2023

Half Year U.S. Disclosure Document

for the fiscal half year ended 31 March 2023

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

The date of this 2023 Half Year U.S. Disclosure Document is 23 May 2023

U.S. Disclosure Document
Fiscal half year ended 31 March 2023

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All references in this document to the “U.S. Disclosure Document” refer to the 2023 Half Year U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal half year ended 31 March 2023 (the “March 2023 half” or “Mar 23” or “Mar 23 half” or “current period”), including the Annex attached hereto. References to the “September 2022 half” refer to the fiscal half year ended 30 September 2022 (the “September 2022 half” or “Sep 22” or “Sep 22 half”) and references to the “March 2022 half” refer to the fiscal half year ended 31 March 2022 (the “March 2022 half” or “Mar 22” or “Mar 22 half”), and we refer to prior fiscal half years in a similar fashion. References in this document to the “2022 Annual U.S. Disclosure Document” refer to the 2022 Annual U.S. Disclosure Document for the fiscal year ended 30 September 2022.

This U.S. Disclosure Document is dated 23 May 2023. All references in this document to “the date of this U.S. Disclosure Document” are to 23 May 2023.

On 3 January 2023, ANZBGL established by a scheme of arrangement, a non-operating holding company, ANZGHL, as the new listed parent holding company of the ANZ Group and subsequently implemented a restructure to separate the ANZ Group’s banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group (the “Restructure”). Refer to “Section 1: Key Information – Basis of Preparation - Establishment of a New Organisational Structure” for further information.

The following references in this U.S. Disclosure Document are defined as below following the Restructure:

- “Group” means Australia and New Zealand Banking Group Limited together with its subsidiaries.
- “ANZBGL” or “the Company” means Australia and New Zealand Banking Group Limited.
- “ANZ Group” means (i) prior to 3 January 2023, Australia and New Zealand Banking Group Limited together with its subsidiaries, and (ii) on or after 3 January 2023 means ANZ Group Holdings Limited (“ANZGHL”) together with its subsidiaries.

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 31 March 2023, and the results of operations for the fiscal half year then ended. Except to the extent stated herein, all financial information disclosed in this U.S. Disclosure Document relates to the Group.

Attached to this U.S. Disclosure Document as the Annex are the following documents that have been filed with the Australian Securities Exchange (“ASX”) in accordance with its rules:

- The Group‘s Condensed Consolidated Financial Statements for the half year ended 31 March 2023 (comprising the financial statements, notes to the financial statements and directors’ declaration) (hereafter referred to as the “Condensed Consolidated Financial Statements”); and
- The independent auditor’s review report on the Group’s Condensed Consolidated Financial Statements.

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 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. Those matters are subject to risks and uncertainties that could cause the actual results and financial position of 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 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, general business, financial 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 restructure of the Group that established 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;
- the Group's ability to complete, integrate or separate and process acquisitions and divestments;
- credit risk;
- challenges in managing the Group's capital base;
- changes to the Group's 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 financial crime, internal fraud, external fraud, business continuity, physical safety, people, transaction processing and execution, technology, conduct, legal, regulatory risk, third party, information security, data, model 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 the Group's risk management framework;
- risks associated with lending to customers that could be directly or indirectly impacted by climate risk; and
- various other factors beyond the Group's control.

BASIS OF PREPARATION

The summary of the condensed consolidated income statements and selected ratios for the fiscal half years ended 31 March 2023, 30 September 2022 and 31 March 2022, and the summary of the condensed consolidated balance sheets and selected ratios as at 31 March 2023, 30 September 2022, and 31 March 2022, have been derived from the Condensed Consolidated Financial Statements. The Condensed Consolidated Financial Statements are attached to this U.S. Disclosure Document as the Annex. The Condensed Consolidated 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"), AASB 134 *Interim Financial Reporting* ("AASB 134") 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 Condensed Consolidated Financial Statements and the financial information included herein comply with the recognition and measurement requirements of IFRS and International Accounting Standard 34 *Interim Financial Reporting* issued by the IASB. For further information concerning the basis of preparation of the Condensed Consolidated Financial Statements, refer to Note 1 of the Condensed Consolidated Financial Statements. Except to the extent stated herein, all financial information disclosed in this U.S. Disclosure Document relates to the Group.

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 31 March 2023 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$0.6704 = 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.

Establishment of a New Organisational Structure

On 3 January 2023, ANZBGL established by a scheme of arrangement, a non-operating holding company, ANZGHL, as the new listed parent holding company of the ANZ Group and subsequently implemented a restructure to separate the ANZ Group's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group. The ANZ Bank Group comprises the majority of the businesses and subsidiaries that were held in ANZBGL prior to the Restructure. The ANZ Non-Bank Group comprises banking-adjacent businesses developed or acquired by the ANZ Group to focus on bringing new technology and banking-adjacent services to the ANZ Group's customers, and a separate service company. The key steps undertaken in the Restructure were:

- New legal entities ANZGHL, ANZ BH Pty Ltd ("ANZ Bank HoldCo"), ANZ NBH Pty Ltd ("ANZ Non-Bank HoldCo"), and ANZ Group Services Pty Ltd ("ANZ ServiceCo") were created;
- Each shareholder received one ANZGHL ordinary share for each ANZBGL ordinary share that they held prior to the implementation of the Restructure;
- ANZBGL transferred its beneficial interests in banking-adjacent businesses to ANZ Non-Bank HoldCo;
- ANZBGL transferred its interest in several properties to ANZ ServiceCo;
- ANZBGL transferred all shares in ANZ Bank HoldCo, ANZ Non-Bank HoldCo and ANZ ServiceCo to ANZGHL; and
- ANZGHL transferred all shares in ANZBGL to ANZ Bank HoldCo.

As a result of the Restructure, the consolidated results of the Group for the March 2023 half consist of (i) the results of the ANZ Group for the period 1 October 2022 to 2 January 2023 and (ii) the results of the Group for the period 3 January 2023 to 31 March 2023.

Discontinued Operations

There are no discontinued operations in the current period. Profit/(Loss) from discontinued operations in the comparative periods relates to immaterial residual operational costs from divested wealth businesses and partial recovery of certain costs based on transition service agreements, which ceased in April 2022.

Divisional Performance

Prior period comparatives have been restated for the following:

- Non-banking businesses - transfer of non-banking businesses held in the Australia Commercial and Institutional divisions to the Group Centre division which were then disposed of as part of the Restructure.
- Corporate customer re-segmentation - certain business and property finance customers were transferred from the New Zealand division to the Institutional division to better align customer needs with the right support and expertise delivery.
- Cost reallocations - certain costs were reallocated across the Australia Retail, Australia Commercial, Institutional and Group Centre divisions.

Other than those described above, there have been no significant changes. The divisions reported are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

Non-IFRS Financial Measures

The Group measures the performance of operating segments on a cash profit basis, a non-IFRS measure which represents how the segments are managed internally. To calculate cash profit, the Group excludes items from profit after tax attributable to shareholders. For the current and prior periods, the adjustments relate to impacts of economic hedges and revenue and expense hedges which represent timing differences that will reverse through earnings in the future. Transactions between divisions across segments within the Group are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments. Information presented on a cash basis should not be considered as an indication of, or as a substitute for, statutory measures of the financial performance of the operating segments. For further information, including a reconciliation of cash profit to profit after income tax, see "Section 3: Operating and Financial Review and Prospects – Results by Division".

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

Condensed Consolidated Income Statement	Half Year			
	Mar 23 USD M[1]	Mar 23 $M	Sep 22 $M	Mar 22 $M
Interest income	**15,311**	**22,838**	13,902	9,707
Interest expense	**(9,612)**	**(14,338)**	(6,128)	(2,607)
Net interest income	**5,699**	**8,500**	7,774	7,100
Other operating income[2]	**1,104**	**1,647**	2,110	2,442
Operating income	**6,803**	**10,147**	9,884	9,542
Operating expenses	**(3,343)**	**(4,986)**	(4,788)	(4,791)
Profit before credit impairment and income tax	**3,460**	**5,161**	5,096	4,751
Credit impairment (charge)/release[3]	**(89)**	**(133)**	(52)	284
Profit before income tax	**3,371**	**5,028**	5,044	5,035
Income tax expense	**(969)**	**(1,446)**	(1,440)	(1,500)
Profit after tax from continuing operations	**2,402**	**3,582**	3,604	3,535
Profit/(Loss) after tax from discontinued operations	**-**	**-**	(14)	(5)
Profit for the period	**2,402**	**3,582**	3,590	3,530
Profit attributable to non-controlling interests	**(9)**	**(14)**	(1)	-
Profit attributable to shareholders of the Company	**2,393**	**3,568**	3,589	3,530

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2023 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Includes Other operating income, Net income from insurance business and Share of associates' profit/(loss) as presented in the Condensed Consolidated Income Statement (attached to this U.S. Disclosure Document as part of the Annex).*
3. *The credit impairment (charge)/release represents the aggregation of the individually and collectively assessed credit impairment (charges)/releases.*

	Half Year			
	Mar 23 USD[1]	Mar 23	Sep 22	Mar 22
Selected ratios				
Other operating income as a percentage of operating income - including discontinued operations	**16.2%**	**16.2%**	21.6%	26.0%
Net interest margin - including discontinued operations (%)	**1.75%**	**1.75%**	1.68%	1.58%
Operating expense to operating income ratio - including discontinued operations (%)	**49.1%**	**49.1%**	48.8%	50.5%
Dividends on ordinary shares ($M)[2]	**2,127**	**3,172**	1,973	1,992

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2023 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Dividends paid to ordinary equity holders of ANZBGL during the corresponding fiscal period. March 2023 includes $1,000 million special dividend paid in January 2023 to ANZBGL's intermediate holding company, ANZ Bank HoldCo, a wholly owned subsidiary of ANZGHL.*

SUMMARY OF UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS AND SELECTED RATIOS - INCLUDING DISCONTINUED OPERATIONS

	As at			
	Mar 23 USD M[1]	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**
Share capital and reserves attributable to shareholders of the Company	**45,654**	**68,100**	65,907	61,747
Subordinated debt	**21,931**	**32,714**	27,328	22,581
Unsubordinated debt	**49,236**	**73,443**	66,406	64,645
Deposits and other borrowings	**565,213**	**843,098**	797,281	780,288
Gross loans and advances	**465,523**	**694,395**	675,989	654,995
Less: Individually assessed provision for credit impairment	**(278)**	**(414)**	(533)	(619)
Less: Collectively assessed provision for credit impairment	**(2,175)**	**(3,244)**	(3,049)	(2,940)
Net loans and advances	**463,070**	**690,737**	672,407	651,436
Total assets	**745,220**	**1,111,605**	1,085,729	1,017,361
Net assets	**46,006**	**68,625**	66,401	61,756
Risk weighted assets[2]	**291,969**	**435,514**	454,718	437,910
Capital adequacy ratios (Level 2)[2]:				
Common Equity Tier 1	**13.2%**	**13.2%**	12.3%	11.5%
Tier 1	**15.1%**	**15.1%**	14.0%	13.2%
Tier 2	**5.5%**	**5.5%**	4.2%	3.4%
Total capital ratio	**20.6%**	**20.6%**	18.2%	16.6%

	Half Year			
	Mar 23 USD[1]	**Mar 23**	**Sep 22**	**Mar 22**
Selected ratios				
Profit attributable to the shareholders of the Company as a percentage of:				
Average total assets[3]	**0.64%**	**0.64%**	0.67%	0.70%
Average ordinary shareholders' equity excluding non-controlling interests[3]	**10.7%**	**10.7%**	11.4%	11.3%
Average ordinary shareholders' equity excluding non-controlling interests as a percentage of average total assets[3]	**6.0%**	**6.0%**	5.9%	6.2%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2023 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *March 2023 includes impacts on risk weighted assets and capital adequacy ratios from APRA Capital Reform (refer to pages 13 and 76).*
3. *Averages are calculated using predominantly daily averages.*

SUMMARY OF CREDIT RISK DATA

	As at			
	Mar 23 USD M[1]	Mar 23 $M	Sep 22 $M	Mar 22 $M
Gross impaired assets				
Impaired loans[2]	**539**	**804**	1,043	1,286
Restructured items[3]	**256**	**382**	376	375
Non-performing commitments, contingencies and derivatives[2]	**16**	**24**	26	48
Total gross impaired assets	**811**	**1,210**	1,445	1,709
Allowance for expected credit losses[4]				
Individually assessed provision - impaired loans	**278**	**414**	533	619
Individually assessed provision - non-performing commitments, contingencies and derivatives	**5**	**7**	9	17
Collectively assessed provision	**2,708**	**4,040**	3,853	3,757
Total allowance for expected credit losses	**2,991**	**4,461**	4,395	4,393
Total gross loans and advances[5]	**465,522**	**694,395**	**675,989**	**654,995**
Credit risk weighted assets[6]	**231,485**	**345,294**	359,442	348,817
Collectively assessed provision as a percentage of credit risk weighted assets[6]	**1.17%**	**1.17%**	1.07%	1.08%
Gross impaired assets as a percentage of gross loans and advances	**0.17%**	**0.17%**	0.21%	0.26%
Individually assessed provision as a percentage of gross impaired assets	**34.8%**	**34.8%**	37.5%	37.2%
Individually assessed provision for impaired loans as a percentage of impaired loans	**51.5%**	**51.5%**	51.1%	48.1%
Total allowance for expected credit losses as a percentage of:				
Gross loans and advances[5]	**0.6%**	**0.6%**	0.7%	0.7%
Credit risk weighted assets[6]	**1.3%**	**1.3%**	1.2%	1.3%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2023 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 of 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. *March 2023 includes impacts on risk weighted assets from APRA Capital Reform (refer to pages 13 and 76).*

OVERVIEW

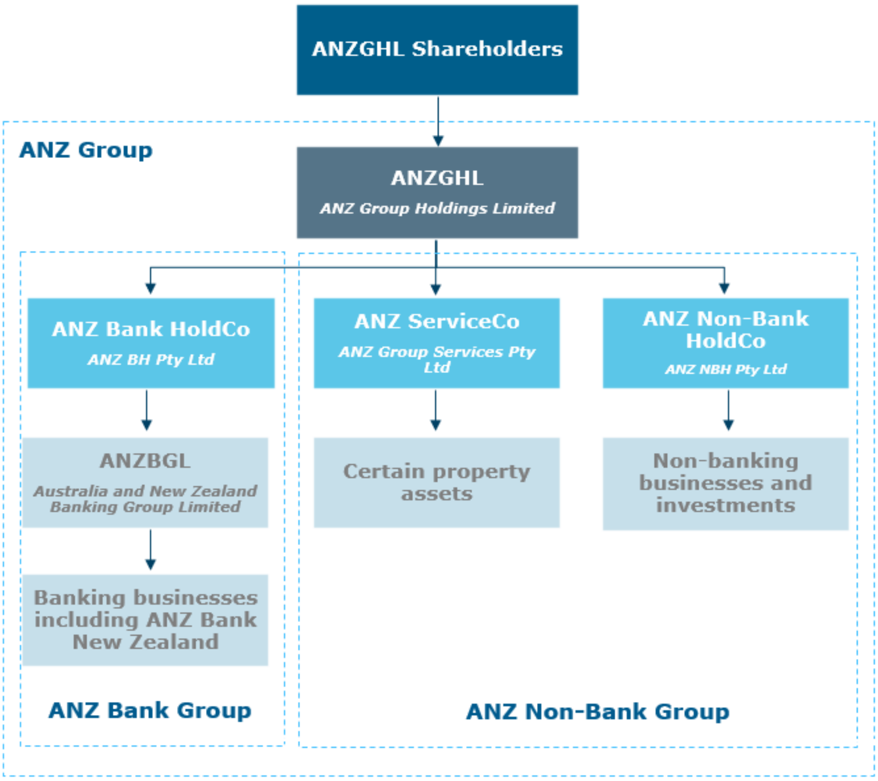
The Group, which began its Australian operations in 1835 and its New Zealand operations in 1840, is one of the four major banking groups headquartered in Australia. ANZBGL's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia, and the telephone number is +61 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 31 March 2023, the Group had total assets of $1,111.6 billion and share capital and reserves attributable to shareholders of the Company of $68.1 billion. In terms of total assets among banking groups, the Group ranked second in Australia[1] as at 31 March 2023 and first in New Zealand[2] as at 31 March 2023.

