposal of ANZ Share Investing[4]	(251)	-	12	-
Sale of New Zealand legacy insurance portfolio	13	-	-	-
Sale of UDC	-	(7)	-	-
Dividend income on equity securities	1	26	1	26
Dividends received from controlled entities	-	-	1,845	195
Other	48	17	66	(36)
Other income	1,182	1,030	2,988	1,628
Other operating income	3,325	3,355	4,854	3,652
Net income from insurance business	110	78	-	-
Share of associates' profit/(loss)[5]	(176)	155	(1)	(1)
Non-interest income[6]	3,259	3,588	4,853	3,651

1. Lending fees exclude fees treated as part of the effective yield calculation in interest income.
2. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Other operating income from Controlled Entities by $552 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.
3. Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.
4. CMC Markets has provided a share trading solution under the ANZ Share Investing brand since 2018. During the year ANZ reached agreement to transition customers from the ANZ Share Investing branded platform to a CMC Markets-branded platform.
5. Includes ANZ's share of litigation settlement provisions ($212 million) and goodwill impairment ($135 million) recorded by the Group in 2021.
6. Includes charges for customer remediation of $56 million (2020: $68 million) for the Group and $84 million (2020: $189 million) for the Company.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

OTHER OPERATING INCOME

Fee and Commission Revenue

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product (including annual package fees that provide benefits on other ANZ products).
- non-lending fees includes fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Group provides multiple goods or services to a customer under the same contract, the Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If the Group collects funds on behalf of a third party when acting as an agent, we only recognise the net commission it retains as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered. Performance fees associated with funds management activities are only recognised when it becomes highly probable the performance hurdle will be achieved.

Net Foreign Exchange Earnings and Other Financial Instruments Income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised or included in a previous financial report;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;
- the ineffective portions of fair value hedges, cash flow hedges and net investment hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments in items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the fair value through other comprehensive income (FVOCI) reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

Gain or Loss on Disposal of Non-Financial Assets

The gain or loss on the disposal of assets is the difference between the carrying value of the asset and the proceeds of disposal net of costs. This is recognised in Other income in the year in which the significant risks and rewards from the asset transfer to the buyer.

When a non-financial asset or group of assets is classified as held for sale, the difference between the carrying value immediately prior to reclassification and the fair value less costs to sell is recognised in Other operating income to align with the classification of gain or loss on sale that would have applied if the sale had completed during the year.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INCOME FROM INSURANCE BUSINESS

We recognise:

- premiums received (net of reinsurance premiums paid) based on an assessment of the likely pattern in which risk will emerge over the term of the policies written. This assessment is undertaken periodically and updated in accordance with the latest pattern of risk emergence; and
- claims incurred net of reinsurance, on an accruals basis once the liability to the policy owner has been established under the terms of the contract and through actuarial assumptions of future claims.

SHARE OF ASSOCIATES' PROFIT/(LOSS)

The equity method is applied to accounting for associates. Under the equity method, our share of the after tax results of associates is included in the Income Statement and the Statement of Comprehensive Income.

4. OPERATING EXPENSES

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Personnel				
Salaries and related costs	4,425	4,310	3,241	3,147
Superannuation costs	337	329	281	277
Other	184	239	110	142
Personnel[1]	4,946	4,878	3,632	3,566
Premises				
Rent	85	84	62	58
Depreciation	446	517	371	427
Other	174	188	131	139
Premises	705	789	564	624
Technology				
Depreciation and amortisation[2,3]	638	858	585	786
Subscription licences and outsourced services	786	780	587	586
Other	164	186	170	189
Technology[1]	1,588	1,824	1,342	1,561
Restructuring	127	161	77	127
Other				
Advertising and public relations	178	177	134	136
Professional fees	769	667	714	614
Freight, stationery, postage and communication	185	205	141	166
Other[3]	553	682	990	994
Other[1]	1,685	1,731	1,979	1,910
Operating expenses[1]	9,051	9,383	7,594	7,788

1. Includes customer remediation expenses of $185 million (2020: $209 million) for the Group and $148 million (2020: $146 million) for the Company allocated across Personnel, Technology and Other expenses.
2. 2020 includes accelerated amortisation of $197 million for the Group and $184 million for the Company following the Group's change in the application of its software amortisation policy in 2020.
3. Includes litigation settlement expenses of $69 million in 2021 for the Group and $69 million for the Company in 2021 and goodwill write-off of $77 million for the Group and $10 million for the Company in 2020.

4. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS - ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of high quality corporate bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

Personnel expenses also include share-based payments which may be cash or equity settled. We calculate the fair value of equity settled remuneration at grant date, which is then amortised over the vesting period, with a corresponding increase in share capital or the share option reserve as applicable. When we estimate the fair value, we take into account market vesting conditions, such as share price performance conditions. We take non-market vesting conditions, such as service conditions, into account by adjusting the number of equity instruments included in the expense.

After the grant of an equity-based award, the amount we recognise as an expense is reversed when non-market vesting conditions are not met, for example an employee fails to satisfy the minimum service period specified in the award on resignation, termination or notice of dismissal for serious misconduct. However, we do not reverse the expense if the award does not vest due to the failure to meet a market-based performance condition.

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 31 Employee Share and Option Plans.

5. INCOME TAX

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in profit or loss:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Profit before income tax from continuing operations	8,936	5,516	8,253	3,962
Prima facie income tax expense at 30%	2,681	1,655	2,476	1,189
Tax effect of permanent differences:				
Gains or losses on sale from divestments	(4)	2	-	-
Impairment of investment in AmBank and PT Panin	-	245	-	-
Share of associates' (profit)/loss	53	(47)	-	-
Disposal of ANZ Share Investing	75	-	(4)	-
Interest on convertible instruments	44	52	44	52
Overseas tax rate differential	(88)	(86)	(33)	(31)
Provision for foreign tax on dividend repatriation	37	20	33	18
Rebatable and non-assessable dividends	-	-	(554)	(58)
Wealth Australia divestment adjustments	-	-	-	8
Other	(26)	25	(23)	(2)
Subtotal	2,772	1,866	1,939	1,176
Income tax (over)/under provided in previous years	(16)	(26)	(17)	(20)
Income tax expense	2,756	1,840	1,922	1,156
Current tax expense	2,616	2,637	1,743	1,689
Adjustments recognised in the current year in relation to the current tax of prior years	(16)	(26)	(17)	(20)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	156	(771)	196	(513)
Income tax expense	2,756	1,840	1,922	1,156
Australia	1,897	1,115	1,806	1,028
Overseas	859	725	116	128
Effective tax rate	30.8%	33.4%	23.3%	29.2%

5. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Company is the head entity in the tax-consolidated group. We recognise each of the following in the separate financial statements of members of the tax consolidated group on a 'group allocation' basis: tax expense/income, and deferred tax liabilities/assets that arise from temporary differences of the members of the tax-consolidated group. The Company (as head entity in the tax-consolidated group) recognises current tax liabilities and assets of the tax-consolidated group.

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the Company and the other members of the tax-consolidated group.

Members of the tax-consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities were the head entity to default on its income tax payment obligations.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total $6 million (2020: $10 million) for the Group and $2 million (2020: $5 million) for the Company.

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches and subsidiaries are repatriated) total $344 million (2020: $329 million) for the Group and $15 million (2020: $14 million) for the Company.

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant law in each of the countries in which it operates and seeks independent advice where appropriate.

6. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends are provided for in the financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend $m
Financial Year 2020			
2019 final dividend paid[1,2]		80 cents	2,268
2020 interim dividend paid[1,3]		25 cents	709
Bonus option plan adjustment			(55)
Dividends paid during the year ended 30 September 2020			2,922
Cash	91.6%		2,676
Dividend reinvestment plan[4]	8.4%		246
Dividends paid during the year ended 30 September 2020			2,922
Financial Year 2021			
2020 final dividend paid[1,3]		35 cents	994
2021 interim dividend paid[1,3]		70 cents	1,992
Bonus option plan adjustment			(58)
Dividends paid during the year ended 30 September 2021			2,928
Cash	90.0%		2,635
Dividend reinvestment plan[4]	10.0%		293
Dividends paid during the year ended 30 September 2021			2,928

Dividends announced and to be paid after year-end	Payment date	Amount per share	Total dividend $m
2021 final dividend (fully franked for Australian tax, New Zealand imputation credit NZD 8 cents per share)	16 December 2021	72 cents	2,030

1. Carries New Zealand imputation credits of NZD 8 cents for the 2021 interim dividend, NZD 4 cents for the 2020 final dividend, NZD 3 cents for the 2020 interim dividend, and NZD 9 cents for the 2019 final dividend.
2. Partially franked at 70% for Australian tax purposes (30% tax rate).
3. Fully franked for Australian tax purposes (30% tax rate).
4. Includes on-market share purchases for the Dividend Reinvestment Plan of $199 million (2020: $185 million).

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Eligible shareholders can elect to reinvest their dividend entitlement into ANZ ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to forgo their dividend entitlement and instead receive ANZ ordinary shares under the Company's Bonus Option Plan (BOP). For the 2021 final dividend, DRP participation will be satisfied by an on-market purchase, and BOP participation will be satisfied by an issue, of new ANZ ordinary shares. There will be no discount applied to the DRP and BOP price.

See Note 23 Shareholders' Equity for details of shares the Company purchased or issued in respect of the DRP and BOP.

6. DIVIDENDS (continued)

DIVIDEND FRANKING ACCOUNT

	Currency	2021 $m	2020 $m
Australian franking credits available at 30% tax rate	AUD	772	477
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	5,020	4,583

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the financial year; and
- franking credits/debits from the receipt/payment of dividends that have been recognised as tax receivables/payables as at the end of the financial year.

The proposed final 2021 dividend will utilise the entire balance of $772 million franking credits available at 30 September 2021. Instalment tax payments on account of the 2021 financial year, which will be made after 30 September 2021, will generate sufficient franking credits to enable the final 2021 dividend to be fully franked. The extent to which future dividends will be franked will depend on a number of factors, including the level of profits generated by the Group that will be subject to tax in Australia.

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on ANZ ordinary shares if:

- the aggregate dividends exceed the Company's after tax earnings (in calculating those after tax earnings, we take into account any payments we made on senior capital instruments) in the financial year to which they relate; or
- the Group's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the Company fails to pay a dividend or distribution on its ANZ Capital Notes or ANZ Capital Securities on the scheduled payment date, it may (subject to a number of exceptions) be restricted from resolving to pay or paying any dividend on the ANZ ordinary shares.

In response to the uncertain impacts of COVID-19, in July 2020 APRA provided guidance on capital management, including its expectations in relation to limits on the amount of dividends to be paid out of that year's earnings. The Company's 2020 interim dividend of 25 cents per share (paid to shareholders on 30 September 2020) and 2020 final dividend of 35 cents per share (paid to shareholders on 16 December 2020) took into account this guidance.

Following an improvement in the economic outlook and stability in financial markets, APRA updated their guidance in December 2020, whereby from the 2021 calendar year, APRA will no longer hold ADIs to a minimum level of earnings retention but emphasised the requirement for ADIs to maintain vigilance and careful planning in capital management, including conducting regular stress testing and assurance on the capacity to continue to lend. APRA also stated that the onus will be on Boards to consider carefully the sustainable rate for dividends, taking into account the outlook for profitability, capital and economic environment.

7. EARNINGS PER ORDINARY SHARE

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (after eliminating ANZ shares held within the Group known as treasury shares). Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares used in the basic EPS calculation for the effect of dilutive potential ordinary shares.

Earnings per ordinary share (EPS) - Basic	2021 cents	2020 cents
Earnings Per Share	217.1	126.4
Earnings Per Share from continuing operations	217.7	129.8
Earnings Per Share from discontinued operations	(0.6)	(3.4)

Earnings per ordinary share (EPS) - Diluted	2021 cents	2020 cents
Earnings Per Share	204.9	118.0
Earnings Per Share from continuing operations	205.4	121.1
Earnings Per Share from discontinued operations	(0.5)	(3.1)

Reconciliation of earnings used in earnings per share calculations	2021 $m	2020 $m
Basic:		
Profit for the year	6,163	3,578
Less: Profit attributable to non-controlling interests	1	1
Earnings used in calculating basic earnings per share	6,162	3,577
Less: Profit/(Loss) after tax from discontinued operations	(17)	(98)
Earnings used in calculating basic earnings per share from continuing operations	6,179	3,675
Diluted:		
Earnings used in calculating basic earnings per share	6,162	3,577
Add: Interest on convertible subordinated debt	187	201
Earnings used in calculating diluted earnings per share	6,349	3,778
Less: Profit/(Loss) after tax from discontinued operations	(17)	(98)
Earnings used in calculating diluted earnings per share from continuing operations	6,366	3,876

Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1]	2021 millions	2020 millions
WANOS used in calculating basic earnings per share	2,838.6	2,830.9
Add: Weighted average dilutive potential ordinary shares		
Convertible subordinated debt	250.3	362.2
Share based payments (options, rights and deferred shares)	9.9	8.0
WANOS used in calculating diluted earnings per share	3,098.8	3,201.1

1. Weighted average number of ordinary shares excludes the weighted average number of treasury shares held in ANZEST Pty Ltd of 4.6 million (2020: 5.0 million).

8. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The Group's five continuing operating segments are presented on a basis that is consistent with the information provided internally to the Chief Executive Officer, who is the chief operating decision maker. This reflects the way the Group's businesses are managed, rather than the legal structure of the Group.

We measure the performance of these segments on a cash profit basis. To calculate cash profit, we remove certain non-core items from statutory profit. Details of these items are included in the 'Other Items' section of this note. Transactions between business units across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

The reportable segments are divisions engaged in providing either different products or services or similar products and services in different geographical areas. They are as follows:

Australia Retail and Commercial

The Australia Retail and Commercial division comprises the following business units:

- Retail provides products and services to consumer customers in Australia via the branch network, mortgage specialists, contact centres, a variety of self-service channels (digital and internet banking, website, ATMs and phone banking) and third party brokers.
- Commercial and Private Bank provides a full range of banking products and financial services, including asset financing, across the following customer segments: medium to large commercial customers, small business owners and high net worth individuals and family groups, in addition to financial planning services provided by salaried financial planners and investment lending secured by approved securities.

Institutional

The Institutional division services governments, global institutional and corporate customers across Australia, New Zealand and International via the following business units:

- Transaction Banking provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Corporate Finance provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory services.
- Markets provides customers with risk management services in foreign exchange, interest rates, credit, commodities, and debt capital markets in addition to managing the Group's interest rate exposure and liquidity position.

New Zealand

The New Zealand division comprises the following business units:

- Personal (previously Retail) provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.
- Business (previously Commercial) provides a full range of banking services including small business banking, through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government related entities.

Pacific

The Pacific division provides products and services to retail customers, small to medium-sized enterprises, institutional customers and governments located in the Pacific Islands. Products and services include retail products provided to consumers, traditional relationship banking and sophisticated financial solutions provided to business customers through dedicated managers.

Technology, Services & Operations (TSO) and Group Centre

TSO and Group Centre division provides support to the operating divisions, including technology, group operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Centre includes residual components of Group divestments, Group Treasury, Shareholder Functions and minority investments in Asia.

Refer to Note 29 Discontinued Operations and Assets and Liabilities Held for Sale for further details.

OPERATING SEGMENTS

There have been no material structural changes during the year which have impacted the presentation of the Group's operating segments in 2021. As such, the presentation of the divisional results remains consistent with the prior period.

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2021	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	7,989	3,105	2,870	96	101	-	14,161
Net fee and commission income							
- Lending fees	216	241	10	7	-	-	474
- Non-lending fees	1,268	683	585	20	(4)	-	2,552
- Commissions	64	1	32	-	-	-	97
- Funds management income	32	1	254	-	-	-	287
- Fee and commission expense	(560)	(274)	(430)	(2)	(1)	-	(1,267)
Net income from insurance business	110	-	-	-	-	-	110
Other income	(242)	1,227	18	40	166	(27)	1,182
Share of associates' profit/(loss)	1	(1)	-	-	(176)	-	(176)
Other operating income	889	1,878	469	65	(15)	(27)	3,259
Operating income	8,878	4,983	3,339	161	86	(27)	17,420
Operating expenses	(4,024)	(2,447)	(1,325)	(144)	(1,111)	-	(9,051)
Profit before credit impairment and income tax	4,854	2,536	2,014	17	(1,025)	(27)	8,369
Credit impairment (charge)/release	426	89	76	(21)	(3)	-	567
Profit before income tax	5,280	2,625	2,090	(4)	(1,028)	(27)	8,936
Income tax expense and non-controlling interests	(1,663)	(738)	(582)	1	217	8	(2,757)
Profit after tax from continuing operations	3,617	1,887	1,508	(3)	(811)	(19)	6,179
Profit/(Loss) after tax from discontinued operations							(17)
Profit after tax attributable to shareholders							6,162
Includes non-cash items:							
Share of associates' profit/(loss)	1	(1)	-	-	(176)	-	(176)
Goodwill write-off[2]	(251)	-	-	-	-	-	(251)
Impairment of associates	-	-	-	-	-	-	-
Depreciation and amortisation	(108)	(115)	(117)	(11)	(739)	-	(1,090)
Equity-settled share based payment expenses	(4)	(63)	(6)	(1)	(17)	-	(91)
Credit impairment (charge)/release	426	89	76	(21)	(3)	-	567

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill[2]	140	1,100	1,849	-	-	-	3,089
Investments in associates	17	4	-	-	1,951	-	1,972

1. Cash profit represents our preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 140 if we consider them not integral to the ongoing performance of the segment.
2. During 2021, the Group wrote off $251 million of goodwill upon the reclassification of ANZ Share Investing to held for sale with the remaining $13 million derecognised on completion of the disposal.

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2020	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	7,916	3,182	2,731	109	111	-	14,049
Net fee and commission income							
- Lending fees	267	288	14	10	-	-	579
- Non-lending fees	1,310	776	586	29	(14)	-	2,687
- Commissions	67	-	54	-	-	-	121
- Funds management income	30	2	243	-	-	-	275
- Fee and commission expense	(588)	(308)	(436)	(5)	-	-	(1,337)
Net income from insurance business	77	-	-	-	1	-	78
Other income	(1)	1,891	12	50	(807)	(115)	1,030
Share of associates' profit/(loss)	(1)	-	-	-	156	-	155
Other operating income	1,161	2,649	473	84	(664)	(115)	3,588
Operating income	9,077	5,831	3,204	193	(553)	(115)	17,637
Operating expenses	(4,091)	(2,558)	(1,435)	(205)	(1,094)	-	(9,383)
Profit before credit impairment and income tax	4,986	3,273	1,769	(12)	(1,647)	(115)	8,254
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)
Profit before income tax	3,339	2,579	1,424	(64)	(1,647)	(115)	5,516
Income tax expense and non-controlling interests	(1,002)	(725)	(407)	2	259	32	(1,841)
Profit after tax from continuing operations	2,337	1,854	1,017	(62)	(1,388)	(83)	3,675
Profit/(Loss) after tax from discontinued operations							(98)
Profit after tax attributable to shareholders							3,577
Includes non-cash items:							
Share of associates' profit/(loss)	(1)	-	-	-	156	-	155
Goodwill impairment	-	-	(27)	(50)	-	-	(77)
Impairment of associates[2]	-	-	-	-	(815)	-	(815)
Depreciation and amortisation[3]	(197)	(188)	(103)	(11)	(892)	-	(1,391)
Equity-settled share based payment expenses	(7)	(70)	(7)	(1)	(25)	-	(110)
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill	403	1,068	1,793	-	-	-	3,264
Investments in associates[2]	17	4	-	-	2,143	-	2,164

1. Cash profit represents our preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 140 if we consider them not integral to the ongoing performance of the segment.
2. Includes $815 million impairment after tax in respect of two of the Group's equity accounted investments. AmBank was impaired by $595 million and PT Panin was impaired by $220 million. Refer to Note 26 Investments in Associates for further details.
3. Includes accelerated amortisation of $197 million following the Group's change in the application of its software amortisation policy in 2020 (Australia Retail and Commercial $31 million, Institutional $38 million, New Zealand $2 million, TSO and Group Centre $126 million). Refer to Note 21 Goodwill and Other Intangible Assets for further details.

8. SEGMENT REPORTING (continued)

OTHER ITEMS

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

		Profit after tax	
Item	Related segment	2021 $m	2020 $m
Economic hedges	Institutional, New Zealand, TSO and Group Centre	77	(121)
Revenue and expense hedges	TSO and Group Centre	(96)	36
Structured credit intermediation trades	Institutional	-	2
Total from continuing operations		(19)	(83)

SEGMENT INCOME BY PRODUCTS AND SERVICES

The primary sources of our external income across all divisions are interest income and other operating income. The Australia Retail and Commercial, New Zealand, and Pacific divisions derive income from products and services from retail and commercial banking. The Institutional division derives its income from institutional products and market services. No single customer amounts to greater than 10% of the Group's income.

GEOGRAPHICAL INFORMATION

The following table sets out total operating income earned including discontinued operations and assets to be recovered in more than one year based on the geographical regions in which the Group operates.

The reportable segments operate across three geographical regions as follows:

- Australia Retail and Commercial division - Australia
- Institutional division - all three geographical regions
- New Zealand division - New Zealand
- Pacific division - International
- TSO and Group Centre division - all three geographical regions
- Discontinued operations - Australia

The International region includes Asia, Pacific, Europe and Americas.