On 3 January 2023, ANZBGL implemented a Restructure that resulted in ANZGHL becoming the new listed parent company of the ANZ Group in place of ANZBGL. ANZGHL is a non-operating holding company ("NOHC") and is authorised as such for the purposes of the *Banking Act 1959 (Cth)* (the "Banking Act"). ANZGHL is listed, and ANZGHL ordinary shares are quoted, on the ASX. ANZGHL ordinary shares are also quoted on the New Zealand Stock Exchange ("NZX"). ANZBGL is an Authorised Deposit-Taking Institution ("ADI") and is regulated by various prudential regulators, including the Australian Prudential Regulation Authority ("APRA") in Australia and the Reserve Bank of New Zealand ("RBNZ") in New Zealand. Following the Restructure, ANZBGL is a subsidiary of ANZGHL.

The composition of the ANZ Group following the Restructure is set out in the diagram below.



It should be noted that ANZGHL:

- Does not guarantee ANZBGL's obligations generally or in connection with debt securities issued by ANZBGL;
- Does not have any obligations in respect of senior debt issued by ANZBGL; and
- Does not have any obligations in respect of Tier 2 debt securities issued by ANZBGL, except to the extent that such securities are convertible into ANZGHL's ordinary shares as provided for in the terms of such securities.

Prior to the implementation of the Restructure, ANZBGL's principal ordinary share listing and quotation was on the ASX. Its ordinary shares were also quoted on the NZX. As a result of the Restructure, ANZBGL's ordinary shares are no longer listed or quoted on the ASX or NZX.

1. *Source: Commonwealth Bank of Australia results announcement for the fiscal half year ended 31 December 2022; National Australia Bank results announcement for the fiscal half year ended 31 March 2023; Westpac Banking Corporation results announcement for the fiscal half year ended 31 March 2023.*
2. *Source: Reserve Bank of New Zealand Bank Financial Strength Dashboard (https://bankdashboard.rbnz.govt.nz/summary) for the quarter ending 31 December 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.

The Group's primary lending activities are personal lending covering residential home loans, credit cards and overdrafts, and lending to corporate and institutional customers.

The Group's 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 commissions, 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

The ANZ Group's strategy is focused on improving the financial wellbeing and sustainability of its customers; by providing excellent services, tools and insights that engage and retain customers and positively change their behaviour.

In particular, the ANZ Group wants to help customers:

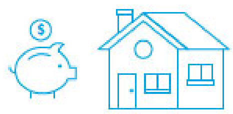
- save for, buy and own a liveable home;
- start or buy and sustainably grow their business; and
- move capital and goods around the region and sustainably grow their business.

The ANZ Group will achieve its strategy through:

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

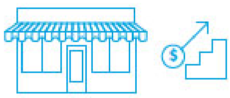
Building the financial wellbeing and sustainability of the ANZ Group's customers creates a positive cycle of benefits. It directly benefits customers and also grows shareholder returns; it leads to a strong and positive reputation; it ultimately means it costs less to acquire customers; and it grows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

In particular, we want to help customers:



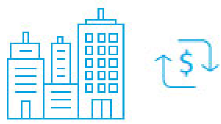
Save for, buy and own a liveable home

+



Start or buy and sustainably grow their business

+



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

PRINCIPAL ACTIVITIES

During the March 2023 half, the Group operated 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 31 March 2023, the principal activities of the Group's 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 (including Papua New Guinea ("PNG")) 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. It delivers services via 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 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 and commercial customers (including multi-nationals) and to governments located in the Pacific region, excluding PNG, which forms part of the Institutional division.

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 Group Treasury, Shareholder Functions and minority investments in Asia.

SUNCORP BANK ACQUISITION

On 18 July 2022, ANZ Group announced an agreement to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The acquisition remains subject to satisfaction of certain conditions being Federal Treasurer approval, Australian Competition and Consumer Commission ("ACCC") authorisation or approval and certain amendments to the *State Financial Institution and Metway Merger Act 1996 (QLD)*. Completion is expected in the second half of calendar year 2023. 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).

RECENT DEVELOPMENTS

There have been no significant developments since 31 March 2023 to the date of this U.S. Disclosure Document.

COMPETITION

Australia

The Australian banking system is concentrated and highly competitive. As at 31 March 2023, 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 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 operators 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 – Risks related to the Group’s business activities and industry - 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. For further information on Open Banking, including the risks it may pose to the Group, see “Section 2: Information on the Group - 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”.

Note

1. *Source: APRA monthly authorised deposit-taking institution statistics March 2023 (released 28 April 2023).*

New Zealand

The New Zealand financial services sector in which the Group operates is very concentrated and highly competitive. ANZ Bank 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 The Hong Kong and Shanghai Banking Corporation Limited and MUFG Bank Ltd 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 incorporate subsidiaries as registered banks in New Zealand (since 2017 each bank has also established branches to provide banking services 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 moderated as the Large Scale Asset Purchase program, introduced by the RBNZ to support New Zealand’s economic recovery from the COVID-19 pandemic, increased the amount of money circulating in the New Zealand banking system. The RBNZ commenced the gradual reduction of the Large Scale Asset Purchase program in 2022. As at 31 March 2023, 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. Customers continue to move away from physical outlets towards online and digital services, which could 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 31 March 2023.

Potential future economic disruptions, or increased customer demand for personal financial management services in response to inflationary pressures, 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 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 (being ANZBGL together with its subsidiaries) is subject to extensive regulation by regulatory agencies and security exchanges in each of the major markets where it operates. The Group is part of the ANZ Group (being ANZGHL together with its subsidiaries). ANZGHL is a non-operating holding company authorised by APRA (an "authorised NOHC") and the listed parent company of the ANZ Group. This section provides an overview of the regulation and supervision of the Group in Australia, New Zealand and the United States, as well as the ANZ Group. Except to the extent stated herein, all information disclosed in this "Supervision and Regulation" section relates to the Group.

OVERVIEW

APRA

ANZBGL and ANZGHL are APRA-regulated entities, with obligations under the *Banking Act 1959 (Cth)* (the "**Banking Act**") and APRA prudential and reporting standards.

A summary of APRA's regulation of the ANZ Group is set out below.

- ANZGHL: is an authorised NOHC. It is required to comply with the conditions of its authorisation, which are summarised below and include specific capital requirements. As an authorised NOHC, it is also subject to regulation under the Banking Act and certain APRA prudential standards. As the head of a Level 3 group, it is 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, ANZ Bank New Zealand and the other entities in the Group). ANZBGL is an ADI and the ANZ Bank Group is subject to the full suite of APRA prudential and reporting standards for ADIs, including standards in relation to capital adequacy and liquidity. Refer to "Australia" below for more information on the role of APRA as it applies to the ANZ Bank Group.
- ANZ Non-Bank Group: comprises the ANZ Group's entities that are not within the ANZ Bank Group. Subject to those requirements relating to APRA's authorisation, these entities are not subject to ADI-specific regulation, such as bank capital adequacy and liquidity requirements currently applied to ANZBGL. As noted above, ANZGHL is 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 ANZGHL has considered it appropriate to do so to protect the ANZ Group or its customers or where APRA has required ANZGHL to do so.

ANZGHL is 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 ANZ Bank Group's capital requirements, including those applicable to ANZBGL, are determined by existing APRA requirements.

As noted above, following the Restructure, ANZGHL is an APRA-regulated entity. APRA's authorisation of ANZGHL as an authorised NOHC 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 ANZGHL or any ANZ Non-Bank Group entity;
- ANZGHL 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;
- ANZGHL 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
- ANZGHL 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

For a discussion of the regulation of ANZBGL and ANZ Bank New Zealand (or ANZ Bank New Zealand's subsidiaries) by RBNZ, refer to "Australia" and "New Zealand" below. ANZGHL is not an RBNZ regulated entity.

Other

A number of other regulators 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 ("ASIC") – in relation to corporations and securities matters;
- Australian Transaction Reports and Analysis Centre ("AUSTRAC") – in relation to anti-money laundering and counter-terrorism financing laws; and
- the Office of the Australia Information Commissioner ("OAIC") – in relation to privacy and freedom of information law.

In the United States, these regulators include the United States Federal Reserve.

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 is also responsible for prudential regulation and supervision of various other regulated entities, such as authorised NOHCs (including ANZGHL).

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 ASIC, ACCC, AUSTRAC, 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 required 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 APS 115 *Capital Adequacy: Standardised Measurement Approach* for operational risk weighted assets.

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 resulting from the Financial System Inquiry.

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.

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 31 March 2023 (30 September 2022: 119%). ANZBGL seeks to observe strictly its prudential obligations in relation to liquidity and funding risk as required by APRA’s prudential standard APS 210 *Liquidity* (“APS 210”), 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 Bank 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 the BEAR will be replaced by the Financial Accountability Regime (“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 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. The FAR Bill was most recently re-introduced to the Australian Parliament in March 2023. 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;
- deal with APRA and ASIC in an open, constructive and cooperative way;
- prevent adverse effects on its prudential standing or prudential reputation;
- 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 certain of their subsidiaries and holding companies) in times of distress. Powers which could impact the Group include oversight, management and directions powers in relation to ANZBGL and other ANZ Group entities (including ANZGHL) and statutory management powers over regulated entities within the ANZ Group (including ANZGHL). 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 or the conversion entity for the instrument, any contract to which the issuer is a party or the conversion entity for the instrument, 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 revised 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 Bank New Zealand still being implemented are as follows:

- ANZ Bank 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 Bank 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 Bank 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 net impact on ANZBGL's Level 1 CET1 capital is approximately $1.0 billion to $1.5 billion between 31 March 2023 and the end of the transition period in 2028 (based on the Group's 31 March 2023 balance sheet). The amount could also vary over time subject to changes to the capital position in ANZ Bank New Zealand (e.g. from RWA growth, management buffer requirements, and potential dividend payments). However, the net impact on the overall Group capital position may be lower post implementation of the APRA capital reforms in January 2023, due to the narrowing of the variance between the Level 1 and Level 2 CET1 ratios as a result of these reforms.

See "Supervision and Regulation - New Zealand - New Zealand Regulatory Developments - Bank capital adequacy requirements" for more information.

Capital Requirements - Unquestionably Strong

APRA implemented its final requirements in relation to capital adequacy and credit risk for ADIs on 1 January 2023. APRA is consulting on revisions to a number of prudential standards, being 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 domestic systemically important banks ("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. 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 APS 222 *Associations with Related Entities* ("APS 222") 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.

APS 222 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 APS 222, ANZBGL's ability to provide financial support to related entities (including ANZ Bank 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 Tier 1 capital base:
  - (i) to related ADIs or equivalents, such as ANZ Bank New Zealand, should not exceed 25% on an individual exposure basis or 75% 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.

ANZBGL's exposure to ANZ Bank New Zealand at 31 March 2023 is compliant with the APS 222 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 Bank 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 Bank New Zealand and its subsidiaries (ANZ Bank New Zealand together with its subsidiaries, the "ANZ Bank New Zealand Group") during times of financial stress.

APRA has also confirmed that contingent funding support by ANZBGL to its ANZ Bank 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 Bank 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 Bank New Zealand.

Regulatory Developments - Other

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 had five focus areas: culture; governance and accountability; management of operational risk; remediation; and simplification. The roadmap was a multi-year program that was completed in 2022. APRA has required 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 of its management of operational risk as outlined in ANZBGL's roadmap and, those actions are having the desired effect on a sustained basis. APRA is conducting a review in 2023 of ANZBGL's progress towards a sustained improvement in its management of operational risk.

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".

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 Bank 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 Bank 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 Bank New Zealand Group published in the dashboard has been classified and presented differently to the presentation in the ANZ Bank 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 Bank 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 Bank 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

Bank capital adequacy requirements

The RBNZ has revised its capital adequacy requirements applying to New Zealand locally incorporated registered banks, which are set out in the BPR documents. The new capital adequacy requirements are being implemented in stages during a transition period from October 2021 to July 2028. The key requirements still being implemented are:

- ANZ Bank 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 Bank 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 until 1 July 2028.
- AT1 capital must consist of perpetual preference shares, which may be redeemable. 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 31 March 2023, ANZ Bank New Zealand had approximately NZ$1,238 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over the transition period to 1 July 2028, should these instruments remain outstanding.

The RBNZ’s reforms will result in a material increase in the level of capital that ANZ Bank New Zealand is required to hold. The reforms could have a material impact on ANZ Bank 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 Bank 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 Bank 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 Bank New Zealand's Conditions of Registration. If ANZ Bank 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 Bank New Zealand's use of outsourcing.

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 late 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 Bank 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. Further changes to the CCCFA regulations and Responsible Lending Code to mitigate unintended consequences of the CCLA Act reforms came into effect on 4 May 2023. These changes clarify treatment of discretionary and non-essential expenses and buy-now pay-later expenses in affordability assessments and introduce a new exemption from affordability regulations for refinancing of lending. The ANZ Bank New Zealand Group has made some changes to its CCCFA policies and processes in response.

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 Bank 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 Bank New Zealand has provided the RBNZ with a remediation plan to address the individual feedback ANZ Bank New Zealand received and undertaken the required materiality assessment. The findings have been assessed as non-material. ANZ Bank 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;
- the possible establishment of a committed liquidity facility by the RBNZ;
- 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 is complete and the second round is currently taking place. The review is expected to involve a further two rounds of consultation and a quantitative impact study. An updated liquidity policy is currently scheduled to be released in 2024.

Cyber resilience guidance and information sharing consultation

In May 2023, the RBNZ opened consultation on its proposed approach to improve collection of cyber-related information. The RBNZ proposes the collection of data in three areas:

- a material cyber incident reporting requirement that mandates regulated entities to report all material cyber incidents to RBNZ within 72 hours after detection;
- reporting of all cyber incidents, regardless of materiality, on a periodic basis; and
- a periodic survey on the cyber resilience of regulated entities based on RBNZ's cyber resilience guidance.

The proposal is out with industry for consultation and ANZ Bank New Zealand will participate in that process.

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 2023, the RBNZ released its finalised debt-to-income restriction framework which will set limits on the amount of debt borrowers can take relative to their income. Any debt-to-income restrictions will be implemented no earlier than March 2024. No calibration of the proposed limit has been provided.

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 Bank New Zealand Group.

Loan-to-value restrictions

In April 2023, the RBNZ announced that it proposes to ease its loan-to-value ratio ("LVR") restrictions for residential mortgage lending. The RBNZ is consulting on the proposed changes which are expected to be finalised mid-May 2023.

From 1 June 2023 it is proposed that New Zealand registered banks will be 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 15% (compared to 10% previously) of the total dollar value of new non-property investment residential mortgage lending, and 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 65% (compared to 60% previously) 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 Bank 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 Bank New Zealand Group is actively preparing to produce CRD in accordance with this timetable.

UNITED STATES

ANZBGL is an indirect subsidiary of ANZGHL and a direct subsidiary of ANZ Bank HoldCo. ANZGHL is the non-operating holding company of ANZBGL. Each of ANZBGL, ANZGHL and ANZ Bank HoldCo 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 (including its U.S. branches and agencies and U.S. depository institution subsidiaries) ceases to be "well managed" or "well capitalised" as defined in FRB regulations, the FHC is the subject of an enforcement action requiring it to maintain a specific level of capital, or any U.S. depository institution subsidiary of the FHC 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, ANZGHL and ANZ Bank HoldCo.

Each of ANZBGL, ANZGHL and ANZ Bank HoldCo 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, including ANZBGL's New York branch ("New York Branch"), 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"), the New York Branch can engage in activities permissible for national banks, with the exception that the New York Branch may not accept retail deposits. As the New York Branch does not accept retail deposits (although it does accept institutional and corporate deposits), the New York Branch is not subject to the supervision of the Federal Deposit Insurance Corporation ("FDIC"). Although ANZBGL's U.S. bank subsidiary in Guam is no longer accepting new retail deposits and is currently in the process of being liquidated, it remains subject to supervision by the FDIC. Even following completion of the currently progressing wind-down of the Group's operations in American Samoa, and liquidation of ANZBGL's U.S. bank subsidiary in Guam, each of ANZBGL, ANZGHL and ANZ Bank HoldCo will continue to be subject to the BHC Act and their activities as FHCs would become subject to restrictions if one or more of ANZBGL, ANZGHL or ANZ Bank HoldCo were to cease to be "well managed" or "well capitalised" or were to become 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 ANZBGL, ANZGHL and ANZ Bank HoldCo and must comply with such additional requirements as may be prescribed by the OCC. The IBA and the BHC Act also affect the ability of ANZBGL, ANZGHL and ANZ Bank HoldCo 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.

Each of ANZBGL, ANZGHL and ANZ Bank HoldCo 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 over the counter ("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.

As required by Dodd-Frank and implementing regulations, ANZBGL submitted its most recent U.S. resolution plan to the FRB and the FDIC in June 2022 which was prior to the Restructure. Following the Restructure ANZGHL will submit U.S. resolution plans to the FRB and the FDIC. 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, ANZGHL will be required to submit a reduced resolution plan by 1 July 2025. Each of ANZBGL, ANZGHL and ANZ Bank HoldCo 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.

ANZGHL 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 certain U.S. non-bank subsidiaries and U.S. bank subsidiaries and branches of foreign banks, such as ANZSI and the New York Branch.

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. 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, general business, financial 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, economic and financial 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, financial 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, the stability of banking systems and any related implications for funding and capital markets, resilience of global supply chains, political perspectives, opinions and related events, government shutdowns, debt ceilings or funding 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"), 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.

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. 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 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 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, and could impact the creditworthiness and stability of other financial institutions. While difficult to predict, such events have recently and could further destabilise global financial markets, adversely affecting all participants, including adversely affecting the Group's Position. Food prices and supply, already affected by the war in Ukraine, are 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 lingering effects of the COVID-19 pandemic continue to impact the Group's Position, and the domestic and global economy. The future impacts of the COVID-19 pandemic remain uncertain, as further variants may develop that impact the Group's customers and businesses and require the imposition of different, or reimposition of previously-terminated, government responses.

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.

Substantially reduced global economic activity during the COVID-19 pandemic 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. Individual customers still enduring hardship may suffer detriment if the Group cannot provide tailored support and sustainable arrangements based on individual circumstances.

Any of the negative conditions related to the COVID-19 pandemic or other communicable diseases or pandemics combined with other risks (e.g., geopolitical risk), may cause a 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.

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 RBA and the 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;
- 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"); and
- the Government may consider that additional policies concerning competition in the banking market are appropriate, including as a result of the recently announced inquiry by the Australian Parliament into economic dynamism, competition and business formation through the House of Representatives Standing Committee on Economics. The ACCC has also received a Ministerial direction for an inquiry into the market for the supply of retail deposit products supplied by authorised deposit-taking institutions, and the findings of this enquiry have the potential to effect legislative/regulatory change. The ACCC must provide the Treasurer with a report on the inquiry by 1 December 2023. It is not clear yet what these policies could be or what impact they may have on the Group.

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 credit 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 Restructure of the Group that established a non-operating holding company may adversely affect the Group's Position

Earlier in calendar year 2023, the Group implemented a Restructure that resulted in ANZGHL becoming the new listed parent company of the Group in place of ANZBGL. ANZGHL is a NOHC and is authorised as such for the purposes of the Banking Act.

APRA has not yet finalised its prudential framework for Australian NOHCs of ADIs. The adoption of APRA's prudential framework for NOHCs is expected to become effective from 2025, following a period of industry consultation. There is a risk that APRA's final regulatory framework for Australian NOHCs of ADIs and the regulation of ANZGHL over time will differ from the existing regulatory framework thereby increasing the regulatory risk facing the Group. This may have negative consequences for the Group and/or may require further changes to its structure.

While the Restructure was completed in January 2023, a number of implementation steps remain. The failure to successfully implement all of the transition and other items associated with the Restructure, could have an adverse impact on the Group's Position. The post Restructure operating model may fail to function as expected or realise the anticipated benefits and further changes may be required. To the extent this occurs, this may adversely affect the Group's Position.

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).

The scale and pace of recent interest rate rises has seen property prices in Australia and New Zealand fall in recent times. Investors are taking a cautious approach and the extent of property price falls will ultimately depend on the speed and magnitude of continued interest rate rises and the impact on the broader economic outlook.

With effect from 1 January 2023, APRA formalised and embedded credit-based macroprudential policy measures within its Prudential Standard APS 220 *Credit Risk Management* ("APS 220") that can be used to address systemic risks if needed (see risk factor 17 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position"). The two main types of credit-based measures are, temporarily restricting lending limits to restrain certain types of higher risk lending and setting minimum requirements for lending standards; In February 2023 APRA confirmed no change to the current settings with no restrictions to lending limits and no change to the serviceability buffer for lending standards; APRA will continue to monitor higher risk lending for commercial property. Future changes to these settings by APRA could restrict the Group's flexibility and/or impact the profitability of one or more business lines. These 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. These declines have so far continued into 2023. 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. New Zealand has already seen a material reduction in demand for residential and commercial property.

Increases in interest rates may affect debt serviceability, increase loan defaults experienced by the Group's borrowers, place pressure on loan covenants and reduce demand for commercial and residential property and the Group's associated lending products in both Australia and New Zealand. To address currently elevated inflation levels, interest rate increases may continue for the foreseeable future.

These recent series of interest rate rises, on the back of recent asset price inflation and yield compression, could cause a decline in interest coverage ratios and asset values. Valuations are presently lagging market sentiment. The Group is beginning to see declining values for existing security and expects to see further declines in some segments in the next 12 months. Dated valuations still benefit from a buffer created following strong asset price inflation until the middle of 2022. Notwithstanding, in some cases this may result in an increased refinance risk and necessitate equity contributions from borrowers towards debt reduction and/or a restructure of facilities. Secondary grade assets may be more susceptible to a decline in prices particularly if investors have overlooked weaker fundamentals in a highly liquid market (debt and equity) and competitive market, during a more favourable interest rate environment and stable economic outlook. Refinance risk could be exacerbated in the event of liquidity constraints in the banking sector and has already been seen in some softening in non-bank debt markets as investors re-balance portfolios and return expectations in the face of greater uncertainty and volatility. Non-bank financiers have been particularly supportive of the pre-development land and property development sector in recent years, so the number of new project starts may begin to decline.

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. In addition, the COVID-19 pandemic has triggered a change in the demand and supply dynamics in the office sector as more organisations support flexible working arrangements as a long-term trend.

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

Most LIBOR settings have now permanently ceased publication; only six continue to be published. Three-month GBP LIBOR will continue to be published, on a synthetic basis only, until the end of March 2024. The overnight and one, three, six and 12 month USD LIBOR settings will continue to be published, on a panel basis, until the end of June 2023. At that time, publication of overnight and 12-month USD LIBOR will permanently cease. The UK Financial Conduct Authority (the "FCA") has decided to require the publication of one, three and six month USD LIBOR, on a synthetic basis only, from the end of June 2023 until 30 September 2024, at which time their publication will permanently cease. Synthetic USD LIBOR will be calculated using the relevant CME Term SOFR reference rate plus the respective ISDA fixed adjustment spread. The FCA will permit synthetic USD LIBOR to be used in legacy contracts except cleared derivatives.

Many LIBOR obligations have transitioned, or will be transitioned, to an alternative benchmark rate. 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 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 USD 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 later in 2023 (and beyond) by the discontinuation of the remaining LIBOR settings and the transition to alternative reference rates. In the case of USD LIBOR, there is no assurance that any alternative reference rate will be the economic equivalent of the USD LIBOR setting the alternative reference rate 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 USD 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 such as the U.S. Adjustable Interest Rate (LIBOR) Act where the underlying contract falls within scope of that legislation), or other arrangements may have to be made with regard to such instrument when USD LIBOR is discontinued. 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 these 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 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.

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 mitigated, therefore, there is a risk that issues or risks may arise that may adversely impact 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.

In the markets in which the Group, its customers or counterparties operate, the risk of credit-related losses continues to be impacted by conditions relating to the lingering impacts of the COVID-19 pandemic, inflationary pressures, global supply chain disruptions and heightened political tensions, particularly those referred to in risk factor 1 “Changes in political, general business, financial 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 has increased due to the factors described above and may further increase as a result of less favourable conditions, whether generally or in a specific industry sector or geographic region which could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. These conditions include but are not limited to, weakened confidence in the stability of the banking system generally or particular financial institutions that may impact the Group, its customers or counterparties, a sustained high level of unemployment, continued increase in interest rates and inflationary conditions, and a reduction in the value of assets the Group holds as collateral or the market value of the counterparty instruments and obligations it holds.

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

- 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, downward pressure on valuations, 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";
- industries exposed to the volatility in exchange rates and foreign exchange markets generally; and
- Banks & Financial services companies, as they may experience pressure on liquidity due to impacts of rapidly rising interest rates and the flow on impacts to asset values, which could result in the deterioration of credit ratings, the need for restructuring/recapitalization, losses of confidence in financial institutions or a financial default.

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 Bank 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. The recent collapse of certain financial institutions in the United States and Europe may raise the likelihood of changes to capital and other regulatory requirements applicable to the Group, which may impact the Group's Position. These regulations, together with risks arising from any regulatory changes such as from APRA's 'unquestionably strong' requirements, the requirements of the Basel Committee on Banking Supervision 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, including volatility in the banking sector. 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. Advances in technology have made it more convenient and faster for bank customers to withdraw funds deposited with the Group, which may accelerate the risks associated with on-demand liabilities, such as deposits.

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 12 of the Condensed Consolidated Financial Statements (attached as part of the Annex 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. Certain other assets, including some unlisted equity investments, are valued using discounted cash flow techniques. 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 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 Group discloses the impact of new accounting standards (if any), that are effective for the first time in any reporting period, in the notes to the condensed consolidated financial statements for that period.

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, breadth, complexity and cost 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. Such regulation, supervision and enforcement continue to evolve.

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 the potential impact of regulatory developments on the Group is 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

- APRA is consulting on revisions to a number of prudential standards relating to market risk, being 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 APS 220. APRA's objective is to strengthen the transparency, implementation and enforceability of macroprudential policy. The updates to APS 220 which became effective from 1 January 2023 included 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. In February 2023 APRA confirmed the current settings: for lending limits no limit restrictions in place on higher-risk lending but APRA continues to monitor higher risk lending at outlier banks for commercial property lending; and for lending standards, the serviceability buffer is maintained at 3.0 % above the loan rate. Future changes to these settings 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. On 13 April 2023, APRA announced that the final version of CPS230 and associated guidance is expected to be issued mid-2023 and the effective date of compliance moved from 1 January 2024 to 1 July 2025. APRA also will provide for transitional arrangements for pre-existing contractual arrangements with service providers: the requirements in the standard will apply from the earlier of the next contract renewal date or 1 July 2026. ANZ will continue to work through the implementation process which remains complex, requiring changes to systems, operations, and contractual arrangement with third parties and the degree of implementation risk remains uncertain pending release of the final standard and guidance.
- In December 2022, APRA finalised the requirements of new Prudential Standard CPS 190 Recovery and Exit Planning ("CPS 190"). CPS 190 is aimed at reinforcing the resilience of the financial system. It is designed to ensure that APRA-regulated entities are better prepared to manage periods of severe financial stress. Under CPS 190, entities will be required to develop and maintain credible plans for managing stress; this includes actions that could be taken to stabilise and restore financial resilience and actions that effect an orderly and solvent exit from regulated activity. These requirements will apply across all APRA-regulated industries. CPS 190 will come into effect from 1 January 2024 for banks and insurers.
- In December 2021, APRA began consulting on new Prudential Standard CPS 900 Resolution Planning ("CPS 900"). This was released in conjunction with CPS 190. CPS 900 requires entities that are significant financial institutions ("SFIs"), or those that provide critical functions, to support APRA in the development and implementation of a resolution plan. CPS 900 sets out certain requirements for entities to cooperate with APRA in resolution planning. Under CPS 900, APRA will develop a resolution plan, which sets out APRA's strategy for resolving an entity in the event of its failure. This could include, for example, plans to recapitalise, wind-down or transfer operations. It is an important complement to a financial contingency plan, which sets out an entity's plan for managing risks to its financial viability. In September 2022, APRA released a draft Prudential Practice Guide (CPG 900) and aims to finalise the standard in the first half of 2023. The standard will come into effect on 1 January 2024.
- In July 2019, APRA announced its decision on loss-absorbing capacity requiring 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 had 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.
- The RBNZ's revised 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 31 March 2023 and the end of the transition period in 2028 (based on the Group's 31 March 2023 balance sheet). The amount could also vary over time subject to changes to the capital position in ANZ Bank New Zealand (e.g. from RWA growth, management buffer requirements, potential dividend payments).

- Additionally, ANZ New Zealand's contingent capital instruments will no longer be treated as eligible regulatory capital. The contingent capital Additional Tier 1 instruments will progressively lose eligible regulatory capital treatment over the transition period to 1 July 2028.

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.

In November 2022, ASIC also announced its enforcement priorities for 2023, with a focus on the need to protect consumers from financial harm and uphold the integrity of Australia's financial markets. Those priorities communicate ASIC's intent to the industry and its stakeholders. Priority areas include: enforcement action targeting poor design, pricing and distribution of financial products; misleading conduct in relation to sustainable finance including greenwashing; misconduct involving high risk products including crypto assets; combating and disrupting investment scams; misleading and deceptive conduct relating to investment products; manipulation in energy and commodities derivatives markets; and unfair contract terms.

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 continues to be a strong focus on the regulation of competition in the Australian and New Zealand financial services sectors. In February 2023, the ACCC announced an inquiry into the market for retail deposit products supplied by ADIs (see risk factor 3, "Competition in the markets in which the Group operates may adversely affect the Group's Position"). In March 2023, 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 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 passed legislation introducing increased maximum fines and civil penalties for breaches of the Competition and Consumer Act (including the Australian consumer law) and to establish a civil penalty regime for unfair contract terms. This includes increasing the maximum pecuniary penalty for corporations where relevant from 10 per cent of a corporation's annual turnover to 30 per cent 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 most recently re-introduced to the Australian Parliament in March 2023. It is uncertain whether the most recent bill will include civil penalties for accountable persons when it is passed. If the most recent bill is passed in its current form, the FAR will be implemented in stages for in-scope entities within the Group commencing with ANZBGL within six months after its passage into legislation and, for any insurers or licensed superannuation trustees within the Group, within 18 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 March 2023, the Australian Government re-introduced a bill implementing the CSLR to Parliament. 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. In 2022-23, four separate Parliamentary inquiries have been established into 'the cost of living', 'promoting economic dynamism, competition and business formation', a 'review of Australia's four major banks' and 'bank closures in regional Australia'. 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 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 Government has also released a policy paper concerning 'Transforming Australia's Payment System' that responds, in part, to the Australian Senate Select Committee's report (see "Payments Policy" below). The impact of these areas of work on ANZBGL, if any, is not yet clear. In 2022 the Australian Government finalised a regional banking taskforce which assessed the impact of bank branch closures on regional communities. Banks are in the process of implementing the taskforce's recommendations, including by adding new requirements to the Australian Banking Association's ("ABA's") Branch Closure Protocol, which will apply to the Group when applicable branches are closed. The Australian Government has announced that it will ban the use of credit cards for online wagering. This will occur by using bank identification numbers to identify and block credit card payments. The impact of this work on the Group 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. The ABA responded to the recommendations in December 2022. The ABA and member banks have been working to implement the accepted recommendations in a new simplified Code. The accepted recommendations include the introduction of new definitions for 'vulnerability' and 'small business', the introduction of a requirement to meet with prospective guarantors before accepting a guarantee, and a replacement of the requirement to engage with customers in a 'fair, reasonable and ethical manner' with a requirement aligning to the 'efficiently, honestly and fairly' standard in s 912A of the Corporations Act. Pending approval from ASIC, it is estimated that the new Code will be implemented in March 2024.

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 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 November 2022, the Australian Government introduced a bill to expand the CDR 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. 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. 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 Parliament has passed 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 February 2023, the Australian Government released the final report of its Quality of Advice Review (led by an independent reviewer). The final report contained a series of recommendations for reforming the regulatory framework for the provision of financial advice. These recommendations included broadening the scope of 'personal advice', introducing a requirement for personal advice to be 'good advice' and replacing the current duty of financial advisers to act in a client's best interests with a new statutory duty. 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 conduct regulations for financial institutions, a climate related financial risk disclosure regime, the replacement of the existing prudential supervision regime for banks with a deposit takers regime, including a depositor compensation scheme and changes to the consumer credit contract regime. Such changes may adversely affect the ANZ Bank 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.

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 17 of the Condensed Consolidated Financial Statements (attached as part of the Annex 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 31 March 2023 in respect of the matters outlined in Note 17 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

Note 17 includes, among other things, the following matters:

- regulatory and customer exposures;
- South African rate action;
- capital raising action;
- consumer credit insurance litigation;
- Esanda dealer car loan litigation;
- OnePath superannuation litigation;
- New Zealand loan information litigation;
- Credit cards litigation;
- 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 the form of Guidance Papers, updates to its website and through its regulatory enforcement activity. Since 2017, AUSTRAC has taken three public enforcement actions against major banks in Australia, and continues to use its various regulatory powers including appointment of auditors and infringement notices.

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 Bank 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 Bank 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 reviewed the matter and released a public statement on 27 April 2023. The statement advised that RBNZ now considers the investigation closed. No monetary or other penalty will be applied, although additional short term reporting obligations within the area at fault will be applied to ensure that remediation activities have been effective.

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. As these known external elements evolve and to the extent new risks emerge, there is a continuing risk that the management of alerts for potential money laundering or terrorism financing activities may be impacted.