	Australia		International		New Zealand		Total	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Total operating income[1]	11,822	11,838	1,778	1,975	3,892	3,773	17,492	17,586
Assets to be recovered in more than one year[2]	362,588	362,846	28,213	27,632	112,966	100,377	503,767	490,855

1. Includes operating income earned from Discontinued operations of $72 million (2020: -$51 million).
2. Based on the contractual maturity of net loans and advances.

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets as they apply to subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

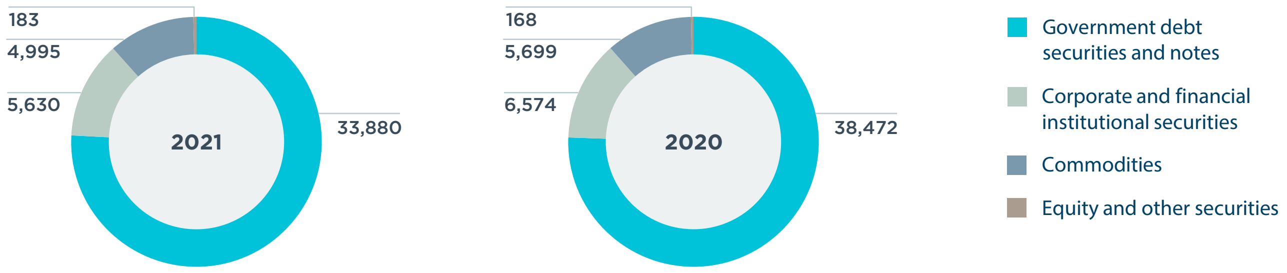
A financial asset may be irrevocably designated on initial recognition:

- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

9. CASH AND CASH EQUIVALENTS

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Coins, notes and cash at bank	1,127	1,514	721	1,084
Securities purchased under agreements to resell in less than 3 months	17,571	35,603	16,465	34,501
Balances with central banks	107,915	46,091	101,400	39,362
Settlement balances owed to ANZ within 3 months	24,647	24,715	22,850	23,136
Cash and cash equivalents	151,260	107,923	141,436	98,083

10. TRADING SECURITIES



	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Government debt securities and notes	33,880	38,472	26,119	27,917
Corporate and financial institution securities	5,630	6,574	3,493	4,873
Commodities	4,995	5,699	4,957	5,464
Equity and other securities	183	168	183	169
Total	44,688	50,913	34,752	38,423

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in the profit and loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Derivative financial instruments - held for trading	38,080	(35,833)	130,097	(130,227)
Derivative financial instruments - designated in hedging relationships	656	(202)	5,234	(4,484)
Derivative financial instruments	38,736	(36,035)	135,331	(134,711)

The Company Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Derivative financial instruments - held for trading	37,700	(36,847)	126,561	(128,028)
Derivative financial instruments - designated in hedging relationships	592	(158)	3,991	(3,202)
Derivative financial instruments	38,292	(37,005)	130,552	(131,230)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract - sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Group's derivative financial instruments have been categorised as following:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in Hedging Relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: • hedges of the Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The Group offers or uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange one series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RISKS MANAGED

The Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign Exchange	Currencies at current or determined rates of exchange.
Interest Rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Risk of default by customers or third parties.

The Group uses a number of central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions, are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

In August 2021, the Group amended the terms of its legal agreements with one of its central clearing counterparties giving effect to this form of legal settlement. As a result of this change, collateral paid and received by the Group under these agreements is no longer separately recognised, instead settling the Group's outstanding derivative exposures and reducing the associated carrying values of the derivative asset and liability balances. The impact of this change as at 30 September 2021 is a reduction in derivative assets of $55.1 billion, derivative liabilities of $55.2 billion, and a reduction in net collateral paid of $0.1 billion.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Group's derivative financial instruments are held for trading. The fair values of derivative financial instruments held for trading are:

Consolidated Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Interest rate contracts				
Forward rate agreements	2	(23)	86	(86)
Futures contracts	105	(24)	31	(128)
Swap agreements	10,267	(8,065)	104,814	(101,277)
Options purchased	971	-	1,676	-
Options sold	-	(1,207)	-	(2,609)
Total	11,345	(9,319)	106,607	(104,100)
Foreign exchange contracts				
Spot and forward contracts	13,869	(11,462)	11,815	(11,435)
Swap agreements	11,109	(12,425)	8,703	(12,334)
Options purchased	277	-	372	-
Options sold	-	(577)	-	(502)
Total	25,255	(24,464)	20,890	(24,271)
Commodity and other contracts	1,445	(2,017)	2,577	(1,834)
Credit default swaps				
Structured credit derivatives purchased	-	-	18	-
Other credit derivatives purchased	-	(33)	4	(3)
Credit derivatives purchased	-	(33)	22	(3)
Structured credit derivatives sold	-	-	-	(18)
Other credit derivatives sold	35	-	1	(1)
Credit derivatives sold	35	-	1	(19)
Total	35	(33)	23	(22)
Derivative financial instruments - held for trading[1]	38,080	(35,833)	130,097	(130,227)

1. Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Company

Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Interest rate contracts				
Forward rate agreements	3	(24)	92	(91)
Futures contracts	87	(19)	23	(124)
Swap agreements	11,598	(10,538)	102,260	(100,765)
Options purchased	969	-	1,673	-
Options sold	-	(1,206)	-	(2,609)
Total	12,657	(11,787)	104,048	(103,589)
Foreign exchange contracts				
Spot and forward contracts	11,840	(9,658)	10,525	(10,105)
Swap agreements	11,463	(12,940)	9,008	(12,002)
Options purchased	267	-	378	-
Options sold	-	(408)	-	(476)
Total	23,570	(23,006)	19,911	(22,583)
Commodity and other contracts	1,422	(2,015)	2,571	(1,834)
Credit default swaps				
Structured credit derivatives purchased	-	-	18	-
Other credit derivatives purchased	-	(39)	4	(3)
Credit derivatives purchased	-	(39)	22	(3)
Structured credit derivatives sold	-	-	-	(18)
Other credit derivatives sold	51	-	9	(1)
Credit derivatives sold	51	-	9	(19)
Total	51	(39)	31	(22)
Derivative financial instruments - held for trading[1]	37,700	(36,847)	126,561	(128,028)

1. Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

There are three types of hedge accounting relationships the Group utilises:

	Fair value hedge	Cash flow hedge	Net investment hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.	To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.	We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR).
Recognition of ineffective hedge portion	Recognised immediately in Other operating income.		
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.	The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.	The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Under the policy choice provided by AASB 9 *Financial Instruments*, the Group has continued to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement.*

The fair value of derivative financial instruments designated in hedging relationships are:

	2021			2020		
Consolidated	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	548	-	(13)	558	-	(9)
Interest rate swap agreements	95,384	370	(121)	105,249	2,871	(3,532)
Interest rate futures contracts	8,704	191	(2)	9,380	-	(103)
Cash flow hedges						
Interest rate swap agreements	105,416	27	(20)	97,170	2,233	(769)
Foreign exchange swap agreements	642	22	-	2,943	63	(54)
Foreign exchange spot and forward contracts	153	-	(1)	153	-	-
Net investment hedges						
Foreign exchange spot and forward contracts	1,097	46	(45)	1,269	67	(17)
Derivative financial instruments - designated in hedging relationships	211,944	656	(202)	216,722	5,234	(4,484)

	2021			2020		
The Company	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	548	-	(13)	558	-	(9)
Interest rate swap agreements	68,708	358	(116)	79,416	2,272	(2,773)
Interest rate futures contracts	8,704	191	(2)	9,380	-	(103)
Cash flow hedges						
Interest rate swap agreements	78,852	19	(16)	59,037	1,643	(261)
Foreign exchange swap agreements	642	22	-	2,943	63	(54)
Foreign exchange spot and forward contracts	153	-	(1)	153	-	-
Net investment hedges						
Foreign exchange spot and forward contracts	299	2	(10)	404	13	(2)
Derivative financial instruments - designated in hedging relationships	157,906	592	(158)	151,891	3,991	(3,202)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The maturity profile of the nominal amounts of our hedging instruments held is:

Consolidated Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.26%	2,597	14,328	58,658	28,505	104,088
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.17%	4,593	14,180	84,924	1,719	105,416
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	38	115	-	642	795
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.81 24.18	456	641	-	-	1,097
As at 30 September 2020							
Fair value hedges							
Interest rate	Interest Rate	1.47%	3,548	12,736	69,836	28,509	114,629
Foreign exchange	HKD/AUD FX Rate	5.59	558	-	-	-	558
Cash flow hedges							
Interest rate	Interest Rate	1.72%	9,062	30,364	55,549	2,195	97,170
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	38	613	1,157	1,288	3,096
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.29 21.63	591	678	-	-	1,269

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Company

Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.37%	2,445	10,884	43,063	21,020	77,412
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.06%	2,125	7,233	67,799	1,695	78,852
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	38	115	-	642	795
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.81	150	149	-	-	299
As at 30 September 2020							
Fair value hedges							
Interest rate	Interest Rate	1.57%	3,475	7,852	53,250	24,219	88,796
Foreign exchange	HKD/AUD FX Rate	5.59	558	-	-	-	558
Cash flow hedges							
Interest rate	Interest Rate	1.65%	4,253	12,692	40,013	2,079	59,037
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	38	613	1,157	1,288	3,096
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.29	258	146	-	-	404

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

Consolidated	Ineffectiveness			
As at 30 September 2021	Change in value of hedging instrument[2] $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	1,005	(1,006)	(1)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(934)	909	(25)	4
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	61	(61)	-	-
As at 30 September 2020				
Fair value hedges[1]				
Interest rate	372	(358)	14	-
Foreign exchange	23	(23)	-	-
Cash flow hedges[1]				
Interest rate	451	(449)	2	10
Foreign exchange	(15)	15	-	(2)
Net investment hedges[1]				
Foreign exchange	94	(94)	-	(15)

1. All hedging instruments are classified as derivative financial instruments.
2. Changes in value of hedging instruments is before any adjustments for Settle to Market.

The Company	Ineffectiveness			
As at 30 September 2021	Change in value of hedging instrument[2] $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	731	(734)	(3)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(797)	772	(25)	(6)
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	(6)	6	-	-
As at 30 September 2020				
Fair value hedges[1]				
Interest rate	166	(154)	12	-
Foreign exchange	23	(23)	-	-
Cash flow hedges[1]				
Interest rate	352	(351)	1	(5)
Foreign exchange	(15)	15	-	(2)
Net investment hedges[1]				
Foreign exchange	16	(16)	-	(15)

1. All hedging instruments are classified as derivative financial instruments.
2. Changes in value of hedging instruments is before any adjustments for Settle to Market.

Hedge ineffectiveness recognised is classified within Other operating income. Reclassification adjustments to the Statement of Comprehensive Income are recognised within Net interest income and Other operating income.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to the Group's fair value hedges are:

Consolidated	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	9	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(53,885)	-	(999)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	53,321	-	(209)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			57,285	(53,885)	(180)	(999)
As at 30 September 2020						
Fixed rate loans and advances	Net loans and advances	Interest rate	7,375	-	52	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(61,355)	-	(2,518)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	55,233	-	2,256	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	558	-	29	-
Total			63,166	(61,355)	2,337	(2,518)

1. The carrying amount of debt and equity instruments at fair value through other comprehensive income does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is $2 million (2020: nil).

The hedged items in relation to the Company's fair value hedges are:

The Company	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	7	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(38,222)	-	(769)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	41,944	-	129	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			45,908	(38,222)	156	(769)
As at 30 September 2020						
Fixed rate loans and advances	Net loans and advances	Interest rate	5,946	-	43	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(44,159)	-	(1,923)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	46,747	-	1,958	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	558	-	29	-
Total			53,251	(44,159)	2,030	(1,923)

1. The carrying amount of debt and equity instruments at fair value through other comprehensive income does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is nil (2020: nil).

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to the Group's cash flow and net investment hedges are:

		Cash flow hedge reserve		Foreign currency translation reserve	
Consolidated	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	546	20	-	-
Floating rate customer deposits	Interest rate	4	(6)	-	-
Foreign currency debt issuance	Foreign exchange	(4)	(1)	-	-
Foreign currency investment securities	Foreign exchange	-	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(19)	(149)
As at 30 September 2020					
Cash flow hedges					
Floating rate loans and advances	Interest rate	2,013	38	-	-
Floating rate customer deposits	Interest rate	(562)	(18)	-	-
Foreign currency debt issuance	Foreign exchange	(2)	-	-	-
Foreign currency investment securities	Foreign exchange	10	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(80)	(149)

		Cash flow hedge reserve		Foreign currency translation reserve	
The Company	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	541	11	-	-
Floating rate customer deposits	Interest rate	8	(6)	-	-
Foreign currency debt issuance	Foreign exchange	(4)	(1)	-	-
Foreign currency investment securities	Foreign exchange	-	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	30	(149)
As at 30 September 2020					
Cash flow hedges					
Floating rate loans and advances	Interest rate	1,508	30	-	-
Floating rate customer deposits	Interest rate	(193)	(15)	-	-
Foreign currency debt issuance	Foreign exchange	(2)	-	-	-
Foreign currency investment securities	Foreign exchange	10	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	36	(149)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below details the reconciliation of the Group's cash flow hedge reserve by risk type:

Consolidated	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2019	716	15	731
Fair value gains/(losses)	449	(15)	434
Transferred to income statement	10	(2)	8
Income taxes and others	(141)	6	(135)
Balance at 30 September 2020	1,034	4	1,038
Fair value gains/(losses)	(909)	(10)	(919)
Transferred to income statement	4	(1)	3
Income taxes and others	269	2	271
Balance at 30 September 2021	398	(5)	393

Hedges of net investments in a foreign operation resulted in a $61 million increase in FCTR during the year (2020: $94 million). Of that, nil (2020: $15 million) was reclassified from FCTR to the income statement during the year.

The table below details the reconciliation of the Company's cash flow hedge reserve by risk type:

The Company	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2019	690	17	707
Fair value gains/(losses)	351	(15)	336
Transferred to income statement	(5)	(2)	(7)
Income taxes and others	(105)	4	(101)
Balance at 30 September 2020	931	4	935
Fair value gains/(losses)	(772)	(10)	(782)
Transferred to income statement	(6)	(1)	(7)
Income taxes and others	236	2	238
Balance at 30 September 2021	389	(5)	384

Hedges of net investments in a foreign operation resulted in a $6 million decrease in FCTR during the year (2020: $16 million increase). Of that, nil (2020: $15 million) was reclassified from FCTR to the income statement during the year.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

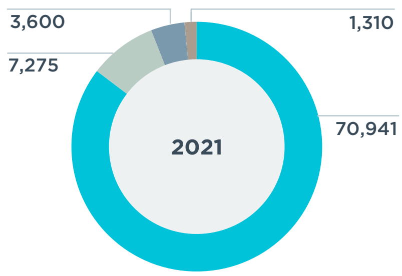
RECOGNITION AND MEASUREMENT

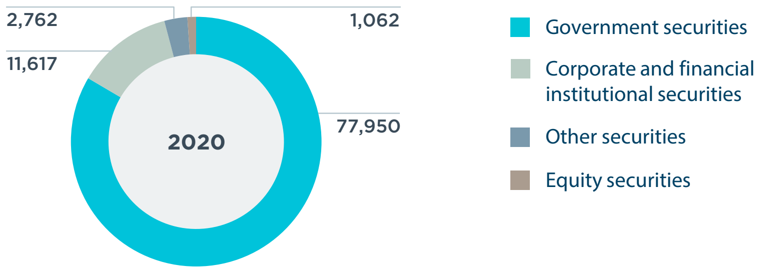
Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the Group's contractual obligations are discharged, cancelled or expired. With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.
Impact on the Income Statement	The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedging relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 147 for profit or loss treatment for each hedge type. Sources of hedge ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments. The hedging instruments are discounted using Overnight Index Swaps discount curves which are not applied to the hedged items.
Hedge effectiveness	To qualify for hedge accounting, a hedge is expected to be highly effective. A hedge is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

12. INVESTMENT SECURITIES





	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Investment securities measured at fair value through other comprehensive income				
Debt securities	74,743	85,460	61,623	73,936
Equity securities	1,310	1,062	1,054	994
Investment securities measured at amortised cost				
Debt securities[1]	7,031	6,816	5,263	5,354
Investment Securities measured at fair value through profit or loss				
Debt securities	42	53	-	-
Total	83,126	93,391	67,940	80,284

1. Includes allowance for expected credit losses of $31 million (2020: $20 million) for the Group and $1 million (2020: $1 million) for the Company.

The maturity profile of investment securities is as follows:

Consolidated 2021 Investment securities	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	6,396	12,984	32,179	19,382	-	70,941
Corporate and financial institution securities	285	1,179	5,701	110	-	7,275
Other securities	129	295	553	2,623	-	3,600
Equity securities[1]	-	-	-	-	1,310	1,310
Total	6,810	14,458	38,433	22,115	1,310	83,126
2020 Investment securities						
Government securities	7,175	14,436	37,656	18,683	-	77,950
Corporate and financial institution securities	701	2,698	8,128	90	-	11,617
Other securities	-	-	532	2,230	-	2,762
Equity securities[1]	-	-	-	-	1,062	1,062
Total	7,876	17,134	46,316	21,003	1,062	93,391

1. The carrying value of equity securities classified as FVOCI securities includes the Group's $991 million (2020: $934 million) investment in the Bank of Tianjin (BoT).

During the year, the Group recognised a net gain (before tax) in Other operating income from the recycling of gains/losses previously deferred in other comprehensive income of $303 million (2020: $23 million) in respect of investment securities.

12. INVESTMENT SECURITIES (continued)

The Company 2021 Investment securities	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	5,453	11,646	24,390	16,350	-	57,839
Corporate and financial institution securities	175	830	4,371	71	-	5,447
Other securities	129	295	553	2,623	-	3,600
Equity securities[1]	-	-	-	-	1,054	1,054
Total	5,757	12,771	29,314	19,044	1,054	67,940

2020 Investment securities						
Government securities	5,770	12,763	30,887	17,600	-	67,020
Corporate and financial institution securities	633	1,700	7,104	71	-	9,508
Other securities	-	-	532	2,230	-	2,762
Equity securities[1]	-	-	-	-	994	994
Total	6,403	14,463	38,523	19,901	994	80,284

1. The carrying value of equity securities classified as FVOCI securities includes the Company's $991 million (2020: $934 million) investment in the Bank of Tianjin (BoT).

During the year, the Company recognised a net gain (before tax) in Other operating income from the recycling of gains/losses previously deferred in other comprehensive income of $301 million (2020: $21 million) in respect of investment securities.

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Group's customer lending activities are classified as Loans and advances (rather than Investment securities) to better reflect the substance of the arrangement.

Non-traded equity investments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as Investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial asset disclosures on page 141. Additionally, expected credit losses associated with 'Investment securities - debt securities at amortised cost' and 'Investment securities - debt securities at fair value through other comprehensive income' are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses. For 'Investment securities - debt securities at fair value through other comprehensive income' the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

13. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for the Group:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Overdrafts	5,360	5,214	4,465	4,466
Credit cards	6,570	7,194	5,494	5,990
Commercial bills	6,000	6,383	6,000	6,383
Term loans – housing	372,572	358,350	278,372	275,579
Term loans – non-housing	239,277	241,725	194,150	197,117
Other	2,985	2,406	2,733	2,133
Subtotal	632,764	621,272	491,214	491,668
Unearned income[1]	(434)	(460)	(390)	(406)
Capitalised brokerage and other origination costs[1]	1,434	1,262	1,050	959
Gross loans and advances	633,764	622,074	491,874	492,221
Allowance for expected credit losses (refer to Note 14)	(4,045)	(4,981)	(3,387)	(4,219)
Net loans and advances	629,719	617,093	488,487	488,002
Residual contractual maturity:				
Within one year	125,952	126,238	98,214	98,736
More than one year	503,767	490,855	390,273	389,266
Net loans and advances	629,719	617,093	488,487	488,002
Carried on Balance Sheet at:				
Amortised cost	626,099	613,155	485,015	483,986
Fair value through profit or loss	3,620	3,938	3,472	4,016
Net loans and advances	629,719	617,093	488,487	488,002

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million for the Group; $387 million for the Company).

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses, or at fair value when they are specifically designated on initial recognition as fair value through profit or loss or when held for trading.

We classify contracts to lease assets and hire purchase agreements as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. We include these facilities in 'Other' in the table above.

The Group enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Group's balance sheet, however if substantially all the risks and rewards are transferred, the Group derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, the Group derecognises the asset. If control over the asset is not lost, the Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets and liabilities as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 141. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES

Consolidated	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m	2020 Collectively assessed $m	2020 Individually assessed $m	2020 Total $m
Net loans and advances at amortised cost	3,379	666	4,045	4,130	851	4,981
Off-balance sheet commitments	785	21	806	858	40	898
Investment securities - debt securities at amortised cost	31	-	31	20	-	20
Total	4,195	687	4,882	5,008	891	5,899
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	11	-	11	10	-	10

1. For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

The Company	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m	2020 Collectively assessed $m	2020 Individually assessed $m	2020 Total $m
Net loans and advances at amortised cost	2,824	563	3,387	3,515	704	4,219
Off-balance sheet commitments	667	7	674	711	20	731
Investment securities - debt securities at amortised cost	1	-	1	1	-	1
Total	3,492	570	4,062	4,227	724	4,951
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	7	-	7	7	-	7

1. For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

The following tables present the movement in the allowance for ECL for the year.