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. Refer to 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" and risk factor 11 "Credit risk 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 (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 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 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). 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 Risk (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 (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 (includes privacy)). 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 Bank New Zealand Group must also maintain "operational risk capital" reserves in the event future operational events occur.

Most major offices have returned to a blended/hybrid working environment, including adapting to remote working arrangements since the COVID-19 pandemic. 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.

As the Group increases the adoption of artificial intelligence ("AI") which includes, technologies such as machine learning through predictive analytics, process automation and decision generation to support its customers and business processes, the Group may become more exposed to associated AI risks, such as lack of transparency, inaccurate decisions or unintended consequences that are inconsistent with the Group's policies or values. These could have adverse financial and non-financial impacts on the Group.

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 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.

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;
- failure to properly manage risk (e.g. credit, market, operational or compliance);
- 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

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 limiting the 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. Financial pressure is building for customers with the rising cost-of-living and reduction in disposable income creating pressure on affordability. This may impact both the ability to lend to customers, the extent to which forbearance may need to be offered to those already struggling and the willingness of qualified potential borrowers to borrow. Furthermore, it is expected to increase the number of customers that may fall into financial difficulty, and therefore increase the credit risk facing the Group. As this occurs, it is likely to have the greatest impact on customers in challenging financial circumstances. This is an evolving and fluid situation, and the Group will need to continue to adapt and respond to address both the increased demand for forbearance, coupled with the need to provide appropriate tailored solutions to address complex customer needs in order 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, which could adversely impact customers, increase the Group's costs, and result in non-compliance with regulatory requirements, any of 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 Bank 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.

Information security risks for large financial institutions such as the Group have increased significantly in recent years in part because of the proliferation of new technologies, such as the internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of organised crime, hackers, terrorists, nation-states, activists and other external parties. 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. As cyber threats continue to evolve, the Group expects to continue to adapt to modify or enhance layers of defense or to investigate and remediate any information security vulnerabilities. System enhancements and updates may also create risks associated with implementing new systems and integrating them with existing ones.

Post the COVID-19 pandemic, hybrid working has increased the number of staff working in flexible arrangements, 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.

In the past year there has been a record level of exposure for individuals and organisations from data breaches. Millions of Australians now have their data publicly exposed, coinciding with a significant rise in fraud and scams across the region.

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 including as a result of species extinction or decline, ecosystem degradation and nature 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 and meteorological events have occurred in New Zealand in recent years such as Cyclone Gabrielle in February 2023.

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. Biodiversity risks are closely linked to climate-related risks. 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. In addition to physical risks associated with biodiversity loss, risks can also arise from changing societal preferences and regulatory or policy changes (including potential reforms to halt and reverse forest loss, species extinctions and land degradation). These changes may impact the bank directly, but the greater impact is likely to be through the impact of these changes on some of the Group's customers. 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 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.

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 Group's most material climate-related risks are associated with lending to business and retail customers which contributes to credit risk. Customers may be affected directly by physical and transition risks such as: from the effect of extreme weather events on a customer's business or property, including impacts to the cost and availability of insurance and insurance exclusions; changes to the regulatory and policy environment in which the customer operates; disruption from new technology; and changes in demand towards low carbon products and services. Climate-related risks may also indirectly affect a customer through impacts to its supply chain.

If realised, these risks may affect the ability of customers in higher risk sectors and regions: to repay debt; result in an increased probability of default; and impact the amount the Group is able to recover due to the value or liquidity of collateral held as security being impaired. The Group may also face legal proceedings and suffer reputational damage if it acts inconsistently with public commitments or stakeholder expectations. These may adversely affect the Group's Position.

The risks associated with climate change are subject to increasing regulatory, political and societal focus, including in the Group's home markets of Australia and New Zealand. APRA released a prudential practice guide CPG 229 in 2021 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 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. Results of the climate vulnerability assessment from APRA were received at the end of 2022.

Similarly, the RBNZ released its first Climate Change Report in October 2021. The Climate Change Report outlined 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. RBNZ opened a public consultation in March 2023 on its proposed Guide to Managing Climate-Related Risks.

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.

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$0.6704 = A$1.00, the Noon Buying Rate on 31 March 2023.

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			Half Year		
	Mar 23	Sep 22	Mar 22	**Mar 23**	Sep 22	Mar 22
Chinese Renminbi	**4.6079**	4.6021	4.7505	**4.6763**	4.7031	4.6261
Euro	**0.6158**	0.6618	0.6703	**0.6409**	0.6747	0.6406
Pound Sterling	**0.5419**	0.5845	0.5704	**0.5618**	0.5745	0.5398
Indian Rupee	**55.188**	52.971	56.663	**55.069**	54.872	54.500
Indonesian Rupiah	**10,051**	9,879	10,743	**10,315**	10,307	10,387
Japanese Yen	**89.280**	93.802	91.432	**91.664**	93.536	83.399
Malaysian Ringgit	**2.9598**	3.0093	3.1460	**3.0018**	3.0872	3.0413
New Taiwan Dollar	**20.425**	20.603	21.412	**20.696**	20.913	20.264
New Zealand Dollar	**1.0679**	1.1349	1.0760	**1.0877**	1.1063	1.0590
Papua New Guinean Kina	**2.3634**	2.2849	2.6347	**2.3589**	2.4617	2.5492
United States Dollar	**0.6712**	0.6489	0.7483	**0.6699**	0.6991	0.7260

For the March 2023 half, 39% of the Group’s operating income was derived from the New Zealand and Rest of World geographic regions (Sep 22 half: 37%; Mar 22 half: 36%).

Operating income from the New Zealand and Rest of World 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		
Half year ended	**Mar 23**	Sep 22	Mar 22
Chinese Renminbi	**-1%**	2%	-5%
Euro	**-5%**	5%	2%
Pound Sterling	**-2%**	6%	0%
Indian Rupee	**0%**	1%	-2%
Indonesian Rupiah	**0%**	-1%	-4%
Japanese Yen	**-2%**	12%	1%
Malaysian Ringgit	**-3%**	2%	-3%
New Taiwan Dollar	**-2%**	3%	-3%
New Zealand Dollar	**-4%**	4%	0%
Papua New Guinean Kina	**-6%**	-3%	-3%
United States Dollar	**-4%**	-4%	-3%

1. *Movement is based on comparison of the fiscal half year average exchange rate to the immediately preceding fiscal half 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 discussion is based on the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as the Annex) 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 half 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.

This Section 3: Operating and Financial Review and Prospects is prepared on a continuing operations basis.

Large/notable items

Large/notable items included in the Group's profit after income tax are described below.

Business divestments/closures

There were no material divestments/closures during the March 2023 half. The financial impacts from divestments/closures in prior periods and the business results for those divestments are summarised below.

	Gain/(Loss) from divestments/closures			Completed divested business results			Total		
	Half Year			Half Year			Half Year		
Impact of large/notable items on:	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**
ANZ Worldline partnership	-	-	307	-	-	60	-	-	367
Financial planning and advice business	-	-	(69)	-	2	3	-	2	(66)
Legal entity rationalisation	-	-	(65)	-	-	-	-	-	(65)
Other business divestments/closures	-	(8)	(5)	-	-	-	-	(8)	(5)
Profit/(Loss) before income tax	-	(8)	168	-	2	63	-	(6)	231
Income tax benefit/(expense)	-	-	37	-	-	(19)	-	-	18
Profit/(Loss) from continuing operations	-	(8)	205	-	2	44	-	(6)	249

- **ANZ Worldline partnership**

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

- **Financial planning and advice business**

  During the March 2022 half, the Group agreed to sell 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 transaction completed in the September 2022 half and the divested business results were recognised in the Australia Commercial division.

- **Legal entity rationalisation**

  During the March 2022 half, 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 business divestments/closures**

  During the March 2022 half, the Group announced the planned closure of the ANZ American Territories (ANZ American Samoa and ANZ Guam). A loss of $18 million, comprising restructuring expenses of $12 million and a credit impairment charge of $6 million, was recognised in the Pacific division during the period. During the September 2022 half, a further $8 million loss was recognised, comprising a $7 million loss in Other operating income and restructuring expenses of $1 million.

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

Customer remediation

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

	Half Year		
Impact of large/notable items on:	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**
Operating income	**(17)**	(9)	(25)
Operating expenses	**(43)**	(42)	(148)
Profit/(Loss) before income tax	**(60)**	(51)	(173)
Income tax benefit/(expense)	**18**	8	50
Profit/(Loss) from continuing operations	**(42)**	(43)	(123)

Restructuring

In addition to the restructuring expenses associated with business divestments/closures in prior periods, the Group recognised restructuring expenses of $38 million after tax in the March 2023 half year relating to operational changes predominantly in the Australia Retail and Group Centre divisions (Sep 22 half: $37 million; Mar 22 half: $31 million).

Transaction related costs

During the March 2023 half, the Group incurred transaction-related costs of $44 million (Sep 22 half: $10 million; Mar 22 half: nil) after tax associated with establishing the new group organisational structure and the proposed Suncorp Bank acquisition.

Property rationalisation

During the March 2023 half, the Group entered into sale and leaseback contracts for the data centres in Australia to align with its long-term strategy of simplifying its technology environment and migrating on-premise applications to cloud-based solutions. As a result of this, the Group recognised a $37 million loss after tax on reclassification of these data centres to held for sale.

During the September 2022 half, 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 a $8 million lease 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.

Withholding tax

During the March 2022 half, 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.

Large/Notable items

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

	March 2023 Half Year					March 2022 Half Year					
	Large/notable items included in continuing profit					Large/notable items included in continuing profit					
	Customer remediation $M	Restructuring $M	Transaction related costs $M	Property rationalisation $M	Total $M	Business divestments/ closures $M	Customer remediation $M	Restructuring[1] $M	Litigation settlements $M	Withholding tax $M	Total $M
Impact of large/notable items on:											
Net interest income	(10)	-	-	-	**(10)**	-	(3)	-	-	-	**(3)**
Other operating income	(7)	-	-	(43)	**(50)**	294	(22)	-	-	-	**272**
Operating income	(17)	-	-	(43)	**(60)**	294	(25)	-	-	-	**269**
Operating expenses	(43)	(54)	(56)	-	**(153)**	(59)	(148)	(30)	(10)	-	**(247)**
Profit before credit impairment and income tax	(60)	(54)	(56)	(43)	**(213)**	235	(173)	(30)	(10)	-	**22**
Credit impairment (charge)/release	-	-	-	-	**-**	(4)	-	-	-	-	**(4)**
Profit before income tax	(60)	(54)	(56)	(43)	**(213)**	231	(173)	(30)	(10)	-	**18**
Income tax benefit/(expense)	18	16	12	6	**52**	18	50	(1)	-	(126)	**(59)**
Profit/(Loss) from continuing operations	(42)	(38)	(44)	(37)	**(161)**	249	(123)	(31)	(10)	(126)	**(41)**

	March 2023 Half Year					September 2022 Half Year					
	Large/notable items included in continuing profit					Large/notable items included in continuing profit					
	Customer remediation $M	Restructuring $M	Transaction related costs $M	Property rationalisation $M	Total $M	Business divestments/ closures $M	Customer remediation $M	Restructuring[1] $M	Transaction related costs $M	Property rationalisation $M	Total $M
Impact of large/notable items on:											
Net interest income	(10)	-	-	-	**(10)**	-	3	-	-	-	**3**
Other operating income	(7)	-	-	(43)	**(50)**	4	(12)	-	-	23	**15**
Operating income	(17)	-	-	(43)	**(60)**	4	(9)	-	-	23	**18**
Operating expenses	(43)	(54)	(56)	-	**(153)**	(10)	(42)	(51)	(12)	(47)	**(162)**
Profit before credit impairment and income tax	(60)	(54)	(56)	(43)	**(213)**	(6)	(51)	(51)	(12)	(24)	**(144)**
Credit impairment (charge)/release	-	-	-	-	**-**	-	-	-	-	-	**-**
Profit before income tax	(60)	(54)	(56)	(43)	**(213)**	(6)	(51)	(51)	(12)	(24)	**(144)**
Income tax benefit/(expense)	18	16	12	6	**52**	-	8	14	2	7	**31**
Profit/(Loss) from continuing operations	(42)	(38)	(44)	(37)	**(161)**	(6)	(43)	(37)	(10)	(17)	**(113)**

1. *Restructuring expense before tax of $51 million for the September 2022 half and $30 million for the March 2022 half do not include restructuring expenses incurred as part of the business divestments/closures of $1 million for the September 2022 half and $19 million for the March 2022 half.*

GROUP INCOME STATEMENT INFORMATION

	Half Year		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Net interest income	**8,500**	7,774	7,100
Other operating income[1]	**1,647**	2,110	2,442
Operating income	**10,147**	9,884	9,542
Operating expenses	**(4,986)**	(4,788)	(4,791)
Profit before credit impairment and income tax	**5,161**	5,096	4,751
Credit impairment (charge)/release	**(133)**	(52)	284
Profit before income tax	**5,028**	5,044	5,035
Income tax expense	**(1,446)**	(1,440)	(1,500)
Non-controlling interests	**(14)**	(1)	-
Profit from continuing operations	**3,568**	3,603	3,535
Profit from discontinued operations	**-**	(14)	(5)
Profit attributable to shareholders of the Company	**3,568**	3,589	3,530

1. Includes Other operating income, Net income from insurance business and Share of associates' profit/(loss) as presented in the Condensed Consolidated Income Statement (attached to this U.S. Disclosure Document as part of the Annex).

Group results

Comparison of March 2023 with March 2022

Profit from continuing operations increased $33 million (1%) compared with the March 2022 half mainly due to:

- Net interest income increased $1,400 million (20%) driven by a $73.5 billion (8%) increase in average interest earning assets and a 17 bps increase in net interest margin. The increase in average interest earning assets was driven by higher average net loans and advances, cash and other liquid assets, and trading assets and investment securities. The net interest margin increased from 158 bps to 175 bps driven by favourable deposit margins from a rising interest rate environment, and higher earnings on capital and replicating deposits. This was partially offset by home loan pricing competition in the Australia Retail and New Zealand divisions, unfavourable asset and funding mix, growth in lower yielding liquid assets, and decrease in Markets net interest income driven by higher funding costs, primarily on commodity and fixed income assets, where the related revenues are recognised as Other operating income. Refer to "Analysis of Major Income and Expense Items" on pages 50 to 51 for further details on key movements.
- Other operating income decreased $795 million (33%) primarily driven by unfavourable unrealised mark-to-market movements on economic hedges and revenue and expense hedges ($983 million), a gain on completion of the ANZ Worldline partnership ($307 million) in the March 2022 half, lower net fee and commission income ($64 million), lower valuation adjustments from investments measure at fair value ($48 million), a loss on reclassification of data centres in Australia to held for sale ($43 million), and lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group ($42 million). This was partially offset by an increase in Markets other operating income driven by favourable yield curve movements, increased customer activities and more favourable trading conditions ($589 million), recycling of foreign currency translation reserve losses to Other operating income following dissolution of several entities ($65 million) and a loss on disposal of financial planning and advice business ($62 million), both in the March 2022 half. Refer to "Analysis of Major Income and Expense Items" on pages 52 to 53 for further details on key movements.
- Operating expenses increased $195 million (4%) driven by higher personnel expenses ($232 million) mainly due to inflationary impact on wages, partially offset by lower professional fees ($58 million) from reduced spend on regulatory and compliance initiatives. Refer to "Analysis of Major Income and Expense Items" on page 54 for further details on key movements.
- Credit impairment charge increased $417 million driven by an increase in the collectively assessed credit impairment charge, partially offset by a decrease in the individually assessed credit impairment charge. Refer to "Analysis of Major Income and Expense Items" on pages 55 to 56 for further details on key movements.

Comparison of March 2023 with September 2022

Profit from continuing operations decreased $35 million (1%) compared with the September 2022 half mainly due to:

- Net interest income increased $726 million (9%) driven by a $52.9 billion (6%) increase in average interest earning assets and a 7 bps increase in net interest margin. The increase in average interest earning assets was driven by higher average net loans and advances, cash and other liquid assets, and trading assets and investment securities. The net interest margin increased from 168 bps to 175 bps driven by favourable deposit margins from a rising interest rate environment, and higher earnings on capital and replicating deposits. This was partially offset 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 decrease in Markets net interest income driven by higher funding costs, primarily on commodity and fixed income assets, where the related revenues are recognised as Other operating income. Refer to “Analysis of Major Income and Expense Items” on pages 50 to 51 for further details on key movements.
- Other operating income decreased $463 million (22%) primarily driven by unfavourable unrealised mark-to-market movements on economic hedges and revenue and expense hedges ($674 million), lower net fee and commission income ($65 million), lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group ($59 million), lower valuation adjustments from investments measure at fair value ($49 million), lower net income from insurance business ($45 million), and a loss on reclassification of data centres in Australia to held for sale ($43 million). This was partially offset by an increase in Markets other operating income driven by favourable yield curve movements, increased customer activities and more favourable trading conditions ($521 million). Refer to “Analysis of Major Income and Expense Items” on pages 52 to 53 for further details on key movements.
- Operating expenses increased $198 million (4%) driven by higher personnel expenses ($244 million) mainly due to inflationary impacts on wages, partially offset by lower professional fees ($65 million) from reduced spend on regulatory and compliance initiatives and lower premises expenses ($37 million) driven by the modification of a significant lease arrangement in the September 2022 half. Refer to “Analysis of Major Income and Expense Items” on page 54 for further details on key movements.
- Credit impairment charge increased $81 million driven by an increase in the collectively assessed credit impairment charge, partially offset by higher individually assessed credit impairment releases. Refer to “Analysis of Major Income and Expense Items” on pages 55 to 56 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.

Group	Half Year Mar 23 $M	Sep 22 $M	Mar 22 $M
Net interest income[1]	**8,500**	7,774	7,100
Average interest earning assets[2]	**973,212**	920,340	899,678
Average deposits and other borrowings[2]	**826,279**	792,561	768,118
Net interest margin (%)	**1.75**	1.68	1.58

Net interest margin by major divisions	Half Year Mar 23 $M	Sep 22 $M	Mar 22 $M
Australia Retail			
Net interest margin (%)	**2.39**	2.29	2.21
Average interest earning assets[2]	**253,743**	245,434	245,462
Average deposits and other borrowings[2]	**152,392**	147,689	143,888
Australia Commercial[3]			
Net interest margin (%)	**2.72**	2.30	1.90
Average interest earning assets[2]	**60,860**	59,568	58,162
Average deposits and other borrowings[2]	**113,276**	115,269	114,924
Institutional			
Net interest margin (%)	**0.91**	0.91	0.88
Average interest earning assets[2]	**454,334**	421,500	403,894
Average deposits and other borrowings[2]	**355,905**	341,058	327,112
New Zealand			
Net interest margin (%)	**2.67**	2.61	2.33
Average interest earning assets[2]	**118,639**	115,874	116,779
Average deposits and other borrowings[2]	**102,113**	100,984	101,729

1. *Includes the major bank levy of -$175 million for the March 2023 half (Sep 22 half: -$175 million; Mar 22 half: -$165 million).*
2. *Averages are calculated using predominantly daily averages.*
3. *Australia Commercial division generates positive net interest income from surplus deposits held. Accordingly, $59.3 billion of average deposits for the March 2023 half (Sep 22 half: $62.8 billion; Mar 22 half: $64.1 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 March 2023 with March 2022

The increase in net interest income of $1,400 million (+20%) was driven by:

Net interest margin (+17 bps)

- Asset pricing (-18 bps): primarily driven by home loan pricing competition in the Australia Retail and New Zealand divisions.
- Deposit pricing and wholesale funding (+37 bps): driven by favourable deposit margins from a rising interest rate environment.
- Asset and funding mix (-4 bps): driven by unfavourable deposit mix with a shift towards lower margin term deposits, increased term wholesale funding relative to customer deposits, and unfavourable asset mix with higher growth in the Institutional division. This was partially offset by favourable lending mix with a shift towards higher margin variable rate home loans.
- Capital and replicating portfolio (+14 bps): primarily driven by a rising interest rate environment.
- Liquidity (-3 bps): driven by growth in lower yielding liquid assets to replace the Committed Liquidity Facility ("CLF"), and other increases in liquid assets to meet regulatory compliance requirements.
- Markets activities (-9 bps): lower net interest income was driven by higher funding costs, primarily on commodity and fixed income assets where the related revenues are recognised as Other operating income.

Average interest earning assets (+$73.5 billion or +8%)

- Average net loans and advances (+$42.5 billion or +7%): driven by lending growth across all divisions, and the impact of foreign currency translation movements.
- Average trading assets and investment securities (+$5.0 billion or +4%): driven by higher liquid assets partially offset by the impact of foreign currency translation movements.
- Average cash and other liquid assets (+$26.1 billion or +15%): driven by higher central bank balances and higher reverse repurchase agreements.

Average deposits and other borrowings (+$58.2 billion or +8%)

- Average deposits and other borrowings (+$58.2 billion or +8%): driven by growth in term deposits across all divisions, and increases in commercial paper and certificates of deposit, partially offset by lower at-call deposits.

Comparison of March 2023 with September 2022

The increase in net interest income of $726 million (+9%) was driven by:

Net interest margin (+7 bps)

- Asset pricing (-9 bps): primarily driven by home loan pricing competition in the Australia Retail and New Zealand divisions.
- Deposit pricing and wholesale funding (+20 bps): driven by favourable deposit margins from a rising interest rate environment.
- Asset and funding mix (-3 bps): driven by unfavourable deposit mix with a shift towards lower margin term deposits, increased term wholesale funding relative to customer deposits, and unfavourable asset mix with higher growth in the Institutional division. This was partially offset by favourable lending mix with a shift towards higher margin variable rate home loans.
- Capital and replicating portfolio (+7 bps): primarily driven by rising interest rate environment.
- Liquidity (-2 bps): driven by growth in lower yielding liquid assets to replace CLF, and other increases in liquid assets to meet regulatory compliance requirements.
- Markets activities (-6 bps): lower net interest income was driven by higher funding costs, primarily on commodity and fixed income assets where the related revenues are recognised as Other operating income.

Average interest earning assets (+$52.9 billion or +6%)

- Average net loans and advances (+$30.0 billion or +5%): driven by lending growth across all divisions, and the impact of foreign currency translation movements.
- Average trading assets and investment securities (+$3.7 billion or +3%): driven by higher liquid assets, partially offset by the impact of foreign currency translation movements.
- Average cash and other liquid assets (+$19.1 billion or +11%): driven by higher central bank balances and higher reverse repurchase agreements.

Average deposits and other borrowings (+$33.7 billion or +4%)

- Average deposits and other borrowings (+$33.7 billion or +4%): driven by growth in term deposits in all divisions, increases in commercial paper, and certificate of deposits and the impact of foreign currency translation movements. This was partially offset by lower at-call deposits in all divisions.

Other operating income

	Half Year		
	Mar 23 $M	Sep 22 $M	Mar 22 $M
Net fee and commission income[1]	**889**	954	953
Markets other operating income	**985**	464	396
Share of associates' profit/(loss)	**100**	103	74
Economic hedges[2]	**(269)**	278	524
Revenue and expense hedges[3]	**(120)**	7	70
Other[1,4]	**62**	304	425
Total other operating income from continuing operations[5]	**1,647**	2,110	2,442
Markets income			
Net interest income	**164**	291	416
Other operating income	**985**	464	396
Total Markets income	**1,149**	755	812

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 hedge large foreign exchange currency denominated revenue and expense streams.*
4. *Includes foreign exchange earnings and net income from insurance business.*
5. *Includes Other operating income, Net income from insurance business and Share of associates' profit/(loss) as presented in the Condensed Consolidated Income Statement (attached to this U.S. Disclosure Document as part of the Annex).*

Comparison of March 2023 with March 2022

Other operating income decreased by $795 million (-33%). Key factors affecting the result were:

Net fee and commission income (-$64 million or -7%)

- $71 million decrease in the Australia Commercial division driven by lower revenue following business divestments.
- $14 million decrease in the New Zealand division primarily driven by lower funds management fees.
- $21 million increase in the Australia Retail division driven by higher cards revenue reflecting an increase in consumer spending, new home loan offset account fees, and lower customer remediation.
- $16 million increase in the Institutional division (excluding Markets) driven by higher guarantee fees in Transaction Banking and higher deal activities in Corporate Finance, partially offset by lower revenue following business divestment.

Markets income (+337 million or +42%)

Markets income increased $337 million driven by a $589 million increase in Other operating income, partially offset by a $252 million decrease in Net interest income. The decrease in Net interest income was driven by higher funding costs, primarily commodity and fixed income assets where the related revenues were recognised as Other operating income. The $337 million increase was attributable to the following business activities:

- $133 million increase in Balance Sheet driven by favourable yield curve movements and portfolio repricing.
- $83 million increase in Foreign Exchange driven by customer demand for hedging solutions, with continued foreign exchange volatility and interest rate differentials across currencies, and generally more favourable trading conditions.
- $80 million increase in Credit and Capital Markets driven by more favourable credit trading conditions and higher levels of customer issuances.
- $37 million increase in Derivative Valuation Adjustments with lower credit valuation adjustments arising from tightening credit spreads, and lower currency and interest rate volatility.
- $27 million increase in Commodities driven by more favourable trading conditions and sustained customer demand for hedging solutions.
- $23 million decrease in Rates driven by less favourable trading conditions than the March 2022 half, partially offset by increased customer demand for hedging solutions as interest rates increased.

Share of associates' profit/(loss) (+$26 million or +35%)

- $26 million increase in share of associates' profits primarily driven by P.T. Bank Pan Indonesia ("PT Panin") ($32 million) and AMMB Holdings Berhad ("AmBank") ($12 million), partially offset by equity accounted losses in Worldline Australia Pty Ltd ($18 million).

Economic hedges (-$793 million)

- For the March 2023 half, the majority of the $269 million loss on economic hedges relates to funding related swaps, principally from narrowing USD/EUR currency basis spreads and from the strengthening of AUD and NZD against USD. Further losses were driven by falling AUD yield curves on net pay fixed swap positions.
- For the March 2022 half, the majority of the $524 million gain on economic hedges relates to funding related swaps, principally from widening AUD/USD and NZD/USD currency basis spreads and interest rate movements, and the impact of rising yield curves on the economic hedges of select structured finance and specialised leasing transactions.

Revenue and expense hedges (-$190 million)

- For the March 2023 half, the loss of $120 million on revenue and expense hedges was mainly due to the depreciation of AUD against the NZD.
- For the March 2022 half, the gain of $70 million on revenue and expense hedges was mainly due to appreciation of AUD against the NZD.

Other (-$363 million)

- $231 million decrease in the Australia Commercial division driven by 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), both in the March 2022 half.
- $85 million decrease in the Group Centre division primarily driven by lower valuation adjustments from investments measured at fair value ($48 million), a loss on reclassification of data centres to held for sale ($43 million), and lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group ($42 million). This was partially offset 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) in the March 2022 half.
- $31 million decrease in the New Zealand division driven by realised gains from the sale of government securities in the March 2022 half.

Comparison of March 2023 with September 2022

Other operating income decreased by $463 million (-22%). Key factors affecting the result were:

Net fee and commission income (-$65 million or -7%)

- $27 million decrease in the Australia Retail division driven by higher cards travel insurance premium reflecting the recovery in domestic and international travel, the timing of recognition of cards incentives, and seasonality of fees.
- $16 million decrease in the New Zealand division driven by lower cards revenue due to the reduction in domestic interchange rates.

Markets income (+$394 million or +52%)

Markets income increased $394 million driven by a $521 million increase in Other operating income, partially offset by a $127 million decrease in Net interest income. The decrease in Net interest income was driven by higher funding costs, primarily commodity and fixed income assets where the related revenues were recognised as Other operating income. The $394 million increase was primarily attributable to the following business activities:

- $150 million increase in Balance Sheet driven by favourable outcomes from yield curve movements and portfolio repricing.
- $62 million increase in Derivative Valuation Adjustments with lower credit valuation adjustments arising from tightening credit spreads, and lower currency and interest rate volatility.
- $59 million increase in Credit and Capital Markets driven by more favourable credit trading conditions, and higher levels of customer issuances.
- $50 million increase in Commodities driven by more favourable trading conditions, and increased customer demand for hedging solutions.
- $47 million increase in Rates driven by increased customer demand for hedging solutions, partially offset by less favourable trading conditions.
- $26 million increase in Foreign Exchange driven by customer demand for hedging solutions arising from continuing volatility and interest rate differentials across currencies, and more favourable trading conditions.

Economic hedges (-$547 million)

- For the March 2023 half, the majority of the $269 million loss on economic hedges relates to funding related swaps, principally from narrowing USD/EUR currency basis spreads and from the strengthening of AUD and NZD against USD. Further losses were driven by falling AUD yield curves on net pay fixed swap positions.
- For the September 2022 half, the majority of the $278 million gain on economic hedges relates to funding-related swaps, principally from the weakening of the AUD and NZD against USD, and the impact of rising yield curves on the economic hedges of select structured finance and specialised leasing transactions.

Revenue and expense hedges (-$127 million)

- For the March 2023 half, the loss of $120 million on revenue and expense hedges was mainly due to the depreciation of AUD against the NZD.
- For the September 2022 half, the gain of $7 million on revenue and expense hedges was mainly due to the appreciation of the AUD against the NZD.

Other (-$242 million or -80%)

- $194 million decrease in the Group Centre division driven by lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group ($59 million), lower valuation adjustments from investments measured at fair value ($49 million), a loss on reclassification of data centres in Australia to held for sale ($43 million) and a net gain on modification of a significant lease arrangement in the September 2022 half ($23 million).
- $45 million decrease in the Australia Retail division driven by lower insurance-related income.

Operating expenses

	Half Year		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Personnel	**2,886**	2,642	2,654
Premises	**343**	380	341
Technology	**831**	806	815
Restructuring	**54**	52	49
Other	**872**	908	932
Total operating expenses from continuing operations	**4,986**	4,788	4,791
Full time equivalent staff from continuing operations[1]	**39,603**	39,172	39,686
Average full time equivalent staff from continuing operations[1]	**39,397**	39,254	40,092

1. *Comparative information has been restated to include FTE of the consolidated investments managed by 1835i Group Pty Ltd (FTE: Sep 22: 185; Mar 22: 157; Average FTE: Sep 22 half: 172; Mar 22 half: 79).*

Comparison of March 2023 with March 2022

Operating expenses increased by $195 million (+4%):

- Personnel expenses increased $232 million (+9%) driven by inflationary impacts on wages including the revaluation of leave provisions, and incremental run costs associated with strategic initiatives including migration to Cloud-based solutions and ANZ Plus. This was partially offset by continued back and middle-office optimisation.
- Technology expenses increased $16 million (+2%) driven by higher software licence costs and inflationary impacts on vendor contracts. This was partially offset by benefits from simplifying network infrastructure, lower amortisation, and reduction in spend on regulatory and compliance initiatives.
- Other expenses decreased $60 million (-6%) driven by a reduction in spend on regulatory and compliance initiatives, partially offset by increases in transaction-related costs and costs previously attributed to discontinued operations

Comparison of March 2023 with September 2022

Operating expenses increased by $198 million (+4%):

- Personnel expenses increased $244 million (+9%) driven by inflationary impacts on wages including the revaluation of leave provisions, incremental run costs associated with strategic initiatives including migration to Cloud-based solutions and ANZ Plus, and the impact of unfavourable foreign currency translation movements. This was partially offset by continued back and middle-office optimisation.
- Premises expenses decreased $37 million (-10%) driven by the modification of a significant lease arrangement in the September 2022 half.
- Technology expenses increased $25 million (+3%) driven by higher software licence costs and inflationary impacts on vendor contracts. This was partially offset by benefits from simplifying network infrastructure, lower amortisation, and reduction in spend on regulatory and compliance initiatives.
- Other expenses decreased $36 million (-4%) driven by a reduction in spend on regulatory and compliance initiatives, partially offset by increases in transaction-related costs and costs previously attributed to discontinued operations.

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 1 of the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as part of the Annex) for further information.