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	927	1,378	413	791	3,509
Transfer between stages	200	(308)	(112)	220	-
New and increased provisions (net of releases)	110	1,428	162	1,324	3,024
Write-backs	-	-	-	(321)	(321)
Bad debts written off (excluding recoveries)	-	-	-	(1,109)	(1,109)
Foreign currency translation and other movements[2]	(33)	(33)	(2)	(54)	(122)
As at 30 September 2020	1,204	2,465	461	851	4,981
Transfer between stages	399	(421)	(137)	159	-
New and increased provisions (net of releases)	(639)	(53)	90	663	61
Write-backs	-	-	-	(365)	(365)
Bad debts written off (excluding recoveries)	-	-	-	(626)	(626)
Foreign currency translation and other movements[2]	4	3	3	(16)	(6)
As at 30 September 2021	968	1,994	417	666	4,045

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impacts of discount unwind on individually assessed allowance for ECL or the impact of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

The Company	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	746	1,181	361	633	2,921
Transfer between stages	168	(258)	(122)	212	-
New and increased provisions (net of releases)	122	1,198	135	1,171	2,626
Write-backs	-	-	-	(286)	(286)
Bad debts written off (excluding recoveries)	-	-	-	(1,003)	(1,003)
Foreign currency translation and other movements[2]	(8)	(7)	(1)	(23)	(39)
As at 30 September 2020	1,028	2,114	373	704	4,219
Transfer between stages	392	(382)	(130)	120	-
New and increased provisions (net of releases)	(620)	(49)	106	619	56
Write-backs	-	-	-	(308)	(308)
Bad debts written off (excluding recoveries)	-	-	-	(556)	(556)
Foreign currency translation and other movements[2]	(3)	(4)	(1)	(16)	(24)
As at 30 September 2021	797	1,679	348	563	3,387

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impact of discount unwind on individually assessed allowance for ECL.

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	473	151	21	23	668
Transfer between stages	18	(24)	(1)	7	-
New and increased provisions (net of releases)	115	115	3	24	257
Write-backs	-	-	-	(14)	(14)
Foreign currency translation and other movements[2]	(10)	(3)	-	-	(13)
As at 30 September 2020	596	239	23	40	898
Transfer between stages	51	(49)	(3)	1	-
New and increased provisions (net of releases)	(92)	19	-	1	(72)
Write-backs	-	-	-	(21)	(21)
Foreign currency translation	-	2	(1)	-	1
As at 30 September 2021	555	211	19	21	806

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impacts of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

The Company	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	405	126	14	12	557
Transfer between stages	15	(20)	(2)	7	-
New and increased provisions (net of releases)	100	78	3	13	194
Write-backs	-	-	-	(12)	(12)
Foreign currency translation	(7)	(1)	-	-	(8)
As at 30 September 2020	513	183	15	20	731
Transfer between stages	45	(41)	(5)	1	-
New and increased provisions (net of releases)	(72)	28	2	1	(41)
Write-backs	-	-	-	(15)	(15)
Foreign currency translation	(2)	1	-	-	(1)
As at 30 September 2021	484	171	12	7	674

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	20	-	-	-	20
As at 30 September 2021	31	-	-	-	31

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	1	-	-	-	1
As at 30 September 2021	1	-	-	-	1

Investment securities - debt securities at FVOCI

As FVOCI assets are measured at fair value, there is no separate allowance for ECL. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	10	-	-	-	10
As at 30 September 2021	11	-	-	-	11

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	7	-	-	-	7
As at 30 September 2021	7	-	-	-	7

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
New and increased provisions (net of releases)[1,2]				
- Collectively assessed	(823)	1,717	(726)	1,420
- Individually assessed	824	1,575	741	1,403
Write-backs[3]	(386)	(335)	(323)	(298)
Recoveries of amounts previously written-off	(182)	(219)	(161)	(188)
Total credit impairment charge	(567)	2,738	(469)	2,337

1. Includes the impact of transfers between collectively assessed and individually assessed.
2. New and increased provisions (net of releases) includes:

	Consolidated				The Company			
	2021		2020		2021		2020	
	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m
Net loans and advances at amortised cost	(761)	822	1,479	1,544	(683)	739	1,243	1,383
Off-balance sheet commitments	(74)	2	226	31	(43)	2	174	20
Investment securities - debt securities at amortised cost	11	-	9	-	-	-	1	-
Investment securities - debt securities at FVOCI	1	-	3	-	-	-	2	-
Total	(823)	824	1,717	1,575	(726)	741	1,420	1,403

3. Consists of write-backs in Net loans and advances at amortised cost of $365 million (2020: $321 million) for the Group and $308 million (2020: $286 million) for the Company, and Off-balance sheet commitments of $21 million (2020: $14 million) for the Group and $15 million (2020: $12 million) for the Company.

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is $168 million (2020: $340 million) for the Group, and $138 million (2020: $321 million) for the Company.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macro-economic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Group’s contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Group’s internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

MODIFIED FINANCIAL ASSETS

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime probability of default at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

iii. COVID-19 initiatives

Facilities previously subject to the COVID-19 repayment deferral arrangements have been subsumed into the normal loan portfolios and SICR applied accordingly.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since its initial recognition and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required. The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

In estimating collectively assessed ECL, the Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the year ended 30 September 2021
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	The support packages offered to customers in response to COVID-19 in 2020 and 2021 have ceased with the majority of customers who took up the support packages having reverted back to their normal loan repayments. Given the recency of cessation of these packages, the Group has provided a component of ECL for expected delinquencies that may have been obscured by the support measures.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2021
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. In the 2021 year, an adjustment was made to the modelled outcome to account for increased model uncertainties as a result of COVID-19.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies during the year ended 30 September 2021.
Base case economic forecast	The Group derives a forward-looking 'base case' economic scenario which reflects ANZ Research - Economics' (ANZ Economics) view of future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 30 September 2021, the base case assumptions have been updated to reflect the evolving situation with respect to COVID-19, including emergence from lockdowns, government stimulus measures and roll-out of vaccines. In determining the expected path of the economy, assessments of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals) were considered. The expected outcomes of key economic drivers for the base case scenario as at 30 September 2021 are described below under the heading 'Base case economic forecast assumptions'.
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1,2]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the continued uncertain economic impacts of COVID-19. The Group considers these weightings in each geography to provide estimates of the possible loss outcomes taking into account short and long term inter-relationships within the Group's credit portfolios. As at 30 September 2021, a base case weighting of 41.3% has been applied and more weight has been applied to the downside scenario given the Group's assessment of downside risks. The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.
2. The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2021
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the COVID-19 pandemic, including the roll-out of vaccines and their efficacy, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models which are based on historical underlying data. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing COVID-19 impacts. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to retail including home loans, small business and commercial banking in Australia, for personal and business banking in New Zealand, and for tourism in the Pacific.

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic and associated government, business and consumer responses, increases the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- the extent and duration of measures, including the roll-out of vaccines and the relaxation of containment measures, impacting the spread of COVID-19;
- the expected impact on the economy, including the timing and speed of the economic response and differences between sectors; and
- the effects of progressive reductions in government stimulus measures, in particular their impact on the extent and duration of economic recovery.

The economic drivers of the base case economic forecasts at 30 September 2021 are set out below. These reflect ANZ Economics' view of future macro-economic conditions at 30 September 2021. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
	2021	2022	2023
Australia			
GDP (annual % change)	3.4%	3.8%	3.4%
Unemployment rate	5.3%	4.3%	4.1%
Residential property prices (annual % change)	20.5%	6.7%	3.5%
Consumer price index	2.4	1.9	2.2
New Zealand			
GDP (annual % change)	4.3%	4.3%	2.9%
Unemployment rate	4.1%	3.9%	3.9%
Residential property prices (annual % change)	22.4%	0.4%	5.2%
Consumer price index	3.3	2.9	1.9
Rest of world			
GDP (annual % change)	6.2%	4.2%	2.5%
Consumer price index	3.9	2.5	2.2

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

The base case economic forecasts as at 30 September 2021 indicate a significant improvement in current and expected economic conditions from the forecasts as at 30 September 2020 reflecting the ongoing progress and actions in responding to the COVID-19 pandemic.

Probability weightings

Probability weightings for each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the effectiveness of actions taken in response to COVID-19 relaxation of containment measures by governments, and the take-up of vaccines limiting the impact of the virus.

The base case scenario represents a significant improvement in the forecasts since September 2020. Given the uncertainties associated with a potential ongoing recovery in the economy, the average base case weighting across geographies has been reduced to 41.3% (Sep 20: 50.0%) and the downside scenario increased to 47.7% (Sep 20: 33.3%).

The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these weightings in each geography to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Group's credit portfolios. The average weightings applied across the Group are set out below:

	Consolidated		The Company	
	2021	2020	2021	2020
Base	41.3%	50.0%	40.0%	50.0%
Upside	5.2%	10.4%	5.4%	10.9%
Downside	47.7%	33.3%	48.8%	33.4%
Severe Downside	5.8%	6.3%	5.8%	5.7%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2021:

	Consolidated		The Company	
	ECL $m	Impact $m	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	4,250	55	3,541	49
If 1% of Stage 2 facilities were included in Stage 1	4,188	(7)	3,486	(6)
100% upside scenario	1,774	(2,421)	1,469	(2,024)
100% base scenario	2,337	(1,858)	1,946	(1,547)
100% downside scenario	4,337	142	3,668	175
100% severe downside scenario	5,358	1,163	4,476	983

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

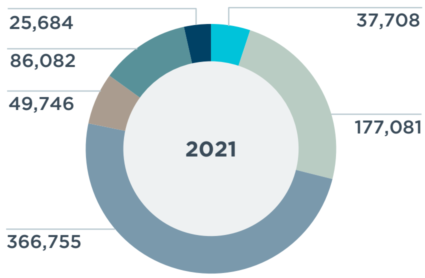
Financial liabilities

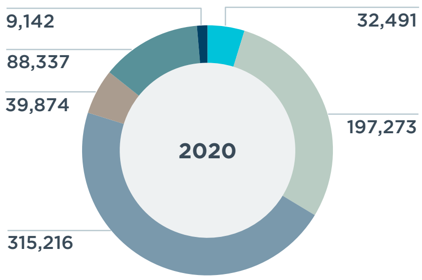
Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

15. DEPOSITS AND OTHER BORROWINGS





	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Certificates of deposit	37,708	32,491	35,696	30,574
Term deposits	177,081	197,273	136,067	148,839
On demand and short term deposits	366,755	315,216	303,381	262,236
Deposits not bearing interest	49,746	39,874	26,836	22,016
Deposits from banks & securities sold under repurchase agreements[1]	86,082	88,337	83,294	86,947
Commercial paper and other borrowings	25,684	9,142	21,449	7,524
Deposits and other borrowings	743,056	682,333	606,723	558,136
Residual contractual maturity:				
Within one year	717,889	665,151	584,816	544,324
More than one year	25,167	17,182	21,907	13,812
Deposits and other borrowings	743,056	682,333	606,723	558,136
Carried on Balance Sheet at:				
Amortised cost	738,772	679,255	606,673	556,676
Fair value through profit or loss	4,284	3,078	50	1,460
Deposits and other borrowings	743,056	682,333	606,723	558,136

1. Includes $20.1 billion (2020: $12.0 billion) of funds drawn under the RBA's Term Funding Facility (TFF) for the Group and the Company, and $1.2 billion (2020: nil) under the Reserve Bank of New Zealand's (RBNZ) Funding for Lending Programme (FLP) and Term Lending Facility (TLF) for the Group.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at fair value through profit or loss on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at fair value through profit or loss.

Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Group's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit and loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit and loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the profit and loss.

16. DEBT ISSUANCES

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Senior debt	58,952	80,835	45,348	64,591
Covered bonds	15,399	15,948	11,342	11,761
Securitisation	1,424	1,824	-	-
Total unsubordinated debt	75,775	98,607	56,690	76,352
Subordinated debt				
- Additional Tier 1 capital	8,506	8,196	8,191	7,833
- Tier 2 capital	16,207	12,865	16,207	12,865
- Other subordinated debt securities	566	-	-	-
Total subordinated debt	25,279	21,061	24,398	20,698
Total debt issued	101,054	119,668	81,088	97,050
Residual contractual maturity[1]*:*				
Within one year	22,621	25,688	18,512	20,937
More than one year	76,594	92,059	60,605	74,122
No maturity date (instruments in perpetuity)	1,839	1,921	1,971	1,991
Total debt issued	101,054	119,668	81,088	97,050

1. Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		Consolidated		The Company	
		2021 $m	2020 $m	2021 $m	2020 $m
USD	United States dollars	29,788	41,100	22,354	31,836
EUR	Euro	22,984	23,038	15,294	15,325
AUD	Australian dollars	35,709	43,697	34,299	41,857
NZD	New Zealand dollars	3,276	3,682	839	923
JPY	Japanese yen	1,854	2,131	1,853	2,131
CHF	Swiss francs	940	975	-	-
GBP	Pounds sterling	4,286	2,387	4,287	2,387
HKD	Hong Kong dollars	727	1,088	727	1,088
Other	Chinese yuan, Norwegian kroner, Singapore dollars and Canadian dollars	1,490	1,570	1,435	1,503
Total debt issued		101,054	119,668	81,088	97,050

SUBORDINATED DEBT

At 30 September 2021, all subordinated debt issued by the Company and certain other subordinated debt issued by its subsidiary ANZ Bank New Zealand Limited (ANZ NZ) qualify as regulatory capital for the Group. They are classified as either Additional Tier 1 (AT1) capital, in the case of the ANZ Capital Notes (ANZ CN), ANZ Capital Securities (ANZ CS) or ANZ NZ Capital Notes (ANZ NZ CN), or Tier 2 capital, in the case of perpetual or term subordinated notes, for APRA's capital adequacy purposes depending on the terms and conditions of the instruments.

Tier 2 capital instruments rank ahead of AT1 capital instruments, and AT1 capital instruments only rank ahead of ordinary shares, in any liquidation event impacting the issuer of the instruments.

16. DEBT ISSUANCES (continued)

AT1 CAPITAL

All outstanding AT1 capital instruments are Basel III fully compliant instruments (refer to Note 24 Capital Management for further information about Basel III). Each of the ANZ CN and ANZ CS rank equally with each other.

Distributions on the AT1 capital instruments are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements). Distributions on ANZ CNs are franked in line with the franking applied to ANZ ordinary shares.

Where specified, the AT1 capital instruments provide the issuer with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). This redemption option is subject to APRA's and, in respect of the ANZ NZ CN, the Reserve Bank of New Zealand's (RBNZ) prior written approval.

Each of the AT1 capital instruments will immediately convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number of ANZ ordinary shares) if:

- ANZ's or, in the case of the ANZ NZ CN, ANZ Bank New Zealand Limited's (ANZ NZ) Common Equity Tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- APRA notifies the Company that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Company would become non-viable or, in the case of the ANZ NZ CN, the RBNZ directs ANZ NZ to convert or write-off the notes, or a statutory manager is appointed to ANZ NZ and decides that ANZ NZ must convert or write-off the notes – known as a Non-Viability Trigger Event.

Where specified, AT1 capital instruments mandatorily convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However, the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

The tables below show the key details of the Group's AT1 capital instruments on issue at 30 September in both the current and prior years:

			Consolidated		The Company	
			2021 $m	2020 $m	2021 $m	2020 $m
Additional Tier 1 capital (perpetual subordinated securities)[1]						
ANZ Capital Notes (ANZ CN)						
AUD	1,120m	ANZ CN1[2]	-	1,119	-	1,119
AUD	1,610m	ANZ CN2	1,609	1,608	1,609	1,608
AUD	970m	ANZ CN3	968	967	998	997
AUD	1,622m	ANZ CN4	1,617	1,614	1,617	1,614
AUD	931m	ANZ CN5	927	926	927	926
AUD	1,500m	ANZ CN6	1,486	-	1,486	-
ANZ Capital Securities (ANZ CS)						
USD	1,000m	ANZ Capital Securities	1,422	1,499	1,554	1,569
ANZ NZ Capital Notes (ANZ NZ CN)						
NZD	500m	ANZ NZ Capital Notes	477	463	-	-
Total Additional Tier 1 capital[3]			8,506	8,196	8,191	7,833

1. Carrying values are net of issuance costs, and where appropriate include fair value hedge accounting adjustments.
2. Approximately $750 million of ANZ Capital Notes 1 were reinvested into ANZ Capital Notes 6 on 8 July 2021 with the remaining $370m being redeemed on 1 September 2021.
3. This forms part of qualifying Additional Tier 1 capital. Refer to Note 24 Capital Management for further details.

16. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

	CN1	CN2	CN3
Issuer	ANZ	ANZ	ANZ, acting through its New Zealand branch
Issue date	7 August 2013	31 March 2014	5 March 2015
Issue amount	$1,120 million	$1,610 million	$970 million
Face value	$100	$100	$100
Distribution frequency	Semi-annually in arrears	Semi-annually in arrears	Semi-annually in arrears
Distribution rate	Floating rate: (180 day Bank Bill rate +3.4%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.25%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	1 September 2021[1]	24 March 2022	24 March 2023
Mandatory conversion date	1 September 2023[2]	24 March 2024	24 March 2025
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$nil (2020: $1,119 million)	$1,609 million (2020: $1,608 million)	$968 million (2020: $967 million)

	CN4	CN5	CN6
Issuer	ANZ	ANZ	ANZ
Issue date	27 September 2016	28 September 2017	8 July 2021
Issue amount	$1,622 million	$931 million	$1,500 million
Face value	$100	$100	$100
Distribution frequency	Quarterly in arrears	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.0%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	20 March 2024	20 March 2025	20 March 2028
Mandatory conversion date	20 March 2026	20 March 2027	20 September 2030
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$1,617 million (2020: $1,614 million)	$927 million (2020: $926 million)	$1,486 million (2020: $nil)

1. Approximately $750 million of ANZ Capital Notes 1 were reinvested into ANZ Capital Notes 6 on 8 July 2021 with the remaining $370m being redeemed on 1 September 2021.
2. The mandatory conversion date is no longer applicable as all of CN1 has been redeemed.

16. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

Issuer	ANZ, acting through its London branch
Issue date	15 June 2016
Issue amount	USD 1,000 million
Face value	Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that
Interest frequency	Semi-annually in arrears
Interest rate	Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168%
Issuer's early redemption option	15 June 2026 and each 5 year anniversary
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$1,422 million (2020: $1,499 million)

ANZ NZ Capital Notes (ANZ NZ CN)

Issuer	ANZ Bank New Zealand Limited (ANZ NZ)
Issue date	31 March 2015
Issue amount	NZD 500 million
Face value	NZD 1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 7.2% p.a. until 25 May 2020. The rate reset in May 2020 to a floating rate: New Zealand 3 month bank bill rate + 3.5% Interest payments are subject to ANZ NZ's absolute discretion and certain payment conditions (including APRA and RBNZ requirements)
Issuer's early redemption option	The option was not exercised on 25 May 2020 and has expired
Mandatory conversion date	25 May 2022
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$477 million (2020: $463 million)

In April 2020, the RBNZ informed New Zealand-incorporated registered banks (including ANZ NZ) that they should not redeem capital instruments. In March 2021, the RBNZ announced that it would remove these restrictions on the redemption of non-CET1 capital instruments. However, as the restriction was in place in May 2020, ANZ NZ was not able to redeem its ANZ NZ CNs and decided not to exercise its option to convert at the optional exchange date in May 2020. As ANZ NZ did not exercise its option to convert in May 2020, the terms of the ANZ NZ CNs provide for their conversion into a variable number of shares of the Company in May 2022 subject to certain conditions.

The RBNZ has released new capital adequacy requirements for New Zealand banks, which are being implemented from October 2021 to July 2028. Under these changes, from 1 January 2022, the ANZ NZ CNs are subject to a reduction in their regulatory capital recognition, and as a result, ANZ NZ has determined that a Regulatory Event (as defined in the ANZ NZ CN Deed Poll) has occurred in respect of these notes. The occurrence of a Regulatory Event means that ANZ NZ may choose to redeem the ANZ NZ CNs at its discretion. A redemption of the ANZ NZ CNs is subject to certain conditions, including approval from the RBNZ and APRA. At the date of this financial report, no decision had been made on whether ANZ NZ will redeem the ANZ NZ CNs (subject to regulatory approvals).

16. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

Convertible term subordinated notes issued by the Company are Basel III fully compliant instruments. If a Non-Viability Trigger Event occurs, each of the convertible term subordinated notes will immediately convert into ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number).

APRA has granted transitional Basel III capital treatment for the USD 300 million perpetual subordinated notes until the end of the transitional period (December 2021). These subordinated notes do not contain a Non-Viability Trigger Event.