Allowance for expected credit losses

	As at		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Collectively assessed allowance for ECL	**4,040**	3,853	3,757
Individually assessed allowance for ECL	**421**	542	636
Total allowance for ECL	**4,461**	4,395	4,393

Credit impairment charge/(release)

	Half Year		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Collectively assessed credit impairment charge/(release)	**163**	60	(371)
Individually assessed credit impairment charge/(release)	**(30)**	(8)	87
Total credit impairment charge/(release)	**133**	52	(284)

Credit impairment charge/(release) by division

	Half Year		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Collectively assessed			
Australia Retail	**50**	(11)	(158)
Australia Commercial	**57**	(5)	(165)
Institutional	**5**	13	(26)
New Zealand	**66**	79	(18)
Pacific	**(15)**	(16)	(3)
Group Centre	**-**	-	(1)
Total collectively assessed	**163**	60	(371)
Individually assessed			
Australia Retail	**32**	(5)	45
Australia Commercial	**9**	(6)	43
Institutional	**(79)**	(15)	1
New Zealand	**9**	(3)	(13)
Pacific	**(1)**	7	6
Group Centre	**-**	14	5
Total individually assessed	**(30)**	(8)	87
Total credit impairment charge/(release)			
Australia Retail	**82**	(16)	(113)
Australia Commercial	**66**	(11)	(122)
Institutional	**(74)**	(2)	(25)
New Zealand	**75**	76	(31)
Pacific	**(16)**	(9)	3
Group Centre	**-**	14	4
Total credit impairment charge/(release)	**133**	52	(284)

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

	Collectively assessed				Individually assessed			
March 2023 Half 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	(39)	78	11	**50**	94	(62)	**32**	**82**
Australia Commercial	(2)	75	(16)	**57**	62	(53)	**9**	**66**
Institutional	43	(31)	(7)	**5**	57	(136)	**(79)**	**(74)**
New Zealand	(2)	58	10	**66**	21	(12)	**9**	**75**
Pacific	(1)	(8)	(6)	**(15)**	3	(4)	**(1)**	**(16)**
Group Centre	-	-	-	**-**	-	-	**-**	**-**
Total	(1)	172	(8)	**163**	237	(267)	**(30)**	**133**
September 2022 Half Year								
Australia Retail	27	(28)	(10)	**(11)**	97	(102)	**(5)**	**(16)**
Australia Commercial	(6)	46	(45)	**(5)**	76	(82)	**(6)**	**(11)**
Institutional	50	(46)	9	**13**	12	(27)	**(15)**	**(2)**
New Zealand	39	38	2	**79**	24	(27)	**(3)**	**76**
Pacific	3	(13)	(6)	**(16)**	10	(3)	**7**	**(9)**
Group Centre	-	-	-	**-**	-	14	**14**	**14**
Total	113	(3)	(50)	**60**	219	(227)	**(8)**	**52**
March 2022 Half Year								
Australia Retail	(21)	(131)	(6)	**(158)**	121	(76)	**45**	**(113)**
Australia Commercial	77	(260)	18	**(165)**	118	(75)	**43**	**(122)**
Institutional	54	(71)	(9)	**(26)**	38	(37)	**1**	**(25)**
New Zealand	3	(23)	2	**(18)**	15	(28)	**(13)**	**(31)**
Pacific	(5)	-	2	**(3)**	9	(3)	**6**	**3**
Group Centre	(1)	-	-	**(1)**	-	5	**5**	**4**
Total	107	(485)	7	**(371)**	301	(214)	**87**	**(284)**

Collectively assessed credit impairment charge/(release)

- **Comparison of March 2023 with March 2022**

  The collectively assessed impairment charge of $163 million for the March 2023 half was driven by deterioration in economic outlook, a net increase in management temporary adjustments, and deterioration in credit risk. This was partially offset by an improvement in portfolio composition, particularly in the Institutional division.

  The collectively assessed credit impairment release of $371 million for the March 2022 half 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.

- **Comparison of March 2023 with September 2022**

  The collectively assessed impairment charge of $163 million for the March 2023 half was driven by deterioration in economic outlook, a net increase in management temporary adjustments, and deterioration in credit risk. This was partially offset by an improvement in portfolio composition, particularly in the Institutional division.

  The collectively assessed impairment charge of $60 million for the September 2022 half was driven by worsening base economic forecast and increasing downside risks associated with the economic outlook. This was partially offset by portfolio risk and composition improvements, and a net release of management temporary adjustments.

Individually assessed credit impairment charge/(release)

- **Comparison of March 2023 with March 2022**

  The individually assessed credit impairment charge decreased $117 million driven by decreases in the Institutional division (-$80 million) due to significant write-backs and recoveries, the Australia Commercial (-$34 million) and Australia Retail (-$13 million) divisions due to subdued delinquency flows. This was partially offset by the New Zealand division (+$22 million) due to lower write-backs.

- **Comparison of March 2023 with September 2022**

  The individually assessed credit impairment release increased $22 million driven by Institutional division (-$64 million) due to significant write-back and recoveries. This was partially offset by increases in the Australian Retail (+$37 million) and Australia Commercial (+$15 million) divisions due to lower write-backs and recoveries, and the New Zealand (+$12 million) division due to lower recoveries.

Allowance for expected credit losses by division[1]

	As at		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Collectively assessed			
Australia Retail	**949**	899	909
Australia Commercial	**1,033**	976	982
Institutional	**1,451**	1,452	1,382
New Zealand	**543**	448	393
Pacific	**63**	77	89
Group Centre	**1**	1	2
Total collectively assessed	**4,040**	3,853	3,757
Individually assessed			
Australia Retail	**68**	75	106
Australia Commercial	**149**	188	258
Institutional	**129**	200	202
New Zealand	**47**	46	45
Pacific	**28**	33	25
Group Centre	**-**	-	-
Total individually assessed	**421**	542	636
Allowance for ECL			
Australia Retail	**1,017**	974	1,015
Australia Commercial	**1,182**	1,164	1,240
Institutional	**1,580**	1,652	1,584
New Zealand	**590**	494	438
Pacific	**91**	110	114
Group Centre	**1**	1	2
Total allowance for ECL	**4,461**	4,395	4,393

	Collectively assessed				Individually assessed	
As at March 2023	**Stage 1 $M**	**Stage 2 $M**	**Stage 3 $M**	**Total $M**	**Stage 3 $M**	**Total $M**
Australia Retail	107	660	182	**949**	68	**1,017**
Australia Commercial	350	586	97	**1,033**	149	**1,182**
Institutional	1,159	274	18	**1,451**	129	**1,580**
New Zealand	141	333	69	**543**	47	**590**
Pacific	16	28	19	**63**	28	**91**
Group Centre	1	-	-	**1**	-	**1**
Total	1,774	1,881	385	**4,040**	421	**4,461**
As at September 2022						
Australia Retail	145	583	171	**899**	75	**974**
Australia Commercial	352	511	113	**976**	188	**1,164**
Institutional	1,124	303	25	**1,452**	200	**1,652**
New Zealand	134	259	55	**448**	46	**494**
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 March 2022						
Australia Retail	119	609	181	**909** -	106 -	**1,015**
Australia Commercial	358	465	159	**982** -	258 -	**1,240**
Institutional	1,025	342	15	**1,382** -	202 -	**1,584**
New Zealand	102	236	55	**393** -	45 -	**438**
Pacific	12	47	30	**89** -	25 -	**114**
Group Centre	1	1	-	**2** -	- -	**2**
Total	1,617	1,700	440	**3,757** -	636 -	**4,393**

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		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Gross impaired assets			
Impaired loans[1]	**804**	1,043	1,286
Restructured items[2]	**382**	376	375
Non-performing commitments, contingencies and derivatives[1]	**24**	26	48
Gross impaired assets	**1,210**	1,445	1,709
Gross impaired assets by division			
Australia Retail	**415**	390	324
Australia Commercial	**288**	360	533
Institutional	**302**	425	683
New Zealand	**100**	93	113
Pacific	**105**	177	56
Gross impaired assets	**1,210**	1,445	1,709
Gross impaired assets by size of exposure			
Less than $10 million	**956**	1,084	1,054
$10 million to $100 million	**123**	131	221
Greater than $100 million	**131**	230	434
Gross impaired assets	**1,210**	1,445	1,709
Individually assessed provisions			
Impaired loans	**(414)**	(533)	(619)
Non-performing commitments, contingencies and derivatives	**(7)**	(9)	(17)
Net impaired assets	**789**	903	1,073

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 to new facilities with similar risk.*

Comparison of March 2023 with March 2022

- Gross impaired assets decreased $499 million (-29%) driven by decreases in the Institutional division (-$381 million) due to the upgrade and repayments of several single name exposures, and the Australia Commercial division (-$245 million) due to underlying delinquency flows remaining subdued and the upgrade and repayments of several single name exposures. This was partially offset by increases in the Australia Retail division ($91 million) driven by well-secured home loans being classified as restructured exposures, and by the Pacific division ($49 million) driven by exposures rolling off local COVID-19 support packages and classified as restructured exposures during the September 2022 half.

Comparison of March 2023 with September 2022

- Gross impaired assets decreased $235 million (-16%) driven by decreases in the Institutional division (-$123 million) due to the upgrade and repayments of several single name exposures, the Australia Commercial division (-$72 million) due to underlying delinquency flows remaining subdued, and the Pacific division (-$72 million) due to the upgrade of restructured exposures. This was partially offset by an increase in the Australia Retail division (+$25 million) driven by well-secured home loans being classified as restructured exposures.

The Group's individually assessed provision coverage ratio on impaired assets was 34.9% at 31 March 2023 (Sep 22: 37.5%; Mar 22: 37.2%;).

New impaired assets

	Half Year		
	Mar 23 $M	Sep 22 $M	Mar 22 $M
New impaired assets			
Impaired loans[1]	**405**	320	478
Restructured items[2]	**122**	274	138
Non-performing commitments and contingencies[1]	**11**	5	23
Total new impaired assets	**538**	599	639
New impaired assets by division			
Australia Retail	**221**	279	202
Australia Commercial	**93**	109	191
Institutional	**156**	56	185
New Zealand	**63**	34	51
Pacific	**5**	121	10
Total new impaired assets	**538**	**599**	**639**

1. *Impaired loans and non-performing commitments and contingencies 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 to new facilities with similar risk.*

Comparison of March 2023 with March 2022

- New impaired assets decreased $101 million (-16%) driven by decreases in the Institutional division (-$29 million) reflecting a number of single name exposures recognised in the March 2022 half, and the Australia Commercial division (-$98 million) with underlying delinquency flows remaining subdued. This was partially offset by increases in the Australia Retail division ($19 million) driven by restructured home loans, and the New Zealand division ($12 million) driven by the retail portfolio.

Comparison of March 2023 with September 2022

- New impaired assets decreased by $61 million (-9%) driven by decreases in the Pacific (-$116 million) and Australia Retail (-$58 million) divisions due to high number of restructures recognised in the September 2022 half, and Australia Commercial division (-$16 million) with underlying delinquency flows remaining subdued. This was partially offset by increases in the Institutional division ($100 million) reflecting impairment of several single name exposures, and the New Zealand division ($29 million) driven by both the retail and commercial portfolios.

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

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		
	Mar 23 $M	Sep 22 $M	Mar 22 $M
Australia Retail	**1,610**	1,478	1,806
Australia Commercial	**358**	426	505
Institutional	**19**	50	18
New Zealand	**470**	401	370
Pacific	**43**	45	122
Group Centre	**2**	2	2
Total accruing loans - past due 90 days or more	**2,502**	2,402	2,823

Comparison of March 2023 with March 2022

- The accruing loans - past due 90 days or more decreased by $321 million (-11%) driven by the home loan portfolio in the Australia Retail division and the small business banking portfolio in the Australia Commercial division reflecting subdued delinquency flows. This was partially offset by increase in the home loan portfolio in the New Zealand division.

Comparison of March 2023 with September 2022

- The accruing loans - past due 90 days or more increased by $100 million (+4%) driven by home loan portfolios in the Australia Retail and New Zealand divisions. These were partially offset by the small business banking portfolio in the Australia Commercial division as underlying delinquency flows remained subdued.

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 the 2022 Annual U.S. Disclosure Document as part of the Annex).

Income tax expense

	Half Year		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Income tax expense	**1,446**	1,440	1,500
Effective tax rate	**28.8%**	28.5%	29.8%
Australian corporate tax rate	**30.0%**	30.0%	30.0%

Comparison of March 2023 with March 2022

- The effective tax rate decreased from 29.8% to 28.8%. The decrease of 100 bps was driven by lower withholding tax expense on foreign dividends (-240 bps), lower net non-tax assessable gain from divestments/closures (-68 bps), and higher offshore earnings that attract a lower rate of tax (-66 bps). This was partially offset by the non-tax assessable gain on completion of the Worldline partnership in the March 2022 half (240 bps), and higher non-deductible interest on convertible instruments (34 bps).

Comparison of March 2023 with September 2022

- The effective tax rate increased from 28.5% to 28.8%. The increase of 30 bps was driven by higher prior period adjustments booked in the September 2022 half (30 bps), higher non-deductible interest on convertible instruments (20 bps) and various other smaller items (30 bps). This was partially offset by higher offshore earnings that attract a lower rate of tax (-54 bps).

CONDENSED BALANCE SHEET INFORMATION

	As at		
	Mar 23 $B	Sep 22 $B	Mar 22 $B
Assets			
Cash and cash equivalents / Settlement balances owed to ANZ / Collateral paid	**225.1**	185.6	186.0
Trading assets and investment securities	**133.1**	121.4	119.2
Derivative financial instruments	**45.6**	90.2	45.2
Net loans and advances	**690.7**	672.4	651.4
Other	**17.1**	16.0	15.6
Total assets	**1,111.6**	1,085.6	1,017.4
Liabilities			
Settlement balances owed by ANZ / Collateral received	**31.0**	30.0	26.5
Deposits and other borrowings	**843.1**	797.3	780.3
Derivative financial instruments	**46.2**	85.1	47.8
Debt issuances	**106.2**	93.7	87.2
Other	**16.5**	13.2	13.8
Total liabilities	**1,043.0**	1,019.3	955.6
Total equity	**68.6**	66.4	61.8

Comparison of March 2023 with March 2022

- Cash and cash equivalents / Settlement balances owed to ANZ / Collateral paid increased $39.1 billion (+21%) driven by increases in balances with central banks ($24.0 billion), reverse repurchase agreements ($9.3 billion), and the impact of foreign currency translation movements, partially offset by a decrease in collateral paid ($2.5 billion).
- Trading assets and investment securities increased $13.9 billion (+12%) driven by an increase in semi-government bonds as part of portfolio rebalancing, and the impact of foreign currency translation movements.
- Net loans and advances increased $39.3 billion (+6%) driven by home loan growth, higher business lending, and the impact of foreign currency translation movements.
- Settlement balances owed by ANZ / Collateral received increased $4.5 billion (+17%) driven by higher cash clearing account balances and higher collateral received.
- Deposits and other borrowings increased $62.8 billion (+8%) driven by increases in customer deposits ($23.1 billion), certificates of deposit ($7.0 billion), commercial paper ($7.0 billion), deposits from banks and repurchase agreements ($5.2 billion), and the impact of foreign currency translation movements.
- Debt issuances increased $19.0 billion (+22%) driven by the issue of new senior and subordinated debt, including ANZ Capital Notes 8, and the impact of foreign currency translation movements.

Comparison of March 2023 with September 2022

- Cash and cash equivalents / Settlement balances owed to ANZ / Collateral paid increased $39.5 billion (+21%) driven by increases in balances with central banks ($17.9 billion), settlement balances owed to ANZ ($11.6 billion), and reverse repurchase agreements ($11.5 billion), partially offset by a decrease in collateral paid ($3.2 billion).
- Trading assets and investment securities increased $11.7 billion (+10%) primarily driven by an increase in semi-government bonds as part of portfolio rebalancing.
- Derivative financial assets and liabilities decreased $44.6 billion (-49%) and $38.9 billion (-46%) respectively driven by the maturity and/or unwind of positions held in the prior period that were impacted by market rate movements, primarily the significant strengthening of the USD.
- Net loans and advances increased $18.3 billion (+3%) driven by home loan growth, higher business lending, and the impact of foreign currency translation movements.
- Deposits and other borrowings increased $45.8 billion (+6%) driven by increases in customer deposits ($24.5 billion), certificates of deposit ($10.5 billion), deposits from banks and repurchase agreements ($7.8 billion), and the impact of foreign currency translation movements.
- Debt issuances increased $12.5 billion (+13%) driven by the issue of new senior and subordinated debt, including ANZ Capital Notes 8, and the impact of foreign currency translation movements.

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.

The Group measures the performance of operating segments on a cash profit basis, a non-IFRS measure which represents how the segments are managed internally. To calculate cash profit, the Group excludes items from profit after tax attributable to shareholders. For the current and prior periods, the adjustments relate to impacts of economic hedges and revenue and expense hedges which represent timing differences that will reverse through earnings in the future. Transactions between divisions across segments within the Group are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

Prior period comparatives have been restated for the following:

- Non-banking businesses – transfer of non-banking businesses held in the Australia Commercial and Institutional divisions to the Group Centre division which were then disposed of as part of the Restructure.
- Corporate customer re-segmentation - certain business and property finance customers were transferred from the New Zealand division to the Institutional division to better align customer needs with the right support and expertise delivery.
- Cost reallocations - certain costs were reallocated across the Australia Retail, Australia Commercial, Institutional and Group Centre divisions.

Other than those described above, there have been no other significant changes. The divisions reported are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

March 2023 Half Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Group Total $M
Net interest income	3,018	1,632	2,071	1,582	62	135	8,500
Net fee and commission income	235	162	346	199	10	(15)	937
Net income from insurance business	40	-	-	-	-	-	40
Other income[1,2,3]	6	13	1,027	-	30	(117)	959
Share of associates' profit/(loss)	-	-	-	-	-	100	100
Operating income[1,2,3]	3,299	1,807	3,444	1,781	102	103	10,536
Operating expenses	(1,745)	(685)	(1,328)	(630)	(74)	(524)	(4,986)
Cash profit before credit impairment and income tax[3]	1,554	1,122	2,116	1,151	28	(421)	5,550
Credit impairment (charge)/release	(82)	(66)	74	(75)	16	-	(133)
Cash profit before income tax[3]	1,472	1,056	2,190	1,076	44	(421)	5,417
Income tax expense and non-controlling interests[1,2,3]	(446)	(317)	(593)	(302)	(10)	93	(1,575)
Cash profit/(loss) from continuing operations[3]	1,026	739	1,597	774	34	(328)	3,842
Cash profit/(loss) from discontinued operations							-
Cash profit/(loss)[3]	1,026	739	1,597	774	34	(328)	3,842
Economic hedges[1,3]							(190)
Revenue and expense hedges[2,3]							(84)
Profit after tax attributable to shareholders							3,568
Financial Position							
Total external assets	303,783	60,227	525,748	123,565	3,489	94,793	1,111,605
Total external liabilities	160,228	119,042	450,764	121,580	3,834	187,532	1,042,980

1. *Relates to the Institutional, New Zealand and Group Centre divisions. In the consolidated income statement, it is recognised in Other operating income (Mar 23 half: $269 million loss; Sep 22 half: $278 million gain; Mar 22 half: $524 million gain) and Income tax expense (Mar 23 half: $79 million benefit; Sep 22 half: $82 million expense; Mar 22 half: $151 million expense).*
2. *Relates to the Group Centre division. In the consolidated income statement, it is recognised in Other operating income (Mar 23 half: $120 million loss; Sep 22 half: $7 million gain; Mar 22 half: $70 million gain) and Income tax expense (Mar 23 half: $36 million benefit; Sep 22 half: $2 million expense; Mar 22 half: $21 million expense).*
3. *Items that are not considered integral to the ongoing performance of the operating segments are removed from the operating segments. The resulting profit by operating segment, referred to as cash profit, is a non-IFRS measure which represents how the segments are managed internally.*

September 2022 Half Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Group Total $M
Net interest income	2,821	1,410	1,925	1,517	50	51	**7,774**
Net fee and commission income	262	170	339	215	14	(11)	**989**
Net income from insurance business	85	-	-	-	-	-	**85**
Other income[1,2,3]	6	15	529	1	20	77	**648**
Share of associates' profit/(loss)	-	-	-	-	-	103	**103**
Operating income[1,2,3]	3,174	1,595	2,793	1,733	84	220	**9,599**
Operating expenses	(1,656)	(652)	(1,293)	(622)	(73)	(492)	**(4,788)**
Cash profit before credit impairment and income tax[3]	1,518	943	1,500	1,111	11	(272)	**4,811**
Credit impairment (charge)/release	16	11	2	(76)	9	(14)	**(52)**
Cash profit before income tax[3]	1,534	954	1,502	1,035	20	(286)	**4,759**
Income tax expense and non-controlling interests[1,2,3]	(462)	(286)	(374)	(290)	(5)	60	**(1,357)**
Cash profit/(loss) from continuing operations[3]	1,072	668	1,128	745	15	(226)	**3,402**
Cash profit/(loss) from discontinued operations							**(14)**
Cash profit/(loss)[3]							**3,388**
Economic hedges[1,3]							**196**
Revenue and expense hedges[2,3]							**5**
Profit after tax attributable to shareholders							**3,589**
Financial Position							
Total external assets	292,876	59,983	544,066	116,218	3,707	68,879	**1,085,729**
Total external liabilities	153,494	118,355	473,114	115,263	4,065	155,037	**1,019,328**

March 2022 Half Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Group Total $M
Net interest income	2,706	1,158	1,772	1,354	46	64	**7,100**
Net fee and commission income	214	233	312	213	12	(1)	**983**
Net income from insurance business	55	-	-	-	-	-	**55**
Other income[1,2,3]	-	244	471	31	22	(32)	**736**
Share of associates' profit/(loss)	-	-	-	-	-	74	**74**
Operating income[1,2,3]	2,975	1,635	2,555	1,598	80	105	**8,948**
Operating expenses	(1,741)	(649)	(1,273)	(651)	(80)	(397)	**(4,791)**
Cash profit before credit impairment and income tax[3]	1,234	986	1,282	947	-	(292)	**4,157**
Credit impairment (charge)/release	113	122	25	31	(3)	(4)	**284**
Cash profit before income tax[3]	1,347	1,108	1,307	978	(3)	(296)	**4,441**
Income tax expense and non-controlling interests[1,2,3]	(410)	(225)	(498)	(274)	(3)	82	**(1,328)**
Cash profit/(loss) from continuing operations[3]	937	883	809	704	(6)	(214)	**3,113**
Cash profit/(loss) from discontinued operations							**(5)**
Cash profit/(loss)[3]							**3,108**
Economic hedges[1,3]							**373**
Revenue and expense hedges[2,3]							**49**
Profit after tax attributable to shareholders							**3,530**
Financial Position							
Total external assets	287,304	57,822	469,683	119,667	3,796	79,089	**1,017,361**
Total external liabilities	150,732	122,812	420,226	119,683	3,986	138,166	**955,605**

1. *Relates to the Institutional, New Zealand and Group Centre divisions. In the consolidated income statement, it is recognised in Other operating income (Mar 23 half: $269 million loss; Sep 22 half: $278 million gain; Mar 22 half: $524 million gain) and Income tax expense (Mar 23 half: $79 million benefit; Sep 22 half: $82 million expense; Mar 22 half: $151 million expense).*
2. *Relates to the Group Centre division. In the consolidated income statement, it is recognised in Other operating income (Mar 23 half: $120 million loss; Sep 22 half: $7 million gain; Mar 22 half: $70 million gain) and Income tax expense (Mar 23 half: $36 million benefit; Sep 22 half: $2 million expense; Mar 22 half: $21 million expense).*
3. *Items that are not considered integral to the ongoing performance of the operating segments are removed from the operating segments. The resulting profit by operating segment, referred to as cash profit, is a non-IFRS measure which represents how the segments are managed internally.*

Australia Retail

Australia Retail	Half Year Mar 23 $M	Half Year Sep 22 $M	Half Year Mar 22 $M
Net interest income	**3,018**	2,821	2,706
Other operating income	**281**	353	269
Operating income	**3,299**	3,174	2,975
Operating expenses	**(1,745)**	(1,656)	(1,741)
Cash profit before credit impairment and income tax	**1,554**	1,518	1,234
Credit impairment (charge)/release	**(82)**	16	113
Cash profit before income tax	**1,472**	1,534	1,347
Income tax expense and non-controlling interests	**(446)**	(462)	(410)
Cash profit	**1,026**	1,072	937
Balance Sheet			
Net loans and advances	**300,581**	290,322	284,548
Other external assets	**3,202**	2,554	2,756
External assets	**303,783**	292,876	287,304
Customer deposits	**156,374**	149,953	147,000
Other external liabilities	**3,854**	3,541	3,732
External liabilities	**160,228**	153,494	150,732
Risk weighted assets	**117,844**	125,517	118,797
Average gross loans and advances[1]	**297,255**	287,110	285,426
Average deposits and other borrowings[1]	**152,392**	147,689	143,888
Ratios			
Return on average assets	**0.69%**	0.74%	0.65%
Net interest margin	**2.39%**	2.29%	2.21%
Operating expenses to operating income	**52.9%**	52.2%	58.5%
Operating expenses to average assets	**1.17%**	1.14%	1.22%
Individually assessed credit impairment charge/(release)	**32**	(5)	45
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**0.02%**	0.00%	0.03%
Collectively assessed credit impairment charge/(release)	**50**	(11)	(158)
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**0.03%**	(0.01%)	(0.11%)
Gross impaired assets	**415**	390	324
Gross impaired assets as a % of GLA	**0.14%**	0.13%	0.11%
Total full time equivalent staff	**11,199**	11,107	11,475

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 March 2023 with March 2022

Cash profit increased by $89 million (+9%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth, partially offset by lower unsecured lending.
- Net interest margin increased driven by favourable deposit margins from a rising interest rate environment, favourable lending mix with a shift towards higher margin variable home loans and higher earnings on capital and replicating portfolio. This was partially offset by asset margin contraction from competitive pressure, unfavourable deposit mix with a shift towards lower margin term deposits and higher net funding costs.
- Other operating income increased driven by higher cards revenue reflecting an increase in consumer spending, new home loan offset account fees, and lower customer remediation, partially offset by lower insurance related income.
- Operating expenses were broadly stable. Inflationary pressure and higher ANZ Plus run costs were offset by lower customer remediation, simplification initiatives, and a reduction in spend on regulatory and compliance initiatives.
- Credit impairment charge increased driven by higher collectively assessed credit impairment, partially offset by lower individually assessed credit impairment due to subdued delinquency flows.

Comparison of March 2023 with September 2022

Cash profit decreased by $46 million (-4%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth, partially offset by lower unsecured lending.
- Net interest margin increased driven by favourable deposit margins from a rising interest rate environment, favourable lending mix with a shift towards higher margin variable home loans and higher earnings on capital and replicating portfolio. This was partially offset by asset margin contraction from competitive pressure, unfavourable deposit mix with a shift towards lower margin term deposits and higher net funding costs.
- Other operating income decreased driven by lower insurance related income and higher cards travel insurance premium reflecting the recovery in domestic and international travel, the timing of recognition of cards incentives, and seasonality of fees.
- Operating expenses increased driven by inflationary pressure and higher ANZ Plus run costs. These were partially offset by simplification initiatives, and a reduction in spend on regulatory and compliance initiatives.
- Credit impairment charge increased driven by higher collectively assessed credit impairment, and higher individually assessed credit impairment charge driven by lower write-backs and recoveries.

Australia Commercial

	Half Year		
Australia Commercial	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**
Net interest income	**1,632**	1,410	1,158
Other operating income	**175**	185	477
Operating income	**1,807**	1,595	1,635
Operating expenses	**(685)**	(652)	(649)
Cash profit before credit impairment and income tax	**1,122**	943	986
Credit impairment (charge)/release	**(66)**	11	122
Cash profit before income tax	**1,056**	954	1,108
Income tax expense and non-controlling interests	**(317)**	(286)	(225)
Cash profit	**739**	668	883
Balance Sheet			
Net loans and advances	**59,911**	59,727	57,625
Other external assets	**316**	256	197
External assets	**60,227**	59,983	57,822
Customer deposits	**113,011**	112,195	116,420
Other external liabilities	**6,031**	6,160	6,392
External liabilities	**119,042**	118,355	122,812
Risk weighted assets	**47,359**	54,043	51,605
Average gross loans and advances[1]	**61,030**	59,794	58,441
Average deposits and other borrowings[1]	**113,276**	115,269	114,924
Ratios			
Return on average assets	**1.24%**	1.09%	1.46%
Net interest margin[2]	**2.72%**	2.30%	1.90%
Operating expenses to operating income	**37.9%**	40.9%	39.7%
Operating expenses to average assets	**1.15%**	1.07%	1.07%
Individually assessed credit impairment charge/(release)	**9**	(6)	43
Individually assessed credit impairment charge/(release) as a % of average GLA[3]	**0.03%**	(0.02%)	0.15%
Collectively assessed credit impairment charge/(release)	**57**	(5)	(165)
Collectively assessed credit impairment charge/(release) as a % of average GLA[3]	**0.19%**	(0.02%)	(0.57%)
Gross impaired assets	**288**	360	533
Gross impaired assets as a % of GLA	**0.47%**	0.59%	0.91%
Total full time equivalent staff	**3,607**	3,551	3,528

1. *Averages are calculated using predominantly daily averages.*
2. *Australia Commercial division generates positive net interest income from surplus deposits held. Accordingly, $59.3 billion of average deposits for the March 2023 half (Sep 22 half: $62.8 billion; Mar 22 half: $64.1 billion) have been included within 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 March 2023 with March 2022

Cash profit decreased by $144 million (-16%).

Key factors affecting the result were:

- Lending volumes increased driven by Specialist Business lending growth.
- Net interest margin increased driven by favourable deposit margins from a rising interest rate environment and higher earnings on capital and replicating portfolio. This was partially offset by unfavourable deposit mix with a shift towards lower margin term deposits, higher net funding costs and asset margin contraction from competitive pressure.
- Other operating income decreased driven by the gain on sale relating to the ANZ Worldline partnership in the March 2022 half and lower impact of divested business results. This was partially offset by the loss on sale of the financial planning and advice business in the March 2022 half.
- Operating expenses increased driven by inflationary pressure, hiring of frontline FTE and higher strategic initiatives spend, partially offset by lower costs post business divestment.
- Credit impairment charge increased driven by higher collectively assessed credit impairment, partially offset by lower individually assessed credit impairment charge due to subdued delinquency flows.

Comparison of March 2023 with September 2022

Cash profit increased by $71 million (+11%).

Key factors affecting the result were:

- Lending volumes increased driven by Specialist Business lending growth.
- Net interest margin increased driven by favourable deposit margins from a rising interest rate environment and higher earnings on capital and replicating portfolio. This was partially offset by unfavourable deposit mix with a shift towards lower margin term deposits, higher net funding costs and asset margin contraction from competitive pressure.
- Other operating income decreased driven by lower revenue following business divestments.
- Operating expenses increased driven by inflationary pressure, hiring of frontline FTE and higher strategic initiatives spend.
- Credit impairment charge increased driven by higher collectively assessed credit impairment, and higher individually assessed credit impairment charge due to lower write-backs and recoveries.

Institutional

Institutional	Half Year Mar 23 $M	Sep 22 $M	Mar 22 $M
Net interest income	**2,071**	1,925	1,772
Other operating income	**1,373**	868	783
Operating income	**3,444**	2,793	2,555
Operating expenses	**(1,328)**	(1,293)	(1,273)
Cash profit before credit impairment and income tax	**2,116**	1,500	1,282
Credit impairment (charge)/release	**74**	2	25
Cash profit before income tax	**2,190**	1,502	1,307
Income tax expense and non-controlling interests	**(593)**	(374)	(498)
Cash profit	**1,597**	1,128	809
Consisting of:			
Transaction Banking	**515**	415	244
Corporate Finance	**670**	584	528
Markets	**438**	139	182
Central Functions	**(26)**	(10)	(145)
Cash profit	**1,597**	1,128	809
Balance Sheet			
Net loans and advances	**208,265**	207,241	188,177
Other external assets	**317,483**	336,825	281,506
External assets	**525,748**	544,066	469,683
Customer deposits	**278,089**	262,534	247,173
Other external liabilities	**172,675**	210,580	173,053
External liabilities	**450,764**	473,114	420,226
Risk weighted assets	**183,125**	208,119	198,669
Average gross loans and advances[1]	**214,883**	196,195	183,890
Average deposits and other borrowings[1]	**355,905**	341,058	327,112
Ratios			
Return on average assets	**0.59%**	0.44%	0.35%
Net interest margin	**0.91%**	0.91%	0.88%
Net interest margin (excluding Markets)	**2.26%**	2.03%	1.82%
Operating expenses to operating income	**38.6%**	46.3%	49.8%
Operating expenses to average assets	**0.49%**	0.50%	0.55%
Individually assessed credit impairment charge/(release)	**(79)**	(15)	1
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.07%)**	(0.02%)	0.00%
Collectively assessed credit impairment charge/(release)	**5**	13	(26)
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**0.00%**	0.01%	(0.03%)
Gross impaired assets	**302**	425	683
Gross impaired assets as a % of GLA	**0.14%**	0.20%	0.36%
Total full time equivalent staff	**6,353**	6,316	6,323

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 March 2023 with March 2022

Cash profit increased by $788 million (+97%).

Key factors affecting the result were:

- Lending volumes increased across Corporate Finance and Markets with strong core lending and customer flows during the period. Customer deposits increased in Markets and Transaction Banking.
- Net interest margin ex-Markets increased driven by favourable deposit margins from a rising interest rate environment and higher earnings on capital and replicating portfolio.
- Other operating income increased primarily driven by higher Markets revenues from increased customer activities and more favourable trading conditions.
- Operating expenses increased driven by inflationary pressure and higher technology costs, partially offset by lower expenses following business divestments.
- Credit impairment release increased driven by release of individually assessed credit impairment due to significant write-backs and recoveries, partially offset by increase in collectively assessed credit impairment.
- Income tax expense in the March 2022 half included the dividend withholding tax on the dividend payment from ANZ PNG to ANZBGL.