The table below shows the Tier 2 capital subordinated notes the Group holds at 30 September in both the current and prior year:

					Consolidated		The Company	
Currency	Face value	Maturity	Next optional call date – subject to APRA's prior approval	Interest rate	2021 $m	2020 $m	2021 $m	2020 $m
Basel III transitional subordinated notes (perpetual)								
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	**417**	422	**417**	422
Total Basel III transitional subordinated notes					**417**	422	**417**	422
Basel III fully compliant convertible subordinated notes (term)								
USD	800m	2024	N/A	Fixed	**1,173**	1,225	**1,173**	1,225
SGD	500m	2027	2022	Fixed	**515**	529	**515**	529
AUD	200m	2027	2022	Fixed	**200**	200	**200**	200
JPY	20,000m	2026	N/A	Fixed	**250**	270	**250**	270
AUD	700m	2026	2021	Floating	**-**	700	**-**	700
USD	1,500m	2026	N/A	Fixed	**2,137**	2,253	**2,137**	2,253
JPY	10,000m	2026	2021	Fixed	**-**	133	**-**	133
JPY	10,000m	2028	2023	Fixed	**124**	133	**124**	133
AUD	225m	2032	2027	Fixed	**225**	225	**225**	225
AUD	1,750m	2029	2024	Floating	**1,740**	1,750	**1,740**	1,750
EUR	1,000m	2029	2024	Fixed	**1,608**	1,657	**1,608**	1,657
AUD	265m	2039	N/A	Fixed	**253**	265	**253**	265
USD	1,250m	2030	2025	Fixed	**1,782**	1,859	**1,782**	1,859
AUD	1,250m	2031	2026	Floating	**1,235**	1,244	**1,235**	1,244
USD	1,500m	2035	2030	Fixed	**1,955**	-	**1,955**	-
AUD	330m	2040	N/A	Fixed	**304**	-	**304**	-
AUD	195m	2040	N/A	Fixed	**178**	-	**178**	-
EUR	750m	2031	2026	Fixed	**1,193**	-	**1,193**	-
GBP	500m	2031	2026	Fixed	**918**	-	**918**	-
Total Basel III fully compliant subordinated notes					**15,790**	12,443	**15,790**	12,443
Total Tier 2 capital[1,2]					**16,207**	12,865	**16,207**	12,865

1. Carrying value are net of issuance costs, and where applicable include fair value hedge accounting adjustments.
2. This forms part of qualifying Tier 2 capital. Refer to Note 24 Capital Management for further details.

OTHER SUBORDINATED DEBT SECURITIES

A subsidiary of the Group, ANZ Bank New Zealand Limited, issued NZ$600 million of unsecured subordinated notes in September 2021. Whilst these notes constitute Tier 2 capital under RBNZ requirements, the notes do not contain a Non-Viability Trigger Event and therefore do not meet APRA's requirements for Tier 2 capital instruments in order to qualify as regulatory capital for the Group.

16. DEBT ISSUANCES (continued)

RECOGNITION AND MEASUREMENT

Debt issuances are measured at amortised cost, except where designated at fair value through profit or loss. Where the Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt. Interest expense is recognised using the effective interest rate method.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit and loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

17. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Group's key material risks.

We disclose details of all key material risks impacting the Group, and further information on the Group's risk management activities, in the Governance and Risk Management sections of this Annual Report.

This note details the Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks	Key sections applicable to this risk
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Equity securities designated at FVOCI • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Group is unable to meet payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity risk outcomes • Residual contractual maturity analysis of the Group's liabilities

17. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures* (AASB 7). It should be read in conjunction with the Governance and Risk Management sections of this Annual Report.

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that ANZ is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes ANZ's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZ identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZ, risk is everyone's responsibility.

The Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect ANZ's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Group's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day to day operations.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Group's major sources of income. As this activity is also a principal risk, the Group dedicates considerable resources to its management. The Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogenous pools – and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

We use the Group's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirements	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term, even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
On-balance sheet positions						
Net loans and advances	629,719	617,093	-	-	629,719	617,093
Other financial assets:						
Cash and cash equivalents	151,260	107,923	1,127	1,514	150,133	106,409
Settlement balances owed to ANZ	7,530	7,541	7,530	7,541	-	-
Collateral paid	9,166	14,308	-	-	9,166	14,308
Trading securities	44,688	50,913	4,996	5,698	39,692	45,215
Derivative financial instruments	38,736	135,331	-	-	38,736	135,331
Investment securities						
- debt securities at amortised cost	7,031	6,816	-	-	7,031	6,816
- debt securities at FVOCI	74,743	85,460	-	-	74,743	85,460
- equity securities at FVOCI	1,310	1,062	1,310	1,062	-	-
- debt securities at FVTPL	42	53	-	-	42	53
Regulatory deposits	671	801	-	-	671	801
Other financial assets[2]	2,054	2,407	-	-	2,054	2,407
Total other financial assets	337,231	412,615	14,963	15,815	322,268	396,800
Subtotal	966,950	1,029,708	14,963	15,815	951,987	1,013,893
Off-balance sheet positions						
Undrawn and contingent facilities[3]	259,789	266,716	-	-	259,789	266,716
Total	1,226,739	1,296,424	14,963	15,815	1,211,776	1,280,609

1. Bank notes and coins and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities and precious metal exposures within Trading securities; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The Company	Reported 2021 $m	Reported 2020 $m	Excluded[1] 2021 $m	Excluded[1] 2020 $m	Maximum exposure to credit risk 2021 $m	Maximum exposure to credit risk 2020 $m
On-balance sheet positions						
Net loans and advances	488,487	488,002	-	-	488,487	488,002
Other financial assets:						
Cash and cash equivalents	141,436	98,083	721	1,084	140,715	96,999
Settlement balances owed to ANZ	7,183	7,116	7,183	7,116	-	-
Collateral paid	8,343	13,012	-	-	8,343	13,012
Trading securities	34,752	38,423	4,957	5,465	29,795	32,958
Derivative financial instruments	38,292	130,552	-	-	38,292	130,552
Investment securities						
- debt securities at amortised cost	5,263	5,354	-	-	5,263	5,354
- debt securities at FVOCI	61,623	73,936	-	-	61,623	73,936
- equity securities at FVOCI	1,054	994	1,054	994	-	-
- debt securities at FVTPL	-	-	-	-	-	-
Regulatory deposits	213	199	-	-	213	199
Due from controlled entities[2]	23,530	24,017	-	-	23,530	24,017
Other financial assets[3]	1,371	1,460	-	-	1,371	1,460
Total other financial assets	323,060	393,146	13,915	14,659	309,145	378,487
Subtotal	811,547	881,148	13,915	14,659	797,632	866,489
Off-balance sheet positions						
Undrawn and contingent facilities[4]	220,445	226,714	-	-	220,445	226,714
Total	1,031,992	1,107,862	13,915	14,659	1,018,077	1,093,203

1. Bank notes and coins and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities and precious metal exposures within Trading securities; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Due from controlled entities by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.
3. Other financial assets mainly comprise accrued interest and acceptances.
4. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Group's credit risk exposure is presented in the following tables based on the Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	412,821	12,596	-	-	425,417
Satisfactory	146,368	31,228	-	-	177,596
Weak	7,921	12,907	-	-	20,828
Defaulted	-	-	3,754	1,549	5,303
Gross loans and advances at amortised cost	567,110	56,731	3,754	1,549	629,144
Allowance for ECL	(968)	(1,994)	(417)	(666)	(4,045)
Net loans and advances at amortised cost	566,142	54,737	3,337	883	625,099
Coverage ratio	0.17%	3.51%	11.11%	43.00%	0.64%
Loans and advances at fair value through profit or loss					3,620
Unearned income[1]					(434)
Capitalised brokerage and other origination costs[1]					1,434
Net carrying amount					629,719
As at 30 September 2020					
Strong	395,608	18,262	-	-	413,870
Satisfactory	133,558	37,577	-	-	171,135
Weak	8,461	16,850	-	-	25,311
Defaulted	-	-	4,762	2,256	7,018
Gross loans and advances at amortised cost	537,627	72,689	4,762	2,256	617,334
Allowance for ECL	(1,204)	(2,465)	(461)	(851)	(4,981)
Net loans and advances at amortised cost	536,423	70,224	4,301	1,405	612,353
Coverage ratio	0.22%	3.39%	9.68%	37.72%	0.81%
Loans and advances at fair value through profit or loss					3,938
Unearned income[1]					(460)
Capitalised brokerage and other origination costs[1]					1,262
Net carrying amount					617,093

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million).

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Net loans and advances

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	297,511	9,329	-	-	306,840
Satisfactory	131,979	25,538	-	-	157,517
Weak	7,913	11,038	-	-	18,951
Defaulted	-	-	3,089	1,345	4,434
Gross loans and advances at amortised cost	437,403	45,905	3,089	1,345	487,742
Allowance for ECL	(797)	(1,679)	(348)	(563)	(3,387)
Net loans and advances at amortised cost	436,606	44,226	2,741	782	484,355
Coverage ratio	0.18%	3.66%	11.27%	41.86%	0.69%
Loans and advances at fair value through profit or loss					3,472
Unearned income[1]					(390)
Capitalised brokerage and other origination costs[1]					1,050
Net carrying amount					488,487
As at 30 September 2020					
Strong	300,174	12,692	-	-	312,866
Satisfactory	115,745	30,200	-	-	145,945
Weak	8,348	14,740	-	-	23,088
Defaulted	-	-	3,936	1,817	5,753
Gross loans and advances at amortised cost	424,267	57,632	3,936	1,817	487,652
Allowance for ECL	(1,028)	(2,114)	(373)	(704)	(4,219)
Net loans and advances at amortised cost	423,239	55,518	3,563	1,113	483,433
Coverage ratio	0.24%	3.67%	9.48%	38.75%	0.87%
Loans and advances at fair value through profit or loss					4,016
Unearned income[1]					(406)
Capitalised brokerage and other origination costs[1]					959
Net carrying amount					488,002

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $387 million).

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	174,808	1,754	-	-	176,562
Satisfactory	23,799	3,564	-	-	27,363
Weak	1,030	1,185	-	-	2,215
Defaulted	-	-	138	50	188
Gross undrawn and contingent facilities subject to ECL	199,637	6,503	138	50	206,328
Allowance for ECL included in Other provisions (refer to Note 22)	(555)	(211)	(19)	(21)	(806)
Net undrawn and contingent facilities subject to ECL	199,082	6,292	119	29	205,522
Coverage ratio	0.28%	3.24%	13.77%	42.00%	0.39%
Undrawn and contingent facilities not subject to ECL[1]					54,267
Net undrawn and contingent facilities					259,789
As at 30 September 2020					
Strong	171,979	3,045	-	-	175,024
Satisfactory	22,983	3,972	-	-	26,955
Weak	1,123	1,132	-	-	2,255
Defaulted	-	-	144	203	347
Gross undrawn and contingent facilities subject to ECL	196,085	8,149	144	203	204,581
Allowance for ECL included in Other provisions (refer to Note 22)	(596)	(239)	(23)	(40)	(898)
Net undrawn and contingent facilities subject to ECL	195,489	7,910	121	163	203,683
Coverage ratio	0.30%	2.93%	15.97%	19.70%	0.44%
Undrawn and contingent facilities not subject to ECL[1]					63,033
Net undrawn and contingent facilities					266,716

1. Commitments that can be unconditionally cancelled at any time without notice.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	162,232	1,745	-	-	163,977
Satisfactory	19,790	2,662	-	-	22,452
Weak	1,005	966	-	-	1,971
Defaulted	-	-	91	28	119
Gross undrawn and contingent facilities subject to ECL	183,027	5,373	91	28	188,519
Allowance for ECL included in Other provisions (refer to Note 22)	(484)	(171)	(12)	(7)	(674)
Net undrawn and contingent facilities subject to ECL	182,543	5,202	79	21	187,845
Coverage ratio	0.26%	3.18%	13.19%	25.00%	0.36%
Undrawn and contingent facilities not subject to ECL[1]					32,600
Net undrawn and contingent facilities					220,445
As at 30 September 2020					
Strong	159,158	2,984	-	-	162,142
Satisfactory	18,874	2,944	-	-	21,818
Weak	1,107	915	-	-	2,022
Defaulted	-	-	102	165	267
Gross undrawn and contingent facilities subject to ECL	179,139	6,843	102	165	186,249
Allowance for ECL included in Other provisions (refer to Note 22)	(513)	(183)	(15)	(20)	(731)
Net undrawn and contingent facilities subject to ECL	178,626	6,660	87	145	185,518
Coverage ratio	0.29%	2.67%	14.71%	12.12%	0.39%
Undrawn and contingent facilities not subject to ECL[1]					41,196
Net undrawn and contingent facilities					226,714

1. Commitments that can be unconditionally cancelled at any time without notice.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	5,574	-	-	-	5,574
Satisfactory	121	-	-	-	121
Weak	1,367	-	-	-	1,367
Gross investment securities - debt securities at amortised cost	7,062	-	-	-	7,062
Allowance for ECL	(31)	-	-	-	(31)
Net investment securities - debt securities at amortised cost	7,031	-	-	-	7,031
Coverage ratio	0.44%	-	-	-	0.44%
As at 30 September 2020					
Strong	5,594	-	-	-	5,594
Satisfactory	1,067	175	-	-	1,242
Gross investment securities - debt securities at amortised cost	6,661	175	-	-	6,836
Allowance for ECL	(20)	-	-	-	(20)
Net investment securities - debt securities at amortised cost	6,641	175	-	-	6,816
Coverage ratio	0.30%	0.00%	-	-	0.29%

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	5,162	-	-	-	5,162
Satisfactory	102	-	-	-	102
Gross investment securities - debt securities at amortised cost	5,264	-	-	-	5,264
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	5,263	-	-	-	5,263
Coverage ratio	0.02%	-	-	-	0.02%
As at 30 September 2020					
Strong	5,271	-	-	-	5,271
Satisfactory	84	-	-	-	84
Gross investment securities - debt securities at amortised cost	5,355	-	-	-	5,355
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	5,354	-	-	-	5,354
Coverage ratio	0.02%	-	-	-	0.02%

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	74,541	-	-	-	74,541
Satisfactory	202	-	-		202
Investment securities - debt securities at FVOCI	74,743	-	-	-	74,743
Allowance for ECL recognised in other comprehensive income	(11)	-	-	-	(11)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2020					
Strong	85,287	-	-	-	85,287
Satisfactory	173	-	-	-	173
Investment securities - debt securities at FVOCI	85,460	-	-	-	85,460
Allowance for ECL recognised in other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	61,623	-	-	-	61,623
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	61,623	-	-	-	61,623
Allowance for ECL recognised in other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2020					
Strong	73,936	-	-	-	73,936
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	73,936	-	-	-	73,936
Allowance for ECL recognised in other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVTPL

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	42	-	-	-	42
Investment securities - debt securities at FVTPL	42	-	-	-	42
Allowance for ECL	-	-	-	-	-
Coverage ratio	-	-	-	-	-
As at 30 September 2020					
Strong	53	-	-	-	53
Investment securities - debt securities at FVTPL	53	-	-	-	53
Allowance for ECL	-	-	-	-	-
Coverage ratio	-	-	-	-	-

Other financial assets

	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Strong	235,847	293,171	238,452	365,532
Satisfactory	3,471	10,671	3,026	9,724
Weak	1,122	628	769	577
Defaulted	12	1	12	1
Total carrying amount	240,452	304,471	242,259	375,834

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CONCENTRATIONS OF CREDIT RISK

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The Group monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Agriculture, forestry, fishing and mining	34,862	36,458	335	1,092	16,034	17,188	51,231	54,738
Business services	9,161	8,642	119	172	6,429	6,506	15,709	15,320
Construction	5,886	5,807	46	44	6,458	6,679	12,390	12,530
Electricity, gas and water supply	6,513	5,881	807	2,386	9,053	8,663	16,373	16,930
Entertainment, leisure and tourism	12,710	13,179	157	600	3,862	4,114	16,729	17,893
Financial, investment and insurance	56,107	51,857	229,273	279,468	50,568	48,537	335,948	379,862
Government and official institutions	4,651	4,645	83,741	98,017	1,798	1,968	90,190	104,630
Manufacturing	23,752	25,163	741	2,306	37,696	41,114	62,189	68,583
Personal lending	361,814	361,459	664	1,170	57,410	50,433	419,888	413,062
Property services	50,396	50,406	489	2,044	16,673	27,992	67,558	80,442
Retail trade	9,967	10,739	104	231	8,444	9,602	18,515	20,572
Transport and storage	11,710	12,657	437	1,280	8,257	8,587	20,404	22,524
Wholesale trade	12,434	11,816	583	2,649	20,899	19,494	33,916	33,959
Other	32,801	22,563	4,803	5,361	17,014	16,737	54,618	44,661
Gross total	632,764	621,272	322,299	396,820	260,595	267,614	1,215,658	1,285,706
Allowance for ECL	(4,045)	(4,981)	(31)	(20)	(806)	(898)	(4,882)	(5,899)
Subtotal	628,719	616,291	322,268	396,800	259,789	266,716	1,210,776	1,279,807
Unearned income[1]	(434)	(460)	-	-	-	-	(434)	(460)
Capitalised brokerage and other origination costs[1]	1,434	1,262	-	-	-	-	1,434	1,262
Maximum exposure to credit risk	629,719	617,093	322,268	396,800	259,789	266,716	1,211,776	1,280,609

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million).

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Composition of financial instruments that give rise to credit risk by industry group are presented below:

The Company	Loans and advances 2021 $m	Loans and advances 2020 $m	Other financial assets 2021 $m	Other financial assets 2020 $m	Off-balance sheet credit related commitments 2021 $m	Off-balance sheet credit related commitments 2020 $m	Total 2021 $m	Total 2020 $m
Agriculture, forestry, fishing and mining	18,283	19,555	297	946	14,305	15,837	32,885	36,338
Business services	8,096	7,544	73	105	5,618	5,747	13,787	13,396
Construction	4,710	4,649	30	19	5,241	5,331	9,981	9,999
Electricity, gas and water supply	5,523	4,842	580	1,843	7,356	6,841	13,459	13,526
Entertainment, leisure and tourism	10,934	11,477	138	560	3,404	3,522	14,476	15,559
Financial, investment and insurance	52,230	49,254	236,430	364,478	46,971	44,678	335,631	458,410
Government and official institutions	4,621	3,347	65,429	75,554	1,113	1,224	71,163	80,125
Manufacturing	20,143	21,452	369	1,661	30,794	33,716	51,306	56,829
Personal lending	278,526	279,899	638	697	45,886	49,421	325,050	330,017
Property services	37,580	37,605	379	1,024	14,424	14,526	52,383	53,155
Retail trade	8,273	9,023	82	164	7,298	7,279	15,653	16,466
Transport and storage	10,564	11,599	339	1,016	7,229	7,412	18,132	20,027
Wholesale trade	10,345	9,973	380	2,237	17,462	17,151	28,187	29,361
Other	21,386	21,449	3,982	4,821	14,018	14,760	39,386	41,030
Gross total	491,214	491,668	309,146	455,125	221,119	227,445	1,021,479	1,174,238
Allowance for ECL	(3,387)	(4,219)	(1)	(1)	(674)	(731)	(4,062)	(4,951)
Subtotal	487,827	487,449	309,145	455,124	220,445	226,714	1,017,417	1,169,287
Unearned income[1]	(390)	(406)	-	-	-	-	(390)	(406)
Capitalised brokerage and other origination costs[1]	1,050	959	-	-	-	-	1,050	959
Maximum exposure to credit risk	488,487	488,002	309,145	455,124	220,445	226,714	1,018,077	1,169,840

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $387 million).

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products that are secured by corresponding investment for which the margin loans are utilised and for reverse repurchase agreements. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans - housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans - business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, Investment securities, Derivatives and Other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZ when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Net loans and advances	629,719	617,093	515,866	510,995	113,853	106,098
Other financial assets	322,268	396,800	24,410	45,246	297,858	351,554
Off-balance sheet positions	259,789	266,716	52,512	51,361	207,277	215,355
Total	1,211,776	1,280,609	592,788	607,602	618,988	673,007

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
The Company	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Net loans and advances	488,487	488,002	387,273	393,548	101,214	94,454
Other financial assets[1]	309,145	378,487	22,027	42,000	287,118	336,487
Off-balance sheet positions	220,445	226,714	36,676	36,372	183,769	190,342
Total	1,018,077	1,093,203	445,976	471,920	572,101	621,283

1. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Other financial assets by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded Market Risk	Non-Traded Market Risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Group's possible daily loss based on historical market movements.

The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using one-day and ten-day holding periods. For stressed VaR, we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

ANZ measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

Consolidated	2021 As at $m	2021 High for year $m	2021 Low for year $m	2021 Average for year $m	2020 As at $m	2020 High for year $m	2020 Low for year $m	2020 Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	3.8	10.0	1.3	3.9	2.0	6.1	1.2	3.1
Interest rate	9.6	19.6	4.3	8.8	9.6	13.8	3.3	7.2
Credit	6.3	22.2	5.3	13.7	13.9	17.1	1.8	8.6
Commodity	3.1	5.0	1.3	2.8	3.0	4.7	1.3	2.6
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(9.4)	n/a	n/a	(9.7)	(10.9)	n/a	n/a	(8.0)
Total VaR	13.4	30.0	8.7	19.5	17.6	31.9	5.7	13.5

The Company	2021 As at $m	2021 High for year $m	2021 Low for year $m	2021 Average for year $m	2020 As at $m	2020 High for year $m	2020 Low for year $m	2020 Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	3.4	7.6	1.5	3.5	2.0	5.6	1.0	2.8
Interest rate	9.0	16.4	4.1	7.5	7.2	10.6	2.9	5.8
Credit	5.8	22.1	5.3	13.3	13.6	16.9	1.6	8.2
Commodity	2.3	5.4	1.4	2.7	2.7	4.3	1.3	2.2
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(6.0)	n/a	n/a	(10.1)	(10.5)	n/a	n/a	(7.9)
Total VaR	14.5	26.0	9.6	16.9	15.0	24.5	5.3	11.1

1. The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Group as well as Australia, New Zealand and Asia Pacific, Europe and Americas (APEA) geographies which are calculated separately.

	2021				2020			
Consolidated	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	67.0	81.8	61.9	69.8	60.8	60.8	18.8	33.4
New Zealand	21.6	32.8	21.6	26.7	26.3	26.3	9.4	15.2
Asia Pacific, Europe & America	31.5	34.9	29.0	32.0	29.4	30.2	17.8	24.2
Diversification benefit[1]	(32.9)	n/a	n/a	(53.7)	(61.4)	n/a	n/a	(29.5)
Total VaR	87.2	87.2	59.3	74.8	55.1	58.3	31.5	43.3

	2021				2020			
The Company	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	67.0	81.8	61.9	69.8	60.8	60.8	18.8	33.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Asia Pacific, Europe & America	30.8	35.2	27.5	31.2	28.5	30.9	17.7	24.1
Diversification benefit[1]	(31.9)	n/a	n/a	(36.2)	(43.3)	n/a	n/a	(21.4)
Total VaR	65.9	69.9	55.0	64.8	46.0	47.6	25.5	36.1

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income.

	Consolidated		The Company	
	2021	2020	2021	2020
Impact of 1% rate shock				
As at period end	2.43%	1.25%	2.02%	0.78%
Maximum exposure	2.43%	1.61%	2.02%	1.78%
Minimum exposure	0.98%	0.52%	0.54%	0.06%
Average exposure (in absolute terms)	1.55%	1.01%	1.08%	0.78%

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise investments we hold for longer-term strategic reasons. The market risk impact on these equity investments is not captured by the Group's VaR processes for traded and non-traded market risks. Therefore, the Group regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are appropriately measured based on the recognition and measurement policies set out in Note 12 Investment Securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations - for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the Group to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

Where it is considered appropriate, the Group takes out economic hedges against larger foreign exchange denominated revenue streams (primarily New Zealand Dollar, US Dollar and US Dollar correlated). The primary objective of hedging is to ensure that, if practical, the effect of changes in foreign exchange rates on the consolidated capital ratios are minimised.

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding risks are overseen by GALCO. The Group's liquidity and funding risks are governed by a set of principles approved by the BRC and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- maintaining strength in the Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing detailed contingency plans to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Board. The metrics cover a range of scenarios of varying duration and level of severity.

A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, the Group has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF was established to offset the shortage of available High Quality Liquid Assets (HQLA) in Australia and provides an alternative form of contingent liquidity. The CLF is collateralised by assets, including internal residential mortgage backed securities, that are eligible to be pledged as security with the RBA. The total amount of the CLF available to a qualifying Authorised Deposit-taking Institution (ADI) is set annually by APRA. The total amount of the CLF available to a qualifying Australian Deposit-taking Institution is set annually by APRA. In September 2021, APRA wrote to ADI's to advise that APRA and the RBA consider there to be sufficient HQLA for ADI's to meet their LCR requirements, and therefore the use of the CLF should no longer be required beyond 2022.

From 1 January 2021, ANZ's CLF is $10.7 billion (2020 calendar year end: $35.7 billion). Consistent with APRA's requirement, ANZ's CLF will decrease to zero through equal reductions on 1 January, 30 April, 31 August and 31 December 2022. This reduction will be managed as part of ANZ's funding plans over this period.

Liquid assets

The Group holds a portfolio of high quality (unencumbered) liquid assets to protect the Group's liquidity position in a severely stressed environment and to meet regulatory requirements. HQLA comprise three categories consistent with Basel III LCR requirements:

- HQLA1- Cash and highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- HQLA2 - High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- Alternative liquid assets (ALA) - Assets qualifying as collateral for the CLF and eligible securities that the Reserve Bank of New Zealand (RBNZ) will accept in its domestic market operations.

LIQUIDITY RISK OUTCOMES[1]

Liquidity Coverage Ratio

ANZ's Liquidity Coverage Ratio (LCR) averaged 136% for 2021, a decrease from the 2020 average of 139%, and above the regulatory minimum of 100%.

Net Stable Funding Ratio

ANZ's Net Stable Funding Ratio (NSFR) as at 30 September 2021 was 124% (2020: 124%), above the regulatory minimum of 100%.

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The Liquidity Coverage Ratio and Net Stable Funding Ratio are non-IFRS disclosures and are disclosed as part of the Group's *APS 330 Public Disclosure* which is subject to specific review procedures in accordance with the *Australian Standard on Related Services (ASRS) 4400 Agreed upon Procedures Engagements to Report Factual Findings.*

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

Liquidity crisis contingency planning

The Group maintains APRA-endorsed liquidity crisis contingency plans for analysing and responding to a liquidity threatening event at a country and Group-wide level. Key liquidity contingency crisis planning requirements and guidelines include:

Ongoing business management	Early signs/ mild stress	Severe stress
• establish crisis/severity levels • liquidity limits • early warning indicators	• monitoring and review • management actions not requiring business rationalisation	• activate contingency funding plans • management actions for altering asset and liability behaviour
Assigned responsibility for internal and external communications and the appropriate timing to communicate		

Since the precise nature of any stress event cannot be known in advance, we design the plans to be flexible to the nature and severity of the stress event with multiple variables able to be accommodated in any plan.

Group funding

The Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This approach ensures that an appropriate proportion of the Group's assets are funded by stable funding sources, including customer deposits; longer-dated wholesale funding (with a remaining term exceeding one year); and equity.

Funding plans prepared	Considerations in preparing funding plans
• 3 year strategic plan prepared annually • annual funding plan as part of budgeting process • forecasting in light of actual results as a calibration to the annual plan	• customer balance sheet growth • changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions

RBA Term Funding Facility

As an additional source of funding, in March 2020, the RBA announced a term funding facility (TFF) for the banking system to support lending to Australian businesses. The TFF is a three-year secured funding facility to ADIs at a fixed rate of 0.25%. APRA has determined that the TFF qualifies for inclusion in determining the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). ADIs can obtain initial funding of up to 3% of their existing credit outstanding to Australian households and businesses, and have access to additional funding if they increase lending to business, especially to small and medium-sized businesses. The TFF closed to drawdowns on 30 June 2021.

As at 30 September 2021, ANZ had drawn $20.1 billion under the RBA's TFF.

RBNZ Funding for Lending Programme and Term Lending Facility

- Between May 2020 and July 2021, the RBNZ made funds available under a term lending facility (TLF) to promote lending to businesses. The TLF is a three to five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- In November 2020, the RBNZ announced a funding for lending programme (FLP) which aimed to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks can obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). An additional allocation of up to 2% of eligible loans is available, subject to certain conditions. The additional allocation is available until 6 December 2022, and the initial allocation is available until 6 June 2022.

As at 30 September 2021, ANZ NZ had drawn $0.3 billion under the TLF and $0.9 billion under the FLP.

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF GROUP'S LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities, including financial liabilities reclassified to held for sale, at 30 September within relevant maturity groupings. All outstanding debt issuance and subordinated debt is profiled on the earliest date on which the Group may be required to pay. All at-call liabilities are reported in the 'Less than 3 months' category. Any other items without a specified maturity date are included in the 'After 5 years' category. The amounts represent principal and interest cash flows - so they may differ from equivalent amounts reported on balance sheet. For the purpose of this note, liabilities presented as liabilities held for sale in the Balance Sheet have been reallocated to their respective Balance Sheet categories.

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 196.

Consolidated	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021					
Settlement balances owed by ANZ	17,427	-	-	-	17,427
Collateral received	5,657	-	-	-	5,657
Deposits and other borrowings	634,145	84,357	25,247	227	743,976
Liability for acceptances	392	-	-	-	392
Debt issuances[1]	4,218	24,928	65,198	14,588	108,932
Derivative liabilities (excluding those held for balance sheet management)[2]	30,474	-	-	-	30,474
Lease liabilities	86	224	755	301	1,366
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(29,186)	(36,462)	(62,061)	(14,334)	(142,043)
Pay leg	28,538	35,082	61,867	14,473	139,960
- Other balance sheet management					
Receive leg	(104,036)	(37,275)	(14,982)	(8,029)	(164,322)
Pay leg	103,586	36,804	15,457	9,974	165,821
As at 30 September 2020					
Settlement balances owed by ANZ	22,241	-	-	-	22,241
Collateral received	9,304	-	-	-	9,304
Deposits and other borrowings	576,506	90,241	18,025	159	684,931
Liability for acceptances	449	-	-	-	449
Debt issuances[1]	5,174	26,642	78,181	16,948	126,945
Derivative liabilities (excluding those held for balance sheet management)[2]	123,865	-	-	-	123,865
Lease liabilities	72	248	809	390	1,519
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(11,170)	(21,569)	(69,594)	(18,243)	(120,576)
Pay leg	10,856	20,206	66,455	17,403	114,920
- Other balance sheet management					
Receive leg	(75,098)	(40,956)	(9,738)	(8,512)	(134,304)
Pay leg	75,226	40,401	10,031	7,271	132,929

1. Any callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Group, and perpetual debt instruments after 5 years.
2. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'less than 3 months' category.
3. Include derivatives designated into hedging relationships of $202 million (2020: $4,484 million) and $5,359 million (2020: $6,362 million) categorised as held for trading but form part of Group's balance sheet activities.

At 30 September 2021, $212,265 million (2020: $227,819 million) of the Group's undrawn facilities and $48,330 million (2020: $39,795 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

The Company	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021					
Settlement balances owed by ANZ	14,922	-	-	-	14,922
Collateral received	5,148	-	-	-	5,148
Deposits and other borrowings	524,654	60,427	21,844	227	607,152
Liability for acceptances	223	-	-	-	223
Debt issuances[1]	4,108	20,244	54,465	8,965	87,782
Derivative liabilities (excluding those held for balance sheet management)[2]	34,240	-	-	-	34,240
Lease liabilities	81	208	814	989	2,092
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(25,170)	(26,362)	(48,026)	(7,364)	(106,922)
Pay leg	24,523	25,344	47,467	7,318	104,652
- Other balance sheet management					
Receive leg	(102,921)	(35,426)	(11,063)	(7,633)	(157,043)
Pay leg	102,346	34,908	11,501	9,587	158,342
As at 30 September 2020					
Settlement balances owed by ANZ	19,556	-	-	-	19,556
Collateral received	8,074	-	-	-	8,074
Deposits and other borrowings	479,498	65,779	14,419	158	559,854
Liability for acceptances	224	-	-	-	224
Debt issuances[1]	4,627	21,483	64,102	12,775	102,987
Derivative liabilities (excluding those held for balance sheet management)[2]	124,027	-	-	-	124,027
Lease liabilities	66	234	855	1,114	2,269
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(8,430)	(14,025)	(51,487)	(13,620)	(87,562)
Pay leg	8,038	12,930	49,365	12,942	83,275
- Other balance sheet management					
Receive leg	(74,219)	(40,186)	(8,321)	(8,343)	(131,069)
Pay leg	74,097	39,327	8,048	7,029	128,501

1. Any callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company, and perpetual debt instruments after 5 years.
2. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'less than 3 months' category.
3. Include derivatives designated into hedging relationships of $158 million (2020: $3,202 million) and $2,607 million (2020: $4,001 million) categorised as held for trading but form part of Company's balance sheet activities.

At 30 September 2021, $176,077 million (2020: $191,300 million) of the Company's undrawn facilities and $45,042 million (2020: $36,146 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Company may be required to pay.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group carries a significant number of financial instruments on the balance sheet at fair value. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

VALUATION

The Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- quoted market prices used to value financial instruments are independently verified with information from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Group holds offsetting risk positions, then the Group uses the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises due to measuring the derivative financial instruments (which we acquired to mitigate interest rate risk of these assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

We may also designate certain loans and advances, certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: Trading securities - Securities sold short - Derivative financial assets and financial liabilities - Investment securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or yield curve appropriate for the remaining term to maturity.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables set out the classification of financial asset and liability categories according to measurement bases together with their carrying amounts as recognised on the balance sheet.

		2021			2020		
Consolidated	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	9	151,260	-	151,260	107,923	-	107,923
Settlement balances owed to ANZ		7,530	-	7,530	7,541	-	7,541
Collateral paid		9,166	-	9,166	14,308	-	14,308
Trading securities	10	-	44,688	44,688	-	50,913	50,913
Derivative financial instruments	11	-	38,736	38,736	-	135,331	135,331
Investment securities	12	7,031	76,095	83,126	6,816	86,575	93,391
Net loans and advances	13	626,099	3,620	629,719	613,155	3,938	617,093
Regulatory deposits		671	-	671	801	-	801
Other financial assets		2,054	-	2,054	2,407	-	2,407
Total		803,811	163,139	966,950	752,951	276,757	1,029,708
Financial liabilities							
Settlement balances owed by ANZ		17,427	-	17,427	22,241	-	22,241
Collateral received		5,657	-	5,657	9,304	-	9,304
Deposits and other borrowings	15	738,772	4,284	743,056	679,255	3,078	682,333
Derivative financial instruments	11	-	36,035	36,035	-	134,711	134,711
Payables and other liabilities		4,734	3,913	8,647	5,285	3,843	9,128
Debt issuances	16	99,092	1,962	101,054	117,509	2,159	119,668
Total		865,682	46,194	911,876	833,594	143,791	977,385

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

		2021			2020		
The Company	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	9	141,436	-	141,436	98,083	-	98,083
Settlement balances owed to ANZ		7,183	-	7,183	7,116	-	7,116
Collateral paid		8,343	-	8,343	13,012	-	13,012
Trading securities	10	-	34,752	34,752	-	38,423	38,423
Derivative financial instruments	11	-	38,292	38,292	-	130,552	130,552
Investment securities	12	5,262	62,678	67,940	5,354	74,930	80,284
Net loans and advances	13	485,015	3,472	488,487	483,986	4,016	488,002
Regulatory deposits		213	-	213	199	-	199
Due from controlled entities[1]		21,489	2,041	23,530	22,089	1,928	24,017
Other financial assets		1,371	-	1,371	1,460	-	1,460
Total		670,312	141,235	811,547	631,299	249,849	881,148
Financial liabilities							
Settlement balances owed by ANZ		14,922	-	14,922	19,556	-	19,556
Collateral received		5,148	-	5,148	8,074	-	8,074
Deposits and other borrowings	15	606,673	50	606,723	556,676	1,460	558,136
Derivative financial instruments	11	-	37,005	37,005	-	131,230	131,230
Due to controlled entities[1]		23,079	-	23,079	24,295	-	24,295
Payables and other liabilities		3,999	3,245	7,244	4,377	3,693	8,070
Debt issuances	16	77,053	4,035	81,088	92,832	4,218	97,050
Total		730,874	44,335	775,209	705,810	140,601	846,411

1. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Due from controlled entities and Due to controlled entities by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The Group categorises assets and liabilities carried at fair value into a fair value hierarchy as required by AASB 13 *Fair Value Measurement* based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Assets								
Trading securities[1]	36,025	44,004	8,663	6,909	-	-	44,688	50,913
Derivative financial instruments	494	681	38,187	134,588	55	62	38,736	135,331
Investment securities[1]	68,007	85,330	6,756	137	1,332	1,108	76,095	86,575
Net loans and advances	-	-	3,510	3,925	110	13	3,620	3,938
Total	104,526	130,015	57,116	145,559	1,497	1,183	163,139	276,757
Liabilities								
Deposits and other borrowings	-	-	4,284	3,078	-	-	4,284	3,078
Derivative financial instruments	1,131	1,120	34,874	133,536	30	55	36,035	134,711
Payables and other liabilities[2]	3,690	3,830	223	13	-	-	3,913	3,843
Debt issuances (designated at fair value)	-	-	1,962	2,159	-	-	1,962	2,159
Total	4,821	4,950	41,343	138,786	30	55	46,194	143,791

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
The Company	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Assets								
Trading securities[1]	27,764	35,170	6,988	3,253	-	-	34,752	38,423
Derivative financial instruments	470	662	37,788	129,832	34	58	38,292	130,552
Investment securities[1]	56,277	73,838	5,354	105	1,046	987	62,677	74,930
Net loans and advances	-	-	3,362	4,016	110	-	3,472	4,016
Due from controlled entities	-	-	2,041	1,928	-	-	2,041	1,928
Total	84,511	109,670	55,533	139,134	1,190	1,045	141,234	249,849
Liabilities								
Deposits and other borrowings	-	-	50	1,460	-	-	50	1,460
Derivative financial instruments	1,121	1,109	35,854	130,066	30	55	37,005	131,230
Payables and other liabilities[2]	3,040	3,680	205	13	-	-	3,245	3,693
Debt issuances (designated at fair value)	998	996	3,037	3,222	-	-	4,035	4,218
Total	5,159	5,785	39,146	134,761	30	55	44,335	140,601

1. During the year, $3,845 million of assets were transferred from Level 1 to Level 2 (2020: $127 million transferred from Level 2 to Level 1) for the Group and the Company due to a change of the observability of inputs. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.
2. Payables and other liabilities relates to securities sold short, which we classify as held for trading and measured at fair value through profit or loss.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

The net balance of Level 3 financial instruments is an asset of $1,467 million (2020: $1,128 million) for the Group and $1,160 million (2020: $1,003 million) for the Company.

The assets and liabilities which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed;
- net loans and advances that are required to be measured at fair value for which there is no observable market data; and
- derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

The increase in the net balance of Level 3 financial instruments is Investment Securities, due to the revaluation of the investment in Bank of Tianjin (Group and Company), and an increase in unlisted equity investments (Group).

During the year, the Group and Company transferred $5 million of derivative liabilities from Level 3 to Level 2, where valuation parameters for these financial instruments became observable during the year, and $105 million of Loan and advances measured at fair value from Level 2 to Level 3, where valuation parameters for these loans became unobservable during the year. There were no other transfers in or out of Level 3 in the current or prior year.

Bank of Tianjin (BoT)

The investment is valued based on comparator bank price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived are non-observable inputs which have resulted in the Level 3 classification.

Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used to derive the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $99 million (2020: $93 million) increase or decrease to the fair value of the investment, which would be recognised in shareholders' equity.

Other

The remaining Level 3 balance is immaterial and changes in inputs have a minimal impact on net profit and net assets of the Group.

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight line basis over the life of the transaction or until all inputs become observable.

Day one gains and losses which have been deferred are not material.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The following table sets out the Group's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

Financial Asset and Liability	Fair Value Approach
Investment securities - debt securities at amortised cost	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument.
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZ for that instrument.

The financial assets and financial liabilities listed in the table below are carried at amortised cost on the Group's Balance Sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Financial assets										
Net loans and advances	**626,099**	613,155	**-**	-	**16,906**	22,862	**609,541**	591,296	**626,447**	614,158
Investment securities	**7,031**	6,816	**-**	-	**7,043**	6,816	**-**	-	**7,043**	6,816
Total	**633,130**	619,971	**-**	-	**23,949**	29,678	**609,541**	591,296	**633,490**	620,974
Financial liabilities										
Deposits and other borrowings	**738,772**	679,255	**-**	-	**738,840**	679,544	**-**	-	**738,840**	679,544
Debt issuances	**99,092**	117,509	**27,785**	26,107	**73,332**	93,187	**-**	-	**101,117**	119,294
Total	**837,864**	796,764	**27,785**	26,107	**812,172**	772,731	**-**	-	**839,957**	798,838

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE (continued)

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
The Company	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Financial assets										
Net loans and advances	485,015	483,986	-	-	16,050	22,350	469,363	462,073	485,413	484,423
Investment securities	5,263	5,354	-	-	5,275	5,352	-	-	5,275	5,352
Due from controlled entities[1]	21,489	22,089	-	-	-	-	21,489	22,089	21,489	22,089
Total	511,767	511,429	-	-	21,325	27,702	490,852	484,162	512,177	511,864
Financial liabilities										
Deposits and other borrowings	606,673	556,676	-	-	606,723	556,805	-	-	606,723	556,805
Debt issuances	77,053	92,832	24,280	23,214	54,421	71,133	-	-	78,701	94,347
Due to controlled entities[1]	23,079	24,295	-	-	-	-	23,079	24,295	23,079	24,295
Total	706,805	673,803	24,280	23,214	661,144	627,938	23,079	24,295	708,503	675,447

1. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Due from controlled entities and Due to controlled entities by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.

KEY JUDGEMENTS AND ESTIMATES

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the balance sheet date.

The majority of valuation models the Group uses employ only observable market data as inputs. This has not changed as a result of COVID-19, however the Group has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value. We may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments – refer Note 11 Derivative Financial Instruments) to reflect the Group's assessment of factors that market participants would consider in determining fair value.

19. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZ's covered bond programs;
- collateral provided to central banks; and
- collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Securities sold under arrangements to repurchase[1]	51,208	61,415	48,663	60,612
Residential mortgages provided as security for covered bonds	28,816	28,559	17,925	17,937
Other	4,039	4,990	3,963	4,921

1. The amounts disclosed as securities sold under arrangements to repurchase include both:
   - assets pledged as security which continue to be recognised on the Group's balance sheet; and
   - assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZ has received collateral associated with various financial transactions. Under certain arrangements ANZ has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Fair value of assets which can be sold or repledged	26,814	54,242	25,679	53,118
Fair value of assets sold or repledged	18,741	32,578	18,189	32,308

20. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

			Amount subject to master netting agreement or similar			
Consolidated	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2021						
Derivative financial assets[1]	38,736	(3,078)	35,658	(24,186)	(5,750)	5,722
Reverse repurchase, securities borrowing and similar agreements[2]	26,082	(3,166)	22,916	(1,052)	(21,864)	-
Total financial assets	64,818	(6,244)	58,574	(25,238)	(27,614)	5,722
Derivative financial liabilities[1]	(36,035)	2,822	(33,213)	24,186	5,530	(3,497)
Repurchase, securities lending and similar agreements[3]	(46,147)	11,461	(34,686)	1,052	33,634	-
Total financial liabilities	(82,182)	14,283	(67,899)	25,238	39,164	(3,497)
As at 30 September 2020						
Derivative financial assets	135,331	(3,862)	131,469	(117,982)	(6,397)	7,090
Reverse repurchase, securities borrowing and similar agreements[2]	53,434	(5,922)	47,512	(1,566)	(45,946)	-
Total financial assets	188,765	(9,784)	178,981	(119,548)	(52,343)	7,090
Derivative financial liabilities	(134,711)	2,824	(131,887)	117,982	10,059	(3,846)
Repurchase, securities lending and similar agreements[3]	(55,716)	14,354	(41,362)	1,566	39,796	-
Total financial liabilities	(190,427)	17,178	(173,249)	119,548	49,855	(3,846)

1. In August 2021, the Group amended the terms of its legal agreements with one of its central clearing counterparties whereby the payment or receipt of collateral results in a legal settlement of associated derivative assets and liabilities, and an associated reduction in the carrying values of the related derivative instruments. These derivative remain subject to a master netting agreement. The impact of this change as at 30 September 2021 is a decrease in the derivative assets of $55.1 billion and a decrease in derivative liabilities of $55.2 billion and reduction in net collateral paid of $0.1 billion. Refer to Note 11 Derivative Financial Instruments for further information.
2. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within net loans and advances.
3. Repurchase agreements are presented on the Balance Sheet within deposits and other borrowings.

20. OFFSETTING (continued)

The Company	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Amount subject to master netting agreement or similar: Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2021						
Derivative financial assets[1]	38,292	(1,539)	36,753	(27,288)	(5,189)	4,276
Reverse repurchase, securities borrowing and similar agreements[2]	24,958	(2,042)	22,916	(1,052)	(21,864)	-
Total financial assets	63,250	(3,581)	59,669	(28,340)	(27,053)	4,276
Derivative financial liabilities[1]	(37,005)	1,343	(35,662)	27,288	5,425	(2,949)
Repurchase, securities lending and similar agreements[3]	(43,925)	10,480	(33,445)	1,052	32,393	-
Total financial liabilities	(80,930)	11,823	(69,107)	28,340	37,818	(2,949)
As at 30 September 2020						
Derivative financial assets	130,552	(2,531)	128,021	(117,039)	(5,625)	5,357
Reverse repurchase, securities borrowing and similar agreements[2]	52,322	(4,810)	47,512	(1,566)	(45,946)	-
Total financial assets	182,874	(7,341)	175,533	(118,605)	(51,571)	5,357
Derivative financial liabilities	(131,230)	1,567	(129,663)	117,039	9,402	(3,222)
Repurchase, securities lending and similar agreements[3]	(54,951)	13,589	(41,362)	1,566	39,796	-
Total financial liabilities	(186,181)	15,156	(171,025)	118,605	49,198	(3,222)

1. In August 2021, the Company amended the terms of its legal agreements with one of its central clearing counterparties whereby the payment or receipt of collateral results in a legal settlement of associated derivative assets and liabilities, and an associated reduction in the carrying values of the related derivative instruments. These derivative remain subject to a master netting agreement. The impact of this change as at 30 September 2021 is a decrease in the derivative assets of $51.4 billion and a decrease in derivative liabilities of $51.3 billion and reduction in net collateral paid of $0.1 billion. Refer to Note 11 Derivative Financial Instruments for further information.
2. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within net loans and advances.
3. Repurchase agreements are presented on the Balance Sheet within deposits and other borrowings.

21. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill[1]		Software		Other Intangibles		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Balance at start of year	3,264	3,467	1,039	1,323	76	71	4,379	4,861
Additions	-	-	356	375	-	6	356	381
Amortisation expense[2]	-	-	(434)	(657)	(2)	(1)	(436)	(658)
Impairment expense[3]	(251)	(77)	(1)	(2)	-	-	(252)	(79)
Written off on disposal	(13)	(124)	-	-	-	-	(13)	(124)
Foreign currency exchange difference	89	(2)	-	-	1	-	90	(2)
Balance at end of year	3,089	3,264	960	1,039	75	76	4,124	4,379
Cost[4]	3,089	3,264	7,639	7,300	78	77	10,806	10,641
Accumulated amortisation	n/a	n/a	(6,679)	(6,261)	(3)	(1)	(6,682)	(6,262)
Carrying amount	3,089	3,264	960	1,039	75	76	4,124	4,379

	Goodwill[1]		Software		Other Intangibles		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Balance at start of year	62	82	1,030	1,285	5	-	1,097	1,367
Additions	-	-	345	372	-	6	345	378
Amortisation expense[2]	-	-	(422)	(625)	(2)	(1)	(424)	(626)
Impairment expense	-	(10)	(1)	(2)	-	-	(1)	(12)
Written off on disposal	-	(10)	-	-	-	-	-	(10)
Foreign currency exchange difference	-	-	-	-	-	-	-	-
Balance at end of year	62	62	952	1,030	3	5	1,017	1,097
Cost[4]	62	62	7,342	7,006	6	6	7,410	7,074
Accumulated amortisation	n/a	n/a	(6,390)	(5,976)	(3)	(1)	(6,393)	(5,977)
Carrying amount	62	62	952	1,030	3	5	1,017	1,097

1. Goodwill excludes notional goodwill in equity accounted investments.
2. During 2020, the Group amended the application of its software amortisation policy and recognised an accelerated amortisation of $197 million for the Group and $184 million for the Company in 2020.
3. 2021 goodwill impairment expense relates to the write-off on reclassification of ANZ Share Investing to held for sale. This is recognised in Other income to align with the classification on completion of the disposal in 2021.
4. Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS (CGUs) CONTAINING GOODWILL

An assessment as to whether the current carrying value of goodwill is impaired is undertaken annually or where there are indicators of potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the related business combination. These CGUs are ANZ's reportable segments. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount.

We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a value-in-use (VIU) assessment performed where the FVLCOD is less than the carrying amount.

During the year ended 30 September 2021, $251 million of goodwill was written off upon reclassification of ANZ Share Investing to held for sale in the Group (Company: nil) with a remaining $13 million of goodwill derecognised upon completion of the disposal.

During the year ended 30 September 2020, the Group wrote off $124 million of goodwill in relation to completed divestments (Company: $10 million). In addition, the Group announced its intention to begin winding up the Bonus Bonds business, a managed investment product in New Zealand and the Group wrote off the associated goodwill of $27 million (Company: nil). The Group wrote off $50 million of goodwill in the Pacific division (Company: $10 million) as a result of changes in economic outlook.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Fair Value Less Cost of Disposal

The recoverable amount of each CGU to which goodwill is allocated is estimated on a FVLCOD basis, calculated using a market multiple approach. Under this approach, we determine the estimated fair value of each CGU by applying observable price earnings multiples of appropriate comparator companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Management's approach and the key assumptions used to determine FVLCOD, for those CGUs where recoverable amount was determined on the basis of FVLCOD were as follows:

Key assumption	Approach to determining the value (or values) for each key assumption
Future maintainable earnings	Future maintainable earnings for each CGU have been estimated as the sum of: • The Group's 2022 financial plan for each CGU; plus • An allocation of the central costs recorded outside of the CGU's to which goodwill is allocated. Where relevant, adjustments are made to the Group's financial plan to reflect the long term expectations for items such as expected credit losses and investment spend.
Price/Earnings (P/E) multiple applied	The P/E multiples used have been derived from valuations of comparable publicly traded companies relevant to the respective CGU. In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to comparator group multiples to address specific factors relevant to those CGUs. The median P/E multiples applied (including a 30% control premium discussed below) were as follows: Division — 2021 — 2020 Australia Retail and Commercial — 18.9 — 16.0 New Zealand — 16.4 — 12.7 Institutional — 15.5 — 13.4 **Control premium:** A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.
Costs of disposal	Costs of disposal have been estimated as 2% of the fair value of the CGU based on input from historical and recent transactions.

As noted above, our impairment testing did not result in any material impairment of goodwill being identified as at 30 September 2021.

FVLCOD assessment outcomes

For each CGU, the surplus of the recoverable amount over the carrying amount determined on the basis of FVLCOD was as follows:

Cash generating unit:	Surplus 2021 $m
Australia Retail and Commercial	12,168
New Zealand	6,332
Institutional	4,249

Sensitivity analysis

The surpluses disclosed above are sensitive to judgements and estimates however the FVLCOD estimates for the respective CGUs would continue to show a surplus in recoverable amount over carrying amount even where reasonably possible alternative estimates were used.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other Intangible Assets
Definition	Excess amount the Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchased software owned by the Group is capitalised. Internal and external costs incurred in building software and computer systems costing greater than $20 million are capitalised as assets. Those less than $20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business and an intangible asset arising from contractual rights.
Carrying value	Cost less any accumulated impairment losses. Allocated to the cash generating unit to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less amortisation and impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment. The contractual rights intangible asset is amortised over 3 years.
Depreciation method	Not applicable.	Straight-line method.	Not applicable to indefinite life intangible assets. Straight line for those with a limited life.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis, of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU including:
  - selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
  - selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

Software and other intangible assets

At each reporting date, software and other intangible assets are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the increasing pace of technological change.

22. OTHER PROVISIONS

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
ECL allowance on undrawn and contingent facilities[1]	806	898	674	731
Customer remediation	886	1,109	791	969
Restructuring costs	99	105	44	70
Non-lending losses, frauds and forgeries	61	79	54	57
Other	362	388	310	330
Total other provisions	2,214	2,579	1,873	2,157

1. Refer to Note 14 Allowance for Expected Credit Losses for movement analysis.

Consolidated	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries $m	Other $m
Balance at 1 October 2020	1,109	105	79	388
New and increased provisions made during the year	379	89	41	121
Provisions used during the year	(449)	(84)	(56)	(127)
Unused amounts reversed during the year[1]	(153)	(11)	(3)	(20)
Balance at 30 September 2021	886	99	61	362

1. Customer remediation includes a $52 million transfer to the purchaser on completion of divestment of part of Wealth Australia discontinued operations.

The Company	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries $m	Other $m
Balance at 1 October 2020	969	70	57	330
New and increased provisions made during the year	360	37	-	116
Provisions used during the year	(390)	(55)	(1)	(118)
Unused amounts reversed during the year[1]	(148)	(8)	(2)	(18)
Balance at 30 September 2021	791	44	54	310

1. Customer remediation includes a $52 million transfer to the purchaser on completion of divestment of part of Wealth Australia discontinued operations.

22. OTHER PROVISIONS (continued)

Customer remediation

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation outcomes.

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Non-lending losses, frauds and forgeries

Non-lending losses include losses arising from certain legal actions not directly related to amounts of principal outstanding for loans and advances and losses arising from forgeries, frauds and the correction of operational issues. The amounts recognised are the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

Other

Other provisions comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.

RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Group holds provisions for various obligations including customer remediation, restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including, the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advices and adjustments are made to the provisions where appropriate.

23. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Ordinary share capital	25,984	26,531	25,907	26,454
Reserves				
Foreign currency translation reserve	611	155	(145)	(131)
Share option reserve	76	85	76	85
FVOCI reserve	170	245	26	129
Cash flow hedge reserve	393	1,038	384	935
Transactions with non-controlling interests reserve	(22)	(22)	-	-
Total reserves	1,228	1,501	341	1,018
Retained earnings	36,453	33,255	29,132	25,800
Share capital and reserves attributable to shareholders of the Company	63,665	61,287	55,380	53,272
Non-controlling interests	11	10	-	-
Total shareholders' equity	63,676	61,297	55,380	53,272

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the period.

	2021		2020	
Consolidated	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,840,370,225	26,531	2,834,584,923	26,490
Dividend reinvestment plan ('DRP') Issuances[1]	4,242,368	94	3,373,022	61
Bonus option plan[2]	2,259,507	-	2,412,280	-
Group employee share acquisition scheme	-	13	-	(20)
Share buy-back[3]	(23,308,448)	(654)	-	-
Balance at end of year	2,823,563,652	25,984	2,840,370,225	26,531
Less: Treasury Shares	(4,401,593)	-	(4,927,878)	-
Balance at end of year	2,819,162,059	25,984	2,835,442,347	26,531

	2021		2020	
The Company	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,840,370,225	26,454	2,834,584,923	26,413
Dividend reinvestment plan ('DRP') Issuances[1]	4,242,368	94	3,373,022	61
Bonus option plan[2]	2,259,507	-	2,412,280	-
Group employee share acquisition scheme	-	13	-	(20)
Share buy-back[3]	(23,308,448)	(654)	-	-
Balance at end of year	2,823,563,652	25,907	2,840,370,225	26,454

1. The Company issued 4.2 million shares under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend). No shares were issued for the 2021 interim dividend and 2019 final dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP.
2. The Company issued 1.3 million shares under the Bonus Option Plan (BOP) for the 2021 interim dividend and 0.9 million shares for the 2020 final dividend (0.8 million shares for the 2020 interim dividend and 1.6 million shares for the 2019 final dividend).
3. The Company commenced a $1.5 billion on-market share buy-back on 4 August 2021. This resulted in 23 million shares ($654 million) being cancelled in the September 2021 half and a further 2 million shares ($55 million) being cancelled after 30 September 2021 in respect of purchase orders placed but not settled at 30 September 2021.

23. SHAREHOLDERS' EQUITY (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Treasury shares	Treasury shares are shares in the Company which: • the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or • the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed. Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.
Reserves:	
Foreign currency translation reserve	Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in Other operating income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Share option reserve	Includes amounts which arise on the recognition of share-based compensation expense.
Transactions with non-controlling interests reserve	Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.
Non-controlling interests	Share in the net assets of controlled entities attributable to equity interests which the Company does not own directly or indirectly.

24. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon.
The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital ('stress capital buffer') needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, the Group maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

REGULATORY ENVIRONMENT

Australia

As ANZ is an Authorised Deposit-taking Institution (ADI) in Australia, it is primarily regulated by APRA under the *Banking Act 1959 (Cth)*. ANZ must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision ('BCBS'). APRA requirements are summarised below:

Regulatory Capital Definition

Common Equity Tier 1 (CET1) Capital	Tier 1 Capital	Tier 2 Capital	Total Capital
Shareholders' equity adjusted for specific items.	CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital.	Subordinated debt instruments which have a minimum term of 5 years at issue date.	Tier 1 plus Tier 2 Capital.

Minimum Prudential Capital Ratios (PCRs)

CET1 Ratio	Tier 1 Ratio	Total Capital Ratio
CET1 Capital divided by total risk weighted assets must be at least 4.5%.	Tier 1 Capital divided by total risk weighted assets must be at least 6.0%.	Total Capital divided by total risk weighted assets must be at least 8.0%.

Reporting Levels

Level 1	Level 2	Level 3
The ADI on a stand-alone basis (that is the Company and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity).	The consolidated Group less certain subsidiaries and associates that are excluded under prudential standards.	A conglomerate Group at the widest level.

APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 3.5% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set to zero for Australia.

ANZ reports to APRA on a Level 1 and Level 2 basis, and measures capital adequacy monthly on a Level 1 and Level 2 basis, and is not yet required to maintain capital on a Level 3 basis (APRA have yet to conclude required timing for Level 3 reporting).

24. CAPITAL MANAGEMENT (continued)

Life Insurance and Funds Management

As required by APRA's Prudential Standards, insurance and funds management activities are:

- de-consolidated for the purposes of calculating capital adequacy; and
- excluded from the risk based capital adequacy framework.

We deduct the investment in these controlled entities 100% from CET1 capital, and if we include any profits from these activities in the Group's results, then we exclude them from the determination of CET1 capital to the extent they have not been remitted to the Company.

Outside Australia

In addition to APRA, the Company's branch operations and major banking subsidiary operations are also overseen by local regulators such as the Reserve Bank of New Zealand, the US Federal Reserve, the UK Prudential Regulation Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the China Banking and Insurance Regulatory Commission. They may impose minimum capital levels on operations in their individual jurisdictions.

CAPITAL ADEQUACY[1]

The following table provides details of the Group's capital adequacy ratios at 30 September:

	Consolidated	
	2021 $m	2020 $m
Qualifying capital		
Tier 1		
Shareholders' equity and non-controlling interests	63,676	61,297
Prudential adjustments to shareholders' equity[2]	3	189
Gross Common Equity Tier 1 capital	63,679	61,486
Deductions[2]	(12,320)	(12,784)
Common Equity Tier 1 capital	51,359	48,702
Additional Tier 1 capital[3]	8,114	7,779
Tier 1 capital	59,473	56,481
Tier 2 capital[4]	17,125	13,957
Total qualifying capital	76,598	70,438
Capital adequacy ratios (Level 2)		
Common Equity Tier 1	12.3%	11.3%
Tier 1	14.3%	13.2%
Tier 2	4.1%	3.3%
Total capital ratio	18.4%	16.4%
Risk weighted assets	416,086	429,384

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.
2. During 2021, deferred expenses previously netted within Prudential adjustments to shareholders' equity were reclassified to Deductions to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million).
3. This includes Additional Tier 1 capital of $8,506 million (2020: $8,196 million) (refer to Note 16 Debt Issuances), reduced for regulatory adjustments and deductions of $392 million (2020: $417 million).
4. This includes Tier 2 capital of $16,207 million (2020: $12,865 million) (refer to Note 16 Debt Issuances), general reserve for impairment of financial assets of $1,412 million (2020: $1,813 million) and deductions for regulatory adjustments of $494 million (2020: $721 million).

25. CONTROLLED ENTITIES

	Incorporated in	Nature of Business
The ultimate parent of the Group is Australia and New Zealand Banking Group Limited	Australia	Banking
All controlled entities are 100% owned, unless otherwise noted.		
The material controlled entities of the Group are:		
ANZ Bank (Vietnam) Limited[1]	Vietnam	Banking
ANZ Capel Court Limited	Australia	Securitisation Manager
ANZ Funds Pty. Ltd.	Australia	Holding Company
ANZ Bank (Kiribati) Limited[1] (75% ownership)	Kiribati	Banking
ANZ Bank (Samoa) Limited[1]	Samoa	Banking
ANZ Bank (Thai) Public Company Limited[1]	Thailand	Banking
ANZ Holdings (New Zealand) Limited[1]	New Zealand	Holding Company
ANZ Bank New Zealand Limited[1]	New Zealand	Banking
ANZ Investment Services (New Zealand) Limited[1]	New Zealand	Funds Management
ANZ New Zealand (Int'l) Limited[1]	New Zealand	Finance
ANZ Wealth New Zealand Limited[1]	New Zealand	Holding Company
ANZ New Zealand Investments Limited[1]	New Zealand	Funds Management
ANZNZ Covered Bond Trust[1,4]	New Zealand	Finance
ANZ International Private Limited[1]	Singapore	Holding Company
ANZ Singapore Limited[1]	Singapore	Merchant Banking
ANZ International (Hong Kong) Limited[1]	Hong Kong	Holding Company
ANZ Asia Limited[1]	Hong Kong	Banking
ANZ Bank (Vanuatu) Limited[2]	Vanuatu	Banking
ANZcover Insurance Private Ltd[1]	Singapore	Captive-Insurance
ANZ Lenders Mortgage Insurance Pty. Limited	Australia	Mortgage Insurance
ANZ Residential Covered Bond Trust[4]	Australia	Finance
Australia and New Zealand Bank (China) Company Limited[1]	China	Banking
Australia and New Zealand Banking Group (PNG) Limited[1]	Papua New Guinea	Banking
Chongqing Liangping ANZ Rural Bank Company Limited[1]	China	Banking
Citizens Bancorp[3]	Guam	Holding Company
ANZ Guam Inc[3]	Guam	Banking
PT Bank ANZ Indonesia[1] **(99% ownership)**	Indonesia	Banking

1. Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.
2. Audited by Law Partners.
3. Audited by Deloitte Guam.
4. Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

25. CONTROLLED ENTITIES (continued)

RECOGNITION AND MEASUREMENT

The Group's subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Group assesses whether it has power over those entities by examining the Group's existing rights to direct the relevant activities of the entity.

If the Group sells or acquires subsidiaries during the year, it includes their operating results in the Group results to the date of disposal or from the date of acquisition. When the Group's control ceases, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity.

When the Group ceases to control a subsidiary, it:

- measures any retained interest in the entity at fair value; and
- recognises any resulting gain or loss in profit or loss.

If the Group's ownership interest in a subsidiary changes in a way that does not result in a loss of control, then the Group accounts for that as a transaction with equity holders in their capacity as equity holders.

All transactions between Group entities are eliminated on consolidation.

26. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

		Ordinary share interest		Carrying amount $m	
Name of entity	Principal activity	2021	2020	2021	2020
AMMB Holdings Berhad ('AmBank')	Banking and insurance	22%	24%	719	1,056
PT Bank Pan Indonesia ('PT Panin')	Consumer and business bank	39%	39%	1,210	1,084
Aggregate other individually immaterial associates		n/a	n/a	43	24
Total carrying value of associates[1]				1,972	2,164

1. Includes the impact of foreign currency translation recognised in the foreign currency translation reserve.

FINANCIAL INFORMATION ON SIGNIFICANT ASSOCIATES

Set out below is the summarised financial information of each associate that is significant to the Group. The summarised financial information is based on the associates' IFRS financial information and may require the use of unaudited financial information as both associates have different financial years to the Group (PT Panin 31 December, AmBank 31 March).

	AMMB Holdings Berhad		PT Bank Pan Indonesia	
Principal place of business and country of incorporation	Malaysia		Indonesia	
	2021 $m	2020 $m	2021 $m	2020 $m
Summarised results				
Operating income	2,663	3,156	1,222	1,105
Profit/(Loss) for the year	(1,192)	456	298	319
Other comprehensive income/(loss)	(39)	105	(56)	72
Total comprehensive income/(loss)	(1,231)	561	242	391
Less: Total comprehensive (income)/loss attributable to non–controlling interests	(25)	(26)	1	(11)
Total comprehensive income/(loss) attributable to owners of associate	(1,256)	535	243	380
Summarised financial position				
Total assets[1]	55,711	53,301	18,323	19,669
Total liabilities[1]	49,773	48,530	15,377	16,599
Total net assets[1]	5,938	4,771	2,946	3,070
Less: Non–controlling interests of associate	(327)	(343)	(304)	(294)
Net assets attributable to owners of associate	5,611	4,428	2,642	2,776
Reconciliation to carrying amount of Group's interest in associate				
Carrying amount at the beginning of the year	1,056	1,586	1,084	1,350
Group's share of total comprehensive income/(loss)[2]	(313)	126	90	150
Dividends received from associate	-	(32)	-	-
Group's share of other reserve movements of associate and foreign currency translation reserve adjustments	(24)	(29)	36	(128)
Group's equity accounted share of AASB 9 transition adjustment[3]	-	-	-	(68)
Impairment charges[4]	-	(595)	-	(220)
Carrying amount at the end of the year	719	1,056	1,210	1,084
Market value of Group's investment in associate	756	727	675	653

1. Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).
2. Includes the Group's share of settlement provision expenses ($212 million) recorded by AmBank in relation to an agreement with the Malaysian Ministry of Finance to resolve potential claims to its involvement with 1Malaysia Development Berhad and the Group's share of impairments ($135 million) recognised by AmBank during 2021.
3. In 2020, the Group recognised an adjustment of $68 million to the equity accounted earnings of PT Panin. When the Group adopted AASB 9 *Financial Instruments* on 1 October 2018, an estimate of PT Panin's transition adjustment was recognised through opening retained earnings to align accounting policies. PT Panin adopted AASB 9 during the current financial year recognising a transition adjustment in retained earnings.
4. The Group recorded an impairment charge of $815 million in other operating income based on impairment assessments performed in 2020 with AmBank impaired by $595 million and PT Panin impaired by $220 million. No impairment charges were recorded in 2021.

26. INVESTMENTS IN ASSOCIATES (continued)

IMPAIRMENT ASSESSMENT

The Group assesses the carrying value of its associate investments for impairment indicators.

At 30 September 2021, the impairment assessment of non-lending assets identified that two of the Group's associate investments AmBank and PT Panin had indicators of impairment. No impairment was recognised as their carrying values are supported by their value-in-use (VIU) calculations.

RECOGNITION AND MEASUREMENT

An associate is an entity over which the Group has significant influence over its operating and financial policies but does not control. The Group accounts for associates using the equity method. Its investments in associates are carried at cost plus the post-acquisition share of changes in the associate's net assets less accumulated impairments. Dividends the Group receives from associates are recognised as a reduction in the carrying amount of the investment. The Group includes goodwill recognised by the associate in the carrying amount of the investment. It does not individually test the goodwill incorporated in the associates carrying amount for impairment.

At least at each reporting date, the Group reviews investments in associates for any indication of impairment. If an indication of impairment exists, then the Group determines the recoverable amount of the associate using the higher of:

- the associate's fair value less cost of disposal; and
- its value-in-use.

We use a discounted cash flow methodology, and when applicable, other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount.

KEY JUDGEMENTS AND ESTIMATES

The ongoing impact of COVID-19 on the valuation of AmBank and PT Panin remains uncertain. Significant management judgment is required in determining the key assumptions underpinning the VIU calculations. Factors may change in subsequent periods and lead to potential future impairments or reversals of prior period impairments. These include forecast earnings levels in the near term and/or changes in the long term growth forecasts, required levels of regulatory capital and post-tax discount rate.

The key assumptions used in the value-in-use calculations are outlined below:

As at 30 September 2021	AmBank	PT Panin
Post-tax discount rate	10.6%	14.4%
Terminal growth rate	5.0%	5.1%
Expected earnings growth (compound annual growth rate – 5 years)	4.2%	6.4%
Common Equity Tier 1 ratio (5 year average)	13.4%	12.8%

The VIU calculations are sensitive to changes in the underlying assumptions with reasonably possible changes in key assumptions having a positive or negative impact on the VIU outcome, and as such the recoverable amount of the investment.

- A change in the September 2021 post-tax discount rate by +/- 50 bps would impact the VIU outcome for PT Panin by ($55 million)/$60 million, and ($84 million)/$106 million for AmBank.
- A change in the September 2021 terminal growth rate by +/- 25 bps would impact the VIU outcome for PT Panin by $9 million/($10 million), and $49 million/($45 million) for AmBank.

Neither investment would be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

27. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Group establishes SEs to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Securitisation programs include customer loans and advances assigned to bankruptcy remote SEs to provide either security for obligations payable on notes issued by the SEs to external investors or create assets held by the Group eligible for repurchase agreements with applicable central banks. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details. The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.
Covered bond issuances	Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details.
Structured finance arrangements	The Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.
Funds management activities	The Group is the scheme manager for a number of Managed Investment Schemes (MIS) in New Zealand. These MIS are financed through the issue of units to investors and the Group considers them to be SEs. The Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures that would allow the Group to control the funds. Therefore, these MIS are not consolidated.

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

The Group provides financial support to consolidated SEs as outlined below.

Securitisation and covered bond issuances	The Group provides lending facilities, derivatives and commitments to these SEs and/or holds debt instruments that they have issued.
Structured finance arrangements	The assets held by these SEs are normally pledged as collateral for financing provided. Certain consolidated SEs are financed entirely by the Group while others are financed by syndicated loan facilities in which the Group is a participant. The financing provided by the Group includes lending facilities where the Group's exposure is limited to the amount of the loan and any undrawn amount. Additionally, the Group has provided Letters of Support to these consolidated SEs confirming that the Group will not demand repayment of the financing provided for the ensuing 12 month period.

The Group did not provide any non-contractual support to consolidated SEs during the year (2020: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.

27. STRUCTURED ENTITIES (continued)

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass-on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Group's involvement is not more than a passive interest - for example: when the Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Group to market-risk (rather than performance risk specific to the SE) or derivatives through which the Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The table below sets out the Group's interests in unconsolidated SEs together with the maximum exposure to loss that could arise from those interests:

	Securitisation		Structured finance		Total	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
On-balance sheet interests						
Investment securities	2,624	2,280	-	-	2,624	2,280
Gross loans and advances	7,697	8,479	53	74	7,750	8,553
Total on-balance sheet	10,321	10,759	53	74	10,374	10,833
Off-balance sheet interests						
Commitments (facilities undrawn)	2,034	2,072	-	22	2,034	2,094
Guarantees	50	40	-	-	50	40
Total off-balance sheet	2,084	2,112	-	22	2,084	2,134
Maximum exposure to loss	12,405	12,871	53	96	12,458	12,967

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of $192 million (2020: $285 million) during the year.

The Group's maximum exposure to loss represents the maximum amount of loss that the Group could incur as a result of its involvement with unconsolidated SEs if loss events were to take place - regardless of the probability of occurrence. This does not in any way represent the actual losses expected to be incurred. Furthermore, the maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate ANZ's exposure to loss.

The maximum exposure to loss has been determined as:

- the carrying amount of Investment securities measured at amortised cost; and
- the carrying amount plus the undrawn amount of any committed loans and advances.

The size of unconsolidated SEs is indicated by total assets which vary by SE with a maximum value of approximately $4.3 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2020: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

27. STRUCTURED ENTITIES (continued)

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Group is the major user of that SE; or
- the Group's name appears in the name of that SE, or on its products; or
- the Group provides implicit or explicit guarantees of that SE's performance.

The Group has sponsored the ANZ PIE Fund in New Zealand, which invests only in deposits with ANZ Bank New Zealand Limited. The Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns);
- exposure to variable returns of the entity; and
- the ability to use its power over the entity to affect the Group's returns.

28. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions where it transfers financial assets directly to third parties or to SEs. These transfers may give rise to the Group fully, or partially, derecognising those financial assets - depending on the Group's exposure to the risks and rewards or control over the transferred assets. If the Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Group's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Group's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets.

In some instances, the Group is also the holder of the securitised notes issued by the SEs. In addition, the Group is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Group retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets.

The Group is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group.

During the 2021 financial year, the Company changed its accounting policy regarding intragroup positions with consolidated securitisation SEs in which it holds all of the issued securities of the SE. The Company records a net nil position with the securitisation SE to reflect the economic substance of these fully offsetting intercompany transactions. Refer to Note 35 Impacts of Adoption of New Standards and Other Changes for further details of the change in accounting policy.

28. TRANSFERS OF FINANCIAL ASSETS (continued)

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Group is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Group is entitled to any residual income of the covered bond SEs and enters into derivatives with the SEs. The Group retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SEs is recognised as a financial liability of the Group.

The Group is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group. The covered bonds issued externally are included within debt issuances.

REPURCHASE AGREEMENTS

When the Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

STRUCTURED FINANCE ARRANGEMENTS

The Group arranges funding for certain customer transactions through structured leasing and commodity prepayment arrangements. These transactions are recognised on Group's balance sheet as lease receivables or loans. At times, other financial institutions participate in the funding of these arrangements. This participation involves a proportionate transfer of the rights to the assets recognised by the Group. The participating banks have limited recourse to the leased assets or financed commodity and related proceeds. Where the Group continues to be exposed to some of the risks of the transferred assets through a derivative or other continuing involvement, the Group does not derecognise the lease receivable or loan. Instead, the Group recognises an associated liability representing its obligations to the participating financial institutions.

The tables below set out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities.

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2021	2020	2021	2020	2021	2020	2021	2020
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	1,430	1,831	28,816	28,559	51,208	61,415	55	67
Carrying amount of associated liabilities	1,424	1,824	15,399	15,948	46,147	55,716	55	67

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2021	2020	2021	2020	2021	2020	2021	2020
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	1,430	1,831	17,925	17,937	48,663	60,612	-	-
Carrying amount of associated liabilities	1,430	1,831	17,925	17,937	43,925	54,951	-	-

1. Does not include transfers to internal structured entities where there are no external investors.
2. The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

DISCONTINUED OPERATIONS

The Group completed the sale of its Aligned Dealer Groups business to IOOF Holdings Limited (IOOF) on 1 October 2018, its life insurance business to Zurich Financial Services Australia (Zurich) on 31 May 2019 and its OnePath pensions and investments business to IOOF on 31 January 2020.

The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective. The financial results after transaction completion primarily relate to residual operational costs on separation and part recovery based on the respective Transition Service Agreements. The loss after tax from discontinued operations for the year was $17 million (2020: $98 million loss).

INCOME STATEMENT IMPACT RELATING TO DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

During the 2021 financial year, the Group recognised the following impacts in relation to discontinued operations:

- $17 million loss after tax attributable to customer remediation charges of $3 million and an associated $1 million tax benefit, and ongoing sale completion costs net of recoveries.

During the 2020 financial year, the Group recognised the following impacts in relation to discontinued operations:

- $13 million loss after tax recorded in operating income attributable to sale completion costs.
- $126 million of customer remediation charges and an associated $30 million tax benefit.
- $101 million charge recognised in operating income offset by a $101 million tax benefit within income tax expense relating to the finalisation of the policyholder tax position associated with the sale of the life insurance business to Zurich.

KEY JUDGEMENTS AND ESTIMATES

A significant level of judgement is used by the Group to determine:

- whether an asset or group of assets is classified and presented as held for sale or as a discontinued operation; and
- the fair value of the assets and liabilities classified as being held for sale.

Management is required to exercise significant judgement when assessing the fair value less costs to sell for assets and liabilities held for sale. The judgemental factors include determining: costs to sell, allocation of goodwill, indemnities provided under the sale contract and consideration received - particularly where elements of consideration are contingent in nature. Any impairment we record is based on the best available evidence of fair value compared to the carrying value before the impairment. The final sale price may be different to the fair value we estimate when recording the impairment. Management regularly assess the appropriateness of the underlying assumptions against actual outcomes and other relevant evidence and adjustments are made to fair value where appropriate. We expect that sales will complete within 12 months after balance date, subject to the relevant regulatory approvals and customary terms of sale for such assets.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Defined benefit obligation and scheme assets				
Present value of funded defined benefit obligation	(1,477)	(1,478)	(1,319)	(1,282)
Fair value of scheme assets	1,679	1,693	1,514	1,541
Net defined benefit asset	202	215	195	259
As represented in the Balance Sheet				
Net liabilities arising from defined benefit obligations included in payables and other liabilities	(11)	(59)	(11)	(15)
Net assets arising from defined benefit obligations included in other assets	213	274	206	274
Net defined benefit asset	202	215	195	259
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	14.9	14.9	14.9	14.9

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was $109 million (2020 surplus of $104 million). In 2021, the Group made defined benefit contributions totaling $3 million (2020: $4 million). It expects to make contributions of around $2 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Group participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Group. The trustees are the legal owners of the assets, which are held separately from the assets of the Group, and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The Group has defined benefit arrangements in Australia, Japan, New Zealand, Philippines, Taiwan and United Kingdom. The defined benefit section of the ANZ Australian Staff Superannuation Scheme, the ANZ UK Staff Pension Scheme and the ANZ National Retirement Scheme in New Zealand are the three largest plans. They have been closed to new members since 1987, 2004 and 1991 respectively. None of the schemes had a material deficit, or surplus, at the last funding valuation. The Group has no present liability under any of the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Group may arise if any of the schemes were wound up.

RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

The Group operates a small number of defined benefit schemes. Independent actuaries calculate the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Group directly against the net defined benefit position.

Defined contribution superannuation schemes

The Group operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Group's contributions to these schemes are recognised as personnel expenses when they are incurred.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could have an effect on the Statement of Other Comprehensive Income and Balance Sheet.

Consolidated	2021	2020	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2021 $m	2020 $m
Discount rate (% p.a.)	0.4 - 2.15	0.5 - 1.7	0.5% increase	(103)	(103)
Future salary increases (% p.a.)	1.9 - 3.5	1.6 - 3.0			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	1.05 - 3.35/2.7	1.1 - 2.8/2.2	0.5% increase	84	85
Life expectancy at age 60 for current pensioners			1 year increase	74	73
– Males (years)	26.1 - 28.8	26.0 - 28.7			
– Females (years)	29.0 - 30.5	28.9 - 30.4			

The Company	2021	2020	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2021 $m	2020 $m
Discount rate (% p.a.)	1.95 - 2.15	1.55 - 1.7	0.5% increase	(94)	(91)
Future salary increases (% p.a.)	3.5	2.95			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	2.0 - 3.35/2.7	1.5 - 2.8/2.15	0.5% increase	75	73
Life expectancy at age 60 for current pensioners			1 year increase	67	65
– Males (years)	26.1 - 28.8	26.0 - 28.7			
– Females (years)	29.0 - 30.5	28.9 - 30.4			

31. EMPLOYEE SHARE AND OPTION PLANS

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

ANZ Employee Share Acquisition Plan schemes that operated during the 2021 and 2020 years were the Employee Share Offer (2020 only) and the Deferred Share Plan.

Employee Share Offer

The details below relate to the grant of the Employee Share Offer in December 2019.

Eligibility	Most permanent employees employed in either Australia or New Zealand with three years continuous service.
Grant	The Board approved AUD 1,000 in Australia (and AUD 800 in New Zealand) of ANZ shares.
Allocation value	One week Volume Weighted Average Price (VWAP) of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Australia	ANZ ordinary shares were granted to eligible employees for nil consideration. The shares vested on grant and are being held in trust for three years from grant date, after which time they may remain in trust, be transferred to the employee's name or sold. Dividends are automatically reinvested in the Dividend Reinvestment Plan.
New Zealand	Shares were granted to eligible employees on payment of NZD one cent per share. Shares vest subject to satisfaction of a three-year service period, after which they may remain in trust, be transferred to the employee's name or sold. Unvested shares are forfeited if the employee resigns or is dismissed for serious misconduct. Dividends are either paid in cash or reinvested into the Dividend Reinvestment Plan.
Expensing value (fair value)	In Australia, the fair value of the shares is expensed in the year shares are granted, as they are not subject to forfeiture. In New Zealand, the fair value is expensed on a straight-line basis over the three year vesting period. The expense is recognised as a share-based compensation expense with a corresponding increase in equity.
2020 grants	698,862 shares were granted on 2 December 2019 at an issue price of $24.96.

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) - Chief Executive Officer (CEO), Group Executive Committee (ExCo) and other Banking Executive Accountability Regime (BEAR) Accountable Executives

Eligibility	Group CEO, ExCo and Group General Manager Internal Audit (GGM IA).
Grant	50% of the CEO's Annual Variable Remuneration (AVR), 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, is received as deferred shares.
Conditions	Deferred over at least one to four years from the date the Board approved the variable remuneration award.

ii) ANZIP: Based on the 2020 Performance and Remuneration Review

Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive), and select roles in the United Kingdom (UK)/China[1].
Grant	If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred as shares.
Conditions	Deferred over three years from grant date.

iii) ANZIP: Based on the 2019 Performance and Remuneration Review (granted in the 2020 financial year)

Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive), and select roles in the UK/China[1].
Grant	If VR is at or exceeds AUD 150,000, then 60% of VR amounts exceeding AUD 80,000 (subject to a minimum deferral amount of AUD 42,000) is deferred as shares.
Conditions	Deferred over three years from grant date.

iv) Long Term Incentives (LTIs): Based on the 2019 Performance and Remuneration Review (granted in the 2020 financial year)

Eligibility	Selected employees (excludes the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive)).
Grant	100% deferred shares.
Conditions	Vest three years from grant date.

1. Specific deferral arrangements also exist under ANZIP for roles defined as United Kingdom Material Risk Takers and China Material Risk Takers, in line with local regulatory requirements.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

v) Exceptional circumstances	
Remuneration foregone	In exceptional circumstances, we grant deferred shares to certain employees when they start with ANZ to compensate them for remuneration they have foregone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have foregone, and therefore varies between grants.
Retention	We may grant deferred shares to high performing employees who are regarded as a significant retention risk to ANZ.

vi) Further information	
Cessation	Unless the Board decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Allocation value	All deferred shares are issued based on the VWAP of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
2021 and 2020 grants	During the 2021 year, we granted 1,653,585 deferred shares (2020: 2,259,897) with a weighted average grant price of $23.31 (2020: $24.94).
Malus (downward adjustment)	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date. ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2021 Remuneration Report. Board discretion was not exercised to adjust downward any deferred shares in 2021 (2020: nil).

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2021 under the Deferred Share Plan (in 2020 under the Employee Share Offer and the Deferred Share Plan), measured as at the date of grant of the shares, is $38.9 million (2020: $73.4 million) based on 1,653,585 shares (2020: 2,958,759) at VWAP of $23.53 (2020: $24.81).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights. Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.
Rules	Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required: • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. Holders otherwise have no other entitlements to participate: • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). Any portion of the award which vests may, at the Board's discretion, be satisfied by a cash equivalent payment rather than shares.
Expensing	We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
Cessation	The provisions that apply if the employee's employment ends are in section 8.2.3 of the 2021 Remuneration Report.
Malus (downward adjustment)	ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2021 Remuneration Report.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Option Plans that operated during 2021 and 2020

i) Performance Rights	
Allocation	We grant performance rights to the CEO and ExCo as part of ANZ's variable remuneration plans. Performance rights provide the holder with the right to acquire ANZ shares at nil cost, subject to a four-year vesting period and Total Shareholder Return (TSR) performance hurdles. Further details on the performance hurdles are in section 5.2.3a of the 2021 Remuneration Report.
Satisfying vesting	Any portion of the award of performance rights (that have met the performance hurdles) may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. In 2021, the performance rights that vested (previously granted in November/December 2017) were satisfied through a share allocation, other than 36,103 performance rights for which a cash payment was made. In 2020, all performance rights (previously granted in November/December 2016) lapsed due to not meeting the performance hurdles.
2021 and 2020 grants	During the 2021 year, we granted 485,032 performance rights (2020: 520,172).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any performance rights in 2021 (2020: nil).

ii) Deferred Share Rights (no performance hurdles)	
Allocation	Deferred share rights provide the holder with the right to acquire ANZ shares at nil cost after a specified vesting period. We adjust the fair value of rights for the absence of dividends during the restriction period. Also, see section 5.2.3b of the 2021 Remuneration Report.
Satisfying vesting	Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. All share rights were satisfied through a share allocation, other than 89,296 deferred share rights (2020: 99,891) for which a cash payment was made.
2021 and 2020 grants	During the 2021 year, 2,258,774 deferred share rights (no performance hurdles) were granted (2020: 2,393,424).
Malus (downward adjustment)	Board discretion was exercised to adjust downward 8,414 deferred share rights to zero in 2021 (2020: nil).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Options, Deferred Share Rights and Performance Rights on Issue

As at 27 October 2021, there were 442 holders of 4,537,088 deferred share rights on issue and 97 holders of 1,709,028 performance rights on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2021 and the movements during 2021:

	Opening balance 1 Oct 2020	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2021
Number of options/rights	6,724,557	2,743,806	(918,589)	0	(2,241,996)	6,307,778
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$25.34
WA remaining contractual life						1.8 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						227,412

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2020 and the movements during 2020:

	Opening balance 1 Oct 2019	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2020
Number of options/rights	6,688,538	2,913,596	(976,468)	0	(1,901,109)	6,724,557
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$19.94
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						151,829

1. Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2021 and 2020, were issued at a nil exercise price.

As at the date of the signing of the Directors' Report on 27 October 2021:

- no options/rights over ordinary shares have been granted since the end of 2021; and
- no shares issued as a result of the exercise of options/rights since the end of 2021.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

	2021		2020	
	Deferred share rights	Performance rights	Deferred share rights	Performance rights[1]
Exercise price ($)	0.00	0.00	0.00	0.00
Share closing price at grant date ($)	23.37	23.32	24.78	24.93
Expected volatility of ANZ share price (%)[2]	26.5	25.0	20.0	20.0
Equity term (years)	2.3	6.0	2.5	6.0
Vesting period (years)	2.0	4.0	2.1	4.0
Expected life (years)	2.0	4.0	2.1	4.0
Expected dividend yield (%)	4.85	5.25	6.0	6.0
Risk free interest rate (%)	0.10	0.21	0.77	0.74
Fair value ($)	21.15	9.56	21.95	9.07

1. Relates to grants made in November 2019.
2. Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2021 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 3,593,574 shares at an average price of $22.03 per share (2020: 4,882,936 shares at an average price of $25.06 per share).

32. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are defined as all directors of the Group and those personnel with a key responsibility for the strategic direction and management of the Group and report directly to the CEO. KMP compensation included within total personnel expenses in Note 4 Operating Expenses is as follows:

	Consolidated	
	2021 $'000[1]	2020 $'000
Short-term benefits	21,109	19,260
Post-employment benefits	383	414
Other long-term benefits	258	397
Termination benefits	250	-
Share-based payments	5,066	8,198
Total	27,066	28,269

1. Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provisions raised in respect of these balances. Details of the terms and conditions of lending products can be found on ANZ.com. The aggregate of loans (including credit card balances) made, guaranteed or secured, and undrawn facilities to KMP including their related parties, were as follows:

	Consolidated		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Loans advanced[1,2]	26,867	32,452	14,012	19,166
Undrawn facilities[2]	531	1,353	277	1,111
Interest charged[3]	777	888	434	518

1. Prior period balance has been restated to reflect minor timing variances.
2. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.
3. Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held subordinated debt, shares, share rights and options over shares in the Company directly, indirectly or beneficially as shown below:

	Consolidated	
	2021 Number[1]	2020 Number
Shares, options and rights	2,319,807	2,211,879
Subordinated debt	26,672	21,052

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.

32. RELATED PARTY DISCLOSURES (continued)

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits of KMP and their related parties with the Group were $46 million (2020: $48 million) and with the Company were $38 million (2020: $37 million).

During the year, in recognition of the contribution of David Gonski as Group Chairman over the period from 2014-2020 the Group donated a painting (valued at approximately $325,000) from its collection to the Art Gallery of New South Wales, where he is the president on the Board of Trustees. ANZ has enjoyed an association with the Art Gallery of NSW since 2010, through its sponsorship of various annually awarded art prizes and it has been a Leadership Partner since 2017. The transaction between the Group and the Art Gallery New South Wales is not a related party transaction for accounting purposes.

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers. Gifts in the form of charitable donation amounting to $500 were provided on behalf of the related parties of KMP during the year.

ASSOCIATES

We disclose significant associates in Note 26 Investments in Associates. During the course of the financial year, transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

	Consolidated		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Amounts receivable from associates	7	354	-	-
Amounts payable to associates	1,739	1,354	716	746
Interest expense to associates	2	10	-	-
Other revenue from associates	-	500	-	-
Other expenses paid to associates	9,988	9,018	8,063	7,706
Guarantees given to associates	28	-	28	-
Dividend income from associates	-	32,465	-	-

There have been no material guarantees given or received. No amounts receivable from the associates have been written-off during the period, or individual provisions raised in respect of these balances.

SUBSIDIARIES

We disclose material controlled entities in Note 25 Controlled Entities. During the financial year, subsidiaries conducted transactions with each other and with associates on terms equivalent to those on an arm's length basis. As of 30 September 2021, we consider all outstanding amounts on these transactions to be fully collectible.

Transactions between the Company and its subsidiaries include providing a wide range of banking and other financial facilities. Details of amounts paid to, or received from, related parties, in the form of dividends or interest, are set out in Note 2 Net Interest Income and Note 3 Non-Interest Income.

Other intragroup transactions include providing management and administrative services, staff training, data processing facilities, transfer of tax losses, and the leasing of Premises and equipment.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Contract amount of:				
Undrawn facilities	212,265	227,819	176,077	191,300
Guarantees and letters of credit	30,027	22,778	27,957	20,640
Performance related contingencies	18,303	17,017	17,085	15,505
Total	260,595	267,614	221,119	227,445

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of undrawn facilities for the Group and the Company mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that the Group has entered into as principal – including guarantees, standby letters of credit and documentary letters of credit.

Documentary letters of credit involve the Group issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the Group to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of guarantees and letters of credit and performance related contingencies for the Group and the Company mature within 12 months.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES

As at 30 September 2021, the Group had contingent liabilities in respect of the matters outlined below. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 22 Other Provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

REGULATORY AND CUSTOMER EXPOSURES

In recent years there has been an increase in the number of matters on which the Group engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, include or have included a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

BENCHMARK/RATE ACTIONS

In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company – one action relating to the bank bill swap rate (BBSW), and one action relating to the Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR). The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on BBSW or SIBOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including the Company, violated US anti-trust laws and (in the BBSW case only) antiracketeering laws, the Commodity Exchange Act, and unjust enrichment principles. In March 2021, the Company reached an agreement to settle the BBSW class action. The settlement is without admission of liability and remains subject to negotiation and execution of complete settlement terms as well as court approval. The financial impact of the settlement is not material and has been fully provided at 31 March 2021. The separate class action in relation to SIBOR is ongoing and is being defended.

In February 2017, the South African Competition Commission commenced proceedings against local and international banks including the Company alleging breaches of the cartel provisions of the South African Competition Act in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain.

CAPITAL RAISING ACTIONS

In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against a number of companies and individuals, including the Company and a senior employee. It is alleged that the joint lead managers of the Company's August 2015 underwritten institutional equity placement engaged in cartel conduct and that the Company and its senior employee were involved in one of those joint lead managers giving effect to a cartel. The Company and its senior employee are defending the allegations. The trial is currently scheduled to start in April 2022.

In September 2018, the Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings against the Company alleging failure to comply with continuous disclosure obligations in connection with the Company's August 2015 underwritten institutional equity placement. ASIC alleges the Company should have advised the market that the joint lead managers took up approximately 25.5 million ordinary shares of the placement. The Company is defending the allegations.

CONSUMER CREDIT INSURANCE LITIGATION

In February 2020, a class action was brought against the Company alleging breaches of financial advice obligations, misleading or deceptive conduct and unconscionable conduct in relation to the distribution of consumer credit insurance products. The issuers of the insurance products, QBE and OnePath Life, are also defendants to the claim. The Company is defending the allegations.

ESANDA DEALER CAR LOAN LITIGATION

In August 2020, a class action was brought against the Company alleging unfair conduct, misleading or deceptive conduct and equitable mistake in relation to the use of flex commissions in dealer arranged Esanda car loans. The Company is defending the allegations.

ONEPATH SUPERANNUATION LITIGATION

In December 2020, a class action was brought against OnePath Custodians, OnePath Life and the Company alleging that OnePath Custodians breached its obligations under superannuation legislation, and its duties as trustee, in respect of superannuation investments and fees. The claim also alleges that the Company was involved in some of OnePath Custodians' investment breaches. The Company is defending the allegations.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

NEW ZEALAND LOAN INFORMATION LITIGATION

In September 2021, a representative proceeding was brought against ANZ Bank New Zealand Limited, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ Bank New Zealand Limited is defending the allegations.

ROYAL COMMISSION

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report on 4 February 2019. Following the Royal Commission there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

SECURITY RECOVERY ACTIONS

Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

WARRANTIES AND INDEMNITIES

The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments.

CLEARING AND SETTLEMENT OBLIGATIONS

Certain group companies have a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Group's potential exposure arising from these arrangements is unquantifiable in advance.

Certain group companies hold memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX), Clearing Corporation of India and the Shanghai Clearing House. These memberships allow the relevant group company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for the relevant group company to make default fund contributions. In the event of a default by another member, the relevant group company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

PARENT ENTITY GUARANTEES

The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

SALE OF GRINDLAYS BUSINESSES

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the Foreign Exchange Regulation Act, 1973.

Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

34. AUDITOR FEES

	Consolidated		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
KPMG Australia				
Audit or review of financial reports	7,434	8,059	7,021	7,262
Audit-related services[1]	2,772	3,693	2,696	3,540
Non-audit services[2]	106	25	106	25
Total[3]	10,312	11,777	9,823	10,827
Overseas related practices of KPMG Australia				
Audit or review of financial reports	5,511	6,049	1,965	2,107
Audit-related services[1]	1,657	1,677	917	1,008
Non-audit services[2]	85	98	85	44
Total	7,253	7,824	2,967	3,159
Total auditor fees	17,565	19,601	12,790	13,986

1. Group audit-related services comprise prudential and regulatory services of $3.27 million (2020: $3.61 million), comfort letters $0.49 million (2020: $0.75 million) and other services $0.67 million (2020: $1.01 million). Company audit-related services comprise prudential and regulatory services of $2.78 million (2020: $3.07 million), comfort letters $0.45 million (2020: $0.72 million) and other services $0.38 million (2020: $0.76 million).
2. The nature of non-audit services for Group and Company include controls related assessments and methodology and procedural reviews. Further details are provided in the Directors' Report.
3. Inclusive of goods and services tax.

The Group and Company's Policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

35. IMPACT OF ADOPTION OF NEW STANDARDS AND OTHER CHANGES

INTEREST RATE BENCHMARK REFORM

There was no material impact from the early adoption of AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2*. Refer to Note 1 About Our Financial Statements for further details.

INTRAGROUP TRANSACTIONS WITH CONSOLIDATED SECURITISATION STRUCTURED ENTITIES

During the 2021 financial year, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation SEs in which it holds all of the issued securities of the SE. These internal securitisation transactions provide an additional source of liquidity for the Group by creating residential mortgage-backed securities (RMBS) which can be sold under repurchase agreements with relevant central banks. A distinguishing feature of these transactions is that all of the RMBS issued by the SE are held by the Company, rather than purchased by third parties. By holding all of the RMBS issued by the SE, the Company retains all of the risk and rewards of the mortgages transferred to the SE which cannot be derecognised for accounting purposes. Furthermore, because the intragroup transactions with the SE fully offset each other, they do not alter the cash position, assets or future cash flows of the Company. Accordingly, under this policy change, these transactions will no longer be recorded on a gross basis. Rather, the Company will recognise a net nil position with the SE in order to better reflect the economic substance of the intragroup transactions.

This accounting policy change has no impact on the Group's consolidated financial statements given the previously recorded intercompany balances were eliminated in consolidation. Comparatives have been restated in the financial statements of the Company as follows:

The Company	2020 $m
Income Statement	
Interest income	(2,377)
Interest expense	2,929
Net interest income	552
Other operating income	(552)
Net profit after tax	-
Balance Sheet	
Due from controlled entities	(76,637)
Total assets	**(76,637)**
Due to controlled entities	(76,637)
Total liabilities	**(76,637)**
Net assets	-

36. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 22 October 2021, a Group fund that owns 19% of the shares in Cashrewards Limited announced it would make an off-market takeover offer to acquire the remaining 81% of the shares, for ~$80 million. The offer is subject to a number of conditions and completion remains uncertain.

Other than the matter above, there have been no significant events from 30 September 2021 to the date of signing this report.

Directors' Declaration

The Directors of Australia and New Zealand Banking Group Limited declare that:

a) in the Directors' opinion, the financial statements and notes of the Company and the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i) section 296, that they comply with the Australian Accounting Standards and any further requirements of the *Corporations Regulations 2001*; and

   ii) section 297, that they give a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 September 2021 and of their performance for the year ended on that date; and

b) the notes to the financial statements of the Company and the Consolidated Entity include a statement that the financial statements and notes of the Company and the Consolidated Entity comply with International Financial Reporting Standards; and

c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

27 October 2021

Shayne C Elliott
Managing Director

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year (together, the Group).

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company and Group's financial positions as at 30 September 2021 and of their financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The Financial Report comprises the:

- balance sheets as at 30 September 2021;
- income statements, statements of comprehensive income, statements of changes in equity, and cash flow statements for the year then ended;
- notes 1 to 36 including a summary of significant accounting policies; and
- Directors' Declaration.

BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The Key Audit Matters we identified are:

- Allowance for expected credit losses;
- Subjective and complex valuation of financial instruments held at fair value;
- Carrying value of investment in Asian associates;
- Provisions for customer remediation; and
- IT systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES (Group $4,882m; Company $4,062m)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 14 to the Financial Report.

The Key Audit Matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the financial statements and the inherent complexity of the Company and Group's Expected Credit Loss models (ECL models) used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

AASB 9 *Financial Instruments* requires the Company and Group to measure ECLs on a forward-looking basis reflecting a range of economic conditions, of which gross domestic product (GDP) and unemployment levels are considered key assumptions. Post-model adjustments are made by the Company and Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgmental post model adjustments the Company and Group applies to the ECL results.

The Company and Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Company and Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company and Group in calculating the ECL, and the associated audit risk.

Additionally, allowances for individually assessed wholesale loans exceeding specific thresholds are individually assessed by the Company and Group. We exercise significant judgement in challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company and Group in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Company and Group's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures included:

Testing key controls of the Company and Group in relation to:

- The ECL model governance and validation processes which involved assessment of model performance;
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Company and Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Customer credit rating (CCR) for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against the Company and Group's lending policies, monitoring of counterparty credit quality against the Company and Group's exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of CCR and security indicator (SI) assessments against the requirements of the Company and Group's lending policies and regulatory requirements; and
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets, and re-calculate individual allowances. We tested automated calculation and change management controls and evaluated the Company and Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls (GITCs) in relation to the key IT applications used by the Company and Group in measuring ECL allowances as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Company and Group's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Company and Group as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the impacts of COVID-19 and climate change). For each loan sampled, we challenged management's assessment of CCR and SI, taking into account our assessment of the customer's financial position and, where relevant, the risk of stranded assets, and our overall assessment of loan recoverability, the valuation of security, and the impact on the credit allowance. To do this, we used the information on the Company's and Group's loan file, discussed the facts and circumstances of the case with the loan officer, and performed our own assessment of recoverability. Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Company and Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Company and Group's processes to determine ECL allowances, evaluating the Company and Group's ECL model methodologies against established market practices and criteria in the accounting standards;

KEY AUDIT MATTERS (continued)

- Working with our risk consulting specialists, we assessed the accuracy of the Company and Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Company and Group;
- Working with our economic specialists, we challenged the Company and Group's forward-looking macroeconomic assumptions and scenarios incorporated in the Company and Group's ECL models. We compared the Company and Group's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of the Company and Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Company and Group's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions in the components of the Company and Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing the requirement for additional allowances considering the Company and Group's ECL model and data deficiencies identified by the Company and Group's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses;
- Evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying loan portfolio characteristics to recent loss experience, current market conditions and specific risks in the Group's loan portfolios;
- Assessing the impacts on the modelled ECL and the requirement for out of model adjustments to account for the expected increase in delinquencies. We also assessed assumptions used to determine whether a SICR event has occurred; and
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Company and Group's assessment.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:

GROUP

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,497m

- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $57,116m

- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $30m

- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $41,343m

COMPANY

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,190m

- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $55,533m

- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $30m

- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $39,146m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 18 to the Financial Report.

The Key Audit Matter

The fair value of the Company and Group's Level 3 and 2 financial instruments is determined by the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

The valuation of Level 3 and level 2 financial instruments held at fair value is considered a Key Audit Matter due to:

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable. Level 3 financial instruments represented 0.8% and 0.9% respectively of the Company and Group's financial assets and 0.07% and 0.06% of the Company and Group's financial liabilities carried at fair value; and
- The complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represented 39% and 35% respectively of the Company and Group's financial assets and 88% and 89% of the Company and Group's financial liabilities carried at fair value.

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

- Performing an assessment of the population of financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- Testing the design and operating effectiveness of key controls relating specifically to these financial instruments, including:
  - Controls in relation to Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - Controls in relation to model validation at inception and periodically, including assessment of model limitation and assumptions;
  - Controls in relation to the review and challenge of daily profit and loss by a control function;
  - Controls over the collateral management process, including review of margin reconciliations with clearing houses; and
  - Controls over fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- With the assistance of our valuation specialists, independently re-valuing a selection of financial instruments and FVAs. This involved sourcing independent inputs from market data providers or external sources and using our own valuation models.
- In relation to the subjective valuation of Level 3 financial instruments, where appropriate, with our valuation specialists:
  - Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives; and
  - Comparing the Company and Group's valuation methodology to industry practice and the criteria in the accounting standards.
- Assessing the financial statements disclosures, including key judgements and assumptions using our understanding obtained from our testing and against the relevant accounting standard requirements.

CARRYING VALUE OF INVESTMENT IN ASIAN ASSOCIATES (Group $1,929m; Company $Nil)

Refer to the critical accounting estimates, judgements and disclosures in Notes 26 to the Financial Report.

The Key Audit Matter

Carrying value of investment in Asian associates (PT Panin and AmBank) is a key audit matter as:

- The Group's impairment assessment of non-lending assets identified that two of the Group's associate investments (PT Panin and AmBank) had indicators of impairment.
- Significant judgement was required by the Group as a result of the business disruption and economic impacts of the COVID-19 pandemic, raising estimation uncertainty. These conditions and the uncertainty of their continuation increases the possibility of the investments in the associates being impaired, and the risk of inaccurate forecasts or a significantly wider range of possible outcomes in the cash flow models.
- Our evaluation of potential impairment involves critically evaluating the Group's judgement in relation to key forward-looking assumptions for the Group's Asian associates. Instances where the Group's judgement is evaluated include:
  - Forecast earnings and terminal growth rates – The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application; and
  - Discount rates – These are complicated in nature and vary according to the conditions and environment the specific associate investments operate in.
- We involved our valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- Considering the appropriateness of the value in use valuation method applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- Assessing the integrity of the models used, including the accuracy of the underlying calculation formulas;
- Assessing the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- Independently developing a discount rate estimate or range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Asian associates and the market and industry they operate in;
- Comparing the forecast cash flows contained in the models to recent broker consensus reports, reflecting the COVID-19 impacts;
- Considering and challenging the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- Considering the sensitivity of the models by varying key assumptions, such as, forecast growth rates, terminal growth rates and discount rates, within a reasonable possible range, including specific analysis of reasonable possible impacts of COVID-19;

KEY AUDIT MATTERS (continued)

- Assessing the recoverable amount at the reporting date against the recoverable amount of each investment when it was last impaired to assess if any reversal of previous impairment loss was required; and
- Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

PROVISIONS FOR CUSTOMER REMEDIATION (Group $886m; Company $791m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 22 and 33 to the Financial Report.

The Key Audit Matter

The Company and Group have assessed the need to recognise provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

The provision for customer remediation activities is a key audit matter due to the judgements required by us in assessing the Company and Group's determination of:

- The completeness of the population of matters requiring remediation;
- The existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards;
- Reliable estimates of the amounts which may be paid arising from investigations, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from its regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audit

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Company and Group's processes and controls for identifying and assessing the potential impact of the investigations into customer remediation activities;
- Enquiring with the Company and Group regarding ongoing legal, regulatory and other investigation into remediation activities;
- Conducting independent discussions on significant matters with external legal counsel;
- Reading the minutes and other relevant documentation of the Company's Board of Directors, Board Committees, various management committees, and attending the Company's Audit and Risk Committee meetings;
- Inspecting correspondence with relevant regulatory bodies;
- For a sample of individual customer remediation matters, we evaluate the basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by obtaining an understanding of the matter, its status and independently assessing these against the recognition requirements of the accounting standard;
- For a sample of individual customer remediation matters, testing the valuation and accuracy of the provision by:
  - Assessing and challenging the method, data and assumptions;
  - Sample checking data accuracy to underlying systems; and
  - Performing model integrity checks
- Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Group's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;
- Assessing the appropriateness of the Company and Group's conclusions against the requirements of Australian Accounting Standards where estimates were unable to be reliably made for a provision to be recognised; and
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.

KEY AUDIT MATTERS (continued)

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Company and Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Company and Group's financial position and performance.

The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company and Group's IT controls. We work with our IT specialists as a core part of our audit team.

How the matter was addressed in our audit

Testing the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger, and testing the automated controls embedded within these systems which link the technology-enabled business processes. Our audit procedures included:

- Assessing the governance and higher-level controls across the IT Environment, including those regarding policy design, review and awareness, and IT Risk Management practices;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT Application and the supporting infrastructure;
- Design and operating effectiveness testing of controls to enable Change Management including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT Applications. We assessed the appropriateness of users with access to release changes to IT application production environments across the Company and Group;
- Design and operating effectiveness testing of controls used by the Company and Group's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs delivered per the ANZ Delivery Framework;
- Design and operating effectiveness testing of automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. Testing:
  - Configurations in place to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate financial reporting.

OTHER INFORMATION

Other Information is both financial and non-financial information in Australia and New Zealand Banking Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing a Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

KEY AUDIT MATTERS (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2021, complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Martin McGrath
Partner

Melbourne
27 October 2021

ANZ

shareholder.anz.com