Comparison of March 2023 with September 2022

Cash profit increased by $469 million (+42%).

Key factors affecting the result were:

- Lending volumes increased in Corporate Finance and Markets following strong core lending and customer flows during the period, partially offset by decrease in Transaction Banking. Customer deposits increased in Markets, partially offset by decrease in Transaction Banking and Corporate Finance.
- Net interest margin ex-Markets increased driven by favourable deposit margins from a rising interest rate environment and higher earnings on capital and replicating portfolio.
- Other operating income increased primarily driven by higher Markets revenues from increased customer activities and more favourable trading conditions.
- Operating expenses increased driven by inflationary pressure and higher technology costs, partially offset by lower expenses following business divestments.
- Credit impairment release increased driven by release of individually assessed credit impairment due to significant write-backs and recoveries, and decrease in collectively assessed credit impairment.

New Zealand

Table reflects NZD for New Zealand.
AUD results shown on page 72.

	Half Year		
New Zealand	**Mar 23 NZD M**	**Sep 22 NZD M**	**Mar 22 NZD M**
Net interest income	**1,721**	1,674	1,434
Other operating income	**216**	238	259
Operating income	**1,937**	1,912	1,693
Operating expenses	**(685)**	(688)	(689)
Cash profit before credit impairment and income tax	**1,252**	1,224	1,004
Credit impairment (charge)/release	**(82)**	(81)	32
Cash profit before income tax	**1,170**	1,143	1,036
Income tax expense and non-controlling interests	**(328)**	(321)	(290)
Cash profit	**842**	822	746
Consisting of:			
Personal	**566**	562	442
Business	**274**	258	284
Central Functions	**2**	2	20
Cash profit	**842**	822	746
Balance Sheet			
Net loans and advances	**128,433**	128,574	125,249
Other external assets	**3,527**	3,326	3,513
External assets	**131,960**	131,900	128,762
Customer deposits	**104,614**	104,450	104,118
Other external liabilities	**25,226**	26,366	24,662
External liabilities	**129,840**	130,816	128,780
Risk weighted assets	**76,609**	65,482	64,356
Average gross loans and advances[1]	**129,088**	128,172	123,689
Average deposits and other borrowings[1]	**111,064**	111,633	107,734
Net funds management income	**96**	95	101
Funds under management	**36,928**	34,313	37,358
Average funds under management	**35,867**	35,875	38,415
Ratios			
Return on average assets	**1.28%**	1.25%	1.18%
Net interest margin	**2.67%**	2.61%	2.33%
Operating expenses to operating income	**35.4%**	36.0%	40.7%
Operating expenses to average assets	**1.04%**	1.05%	1.09%
Individual credit impairment charge/(release)	**10**	(4)	(14)
Individual credit impairment charge/(release) as a % of average GLA[2]	**0.02%**	(0.01%)	(0.02%)
Collective credit impairment charge/(release)	**72**	85	(18)
Collective credit impairment charge/(release) as a % of average GLA[2]	**0.11%**	0.13%	(0.03%)
Gross impaired assets	**107**	106	121
Gross impaired assets as a % of GLA	**0.08%**	0.08%	0.10%
Total full time equivalent staff	**6,785**	6,793	6,939

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.*

New Zealand results and commentary are reported in NZD. AUD results are shown on page 72.

Comparison of March 2023 with March 2022

Cash profit increased by NZD 96 million (+13%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan and business lending growth.
- Net interest margin increased driven by favourable deposit margins from a rising interest rate environment. This was partially offset by asset margin contraction from competitive pressure and unfavourable deposit mix with a shift towards lower margin term deposits.
- Other operating income decreased driven by gain on sale of government securities in the March 2022 half, and lower funds management fees.
- Credit impairment charge increased driven by increase in collectively assessed credit impairment and increase in individually assessed credit impairment due to lower write-backs.

Comparison of March 2023 with September 2022

Cash profit increased by NZD 20 million (+2%).

Key factors affecting the result were:

- Lending volumes flat, with home loan growth offset by lower business lending.
- Net interest margin increased driven by favourable deposit margins from a rising interest rate environment. This was partially offset by asset margin contraction from competitive pressure and unfavourable deposit mix with a shift towards lower margin term deposits.
- Other operating income decreased driven by lower cards revenue due to the reduction in domestic interchange rates.
- Credit impairment charge was broadly flat as decrease in collectively assessed credit impairment was offset by increase in individually assessed credit impairment due to lower recoveries.

New Zealand

Table reflects AUD for New Zealand.
NZD results shown on page 70.

	Half Year		
New Zealand	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**
Net interest income	**1,582**	1,517	1,354
Other operating income	**199**	216	244
Operating income	**1,781**	1,733	1,598
Operating expenses	**(630)**	(622)	(651)
Cash profit before credit impairment and income tax	**1,151**	1,111	947
Credit impairment (charge)/release	**(75)**	(76)	31
Cash profit before income tax	**1,076**	1,035	978
Income tax expense and non-controlling interests	**(302)**	(290)	(274)
Cash profit	**774**	745	704
Consisting of:			
Personal	**520**	510	418
Business	**252**	233	269
Central Functions	**2**	2	17
Cash profit	**774**	745	704
Balance Sheet			
Net loans and advances	**120,262**	113,288	116,403
Other external assets	**3,303**	2,930	3,264
External assets	**123,565**	116,218	119,667
Customer deposits	**97,958**	92,032	96,765
Other external liabilities	**23,622**	23,231	22,918
External liabilities	**121,580**	115,263	119,683
Risk weighted assets	**71,735**	57,696	59,810
Average gross loans and advances[1]	**118,683**	115,946	116,794
Average deposits and other borrowings[1]	**102,113**	100,984	101,729
Net funds management income	**88**	86	96
Funds under management	**34,580**	30,324	34,719
Average funds under management	**32,975**	32,443	36,275
Ratios			
Return on average assets	**1.28%**	1.25%	1.18%
Net interest margin	**2.67%**	2.61%	2.33%
Operating expenses to operating income	**35.4%**	36.0%	40.7%
Operating expenses to average assets	**1.04%**	1.05%	1.09%
Individual credit impairment charge/(release)	**9**	(3)	(13)
Individual credit impairment charge/(release) as a % of average GLA[2]	**0.02%**	(0.01%)	(0.02%)
Collective credit impairment charge/(release)	**66**	79	(18)
Collective credit impairment charge/(release) as a % of average GLA[2]	**0.11%**	0.13%	(0.03%)
Gross impaired assets	**100**	93	113
Gross impaired assets as a % of GLA	**0.08%**	0.08%	0.10%
Total full time equivalent staff	**6,785**	6,793	6,939

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.*

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk

Liquidity 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. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Group and managed in accordance with the risk appetite set by the ANZBGL Board.

The Group's approach to liquidity risk management incorporates two key components:

- **Scenario modelling of funding sources**

  The Group's liquidity risk appetite is defined by the ability to meet a range of regulatory requirements and internal liquidity metrics mandated by the ANZBGL Board. The metrics cover a range of scenarios of varying duration and level of severity. The objective of this framework is to:

  - Provide protection against shorter term extreme market dislocation and stress.
  - Maintain structural strength in the balance sheet by ensuring that an appropriate amount of longer-term assets are funded with longer-term funding.
  - Ensure that no undue timing concentrations exist in the Group's funding profile.

  A key component of this framework is the LCR, which is a severe short-term liquidity stress scenario mandated by banking regulators globally, including APRA.

  Consistent with APRA's requirement, the Group's CLF was nil at 31 March 2023 (Sep 22: $2.7 billion; Mar 22: $8.0 billion).

- **Liquid assets**

  The Group holds a portfolio of high quality unencumbered liquid assets in order to protect the Group's liquidity position in a severely stressed environment, as well as to meet regulatory requirements. High-quality Liquid Assets comprise three categories, with the definitions consistent with Basel 3 LCR:

  - Highest-quality liquid assets ("HQLA1"): Cash, highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
  - High-quality liquid assets ("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 other eligible securities listed by the RBNZ.

  The Group monitors and manages the size and composition of its liquid assets portfolio on an ongoing basis in line with regulatory requirements and the risk appetite set by the ANZBGL Board.

	Half Year Average[1]		
	Mar 23 $B	**Sep 22 $B**	**Mar 22 $B**
Market Values Post Discount			
HQLA1	**253.5**	228.2	224.1
HQLA2	**9.7**	8.3	7.6
Internal Residential Mortgage Backed Securities	**-**	0.3	3.2
Other ALA[2]	**2.7**	5.3	6.2
Total liquid assets	**265.9**	242.1	241.1
Cash flows modeled under stress scenario			
Cash outflows	**268.8**	245.9	230.3
Cash inflows	**60.5**	58.5	47.2
Net cash outflows	**208.3**	187.4	183.1
Liquidity Coverage Ratio[3,4]	**128%**	129%	132%

1. *Half year average basis, calculated as prescribed per APRA Prudential Regulatory Standard (APS 210 Liquidity) and consistent with APS 330 requirements.*
2. *Comprised of assets qualifying as collateral for the CLF, and any liquid assets as defined in the RBNZ's Liquidity Policy - Annex: Liquidity Assets - Prudential Supervision Department Document BS13A12.*
3. *All currency Level 2 LCR.*
4. *LCR remained above the regulatory minimum thresholds throughout the periods.*

Funding

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

During the March 2023 half, the Group issued $23.9 billion of term wholesale funding (excluding Additional Tier 1 Capital) with a remaining term greater than one year as at 31 March 2023, and $1.5 billion of Additional Tier 1 Capital. The following table shows the Group's total funding composition:

	As at		
	Mar 23 $B	Sep 22 $B	Mar 22 $B
Customer deposits and other liabilities			
Australia Retail	**156.4**	150.0	147.0
Australia Commercial	**113.0**	112.2	116.4
Institutional	**278.1**	262.5	247.1
New Zealand	**98.0**	92.0	96.8
Pacific	**3.6**	3.8	3.8
Group Centre	**(0.1)**	(0.1)	-
Customer deposits	**649.0**	620.4	611.1
Other funding liabilities[1]	**12.1**	8.0	9.6
Total customer liabilities (funding)	**661.1**	628.4	620.7
Wholesale funding			
Unsubordinated debt and central bank term funding[2]	**97.1**	89.0	86.4
Subordinated debt[3]	**32.7**	27.3	22.6
Certificates of deposit	**44.5**	34.0	36.9
Commercial paper	**38.8**	39.2	31.9
Other wholesale borrowings[4]	**122.5**	110.8	111.3
Total wholesale funding	**335.6**	300.3	289.1
Shareholders' equity	**68.6**	66.4	61.8
Total funding	**1,065.3**	995.1	971.6

1. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, and excludes liability for acceptances as they do not provide net funding.*
2. *Includes RBA TFF of $20.1 billion (Sep 22: $20.1 billion; Mar 22: $20.1 billion), RBNZ FLP of $3.2 billion (Sep 22: $2.3 billion; Mar 22: $1.4 billion) and TLF of $0.3 billion (Sep 22: $0.3 billion; Mar 22: $0.3 billion).*
3. *Includes subordinated debt issued by ANZ Bank 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.*
4. *Includes borrowings from banks, securities sold under repurchase agreements, net derivative balances, special purpose vehicles, other borrowings, and RBA open repurchase arrangements netted down by the corresponding exchange settlement account cash balance.*

Net Stable Funding Ratio

The following table shows the Level 2 Net Stable Funding Ratio composition:

	As at		
	Mar 23 $B	Sep 22 $B	Mar 22 $B
Required Stable Funding[1]			
Retail & small and medium enterprises, corporate loans <35% risk weight[2]	**200.5**	204.8	202.2
Retail & small and medium enterprises, corporate loans >35% risk weight[2]	**221.3**	198.2	190.7
Other lending[3]	**37.2**	36.2	32.6
Liquid assets	**13.1**	12.0	11.5
Other assets[4]	**45.2**	39.7	36.5
Total Required Stable Funding	**517.3**	490.9	473.5
Available Stable Funding[1]			
Retail & small and medium enterprise customer deposits	**292.9**	282.6	301.5
Corporate, public sector entities & operational deposits	**136.9**	132.7	118.4
Central bank & other financial institution deposits	**4.7**	4.8	4.0
Term funding[5]	**71.3**	63.1	69.7
Short term funding & other liabilities	**8.5**	7.7	5.0
Capital	**99.4**	93.5	84.2
Total Available Stable Funding	**613.7**	584.4	582.8
Net Stable Funding Ratio[6]	**119%**	119%	123%

1. *NSFR factored balance as per APRA Prudential Regulatory Standard APS 210 Liquidity.*
2. *Risk weighting as per APRA Prudential Regulatory Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk.*
3. *Includes loans to financial institutions and central banks and non-performing loans.*
4. *Includes off-balance sheet items, net derivatives and other assets.*
5. *Includes balances from the drawdown of the RBA and RBNZ Funding Facilities (TFF, FLP and TLF).*
6. *The regulatory minimum NSFR is 100%.*

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 31 March 2023. 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 31 March 2023.

Contractual maturity ($M)[1]	FY23	FY24	FY25	FY26	FY27	After 2027	Total
Unsubordinated debt and central bank term funding[2]	19,006	25,023	18,490	15,050	5,231	10,712	93,512
Subordinated debt[3]	112	2,942	3,486	6,411	3,385	9,532	25,868
Total	**19,118**	**27,965**	**21,976**	**21,461**	**8,616**	**20,244**	**119,380**

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 1 April 2023 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 31 March 2023		
ANZBGL Credit ratings	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investors Service	P-1	Aa3	Stable
S & P Global Ratings	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

Qualifying Capital	APRA As at Mar 23 $M	Sep 22 $M	Mar 22 $M
Tier 1			
Shareholders' equity and non-controlling interests	**68,625**	66,401	61,756
Prudential adjustments to shareholders' equity	**(358)**	(175)	180
Gross Common Equity Tier 1 capital	**68,267**	66,226	61,936
Deductions	**(10,887)**	(10,354)	(11,425)
Common Equity Tier 1 capital	**57,380**	55,872	50,511
Additional Tier 1 capital	**8,184**	7,686	7,490
Tier 1 capital	**65,564**	63,558	58,001
Tier 2 capital	**24,068**	19,277	14,780
Total qualifying capital	**89,632**	82,835	72,781
Capital adequacy ratios (Level 2)			
Common Equity Tier 1	**13.2%**	12.3%	11.5%
Tier 1	**15.1%**	14.0%	13.2%
Tier 2	**5.5%**	4.2%	3.4%
Total capital ratio	**20.6%**	18.2%	16.6%
Risk weighted assets	**435,514**	454,718	437,910

APRA Capital Reform

APRA has released new bank capital adequacy requirements applying to Australian incorporated registered banks, which are set out in APRA's Banking Prudential Standard documents. The Group has implemented these new requirements from 1 January 2023.

The new capital adequacy key requirements include changes to APS 110 *Capital Adequacy* ("APS 110"), APS 112 *Capital Adequacy: Standardised Approach to Credit Risk* ("APS 112") and APS 113 *Capital Adequacy: Internal Ratings-based Approach to Credit Risk* ("APS 113") with key features of the reforms including:

- improving the flexibility of the capital framework, through larger capital buffers that can be used by banks to support lending during periods of stress;
- changes to RWA through more risk-sensitive risk weights increasing capital requirements for higher risk lending and decreasing it for lower risks;
- changes to loss given default rates ("LGD") including approved use of an internal ratings-based ("IRB") approved LGD model for mortgage portfolios;
- an increase in the IRB scaling factor (from 1.06x to 1.1x);
- requirement that IRB ADIs calculate and disclose RWA under the standardised approach and the introduction of a capital floor at 72.5% of standardised RWA; and
- use of prescribed New Zealand authority's equivalent prudential rules for the purpose of calculating the Level 2 regulatory capital requirement.

In addition, operational RWA is now calculated under APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* ("APS 115") which replaced the previous advanced methodology from December 2022.

The application of APRA Capital Reform reduced RWA by $34.5 billion, equivalent to a 100 bps CET1 ratio benefit. This was partially offset by APRA's expectations that ADIs operate a higher capital ratio to maintain an unquestionably strong level.

Comparison of March 2023 with September 2022

The Group's CET1 ratio increased +89 bps to 13.18% during the March 2023 half. Key drivers of the movement in the CET1 ratio were:

- APRA Capital Reform impacts, including changes from adoption of APS 115 increased the CET1 ratio by +100 bps.
- Profit increased the CET1 ratio by +82 bps.
- Higher underlying CRWA usage (excluding foreign currency translation movements, regulatory changes and other one-offs) decreased the CET1 ratio by -29 bps primarily driven by lending growth in the Institutional and Australia Retail divisions.
- Lower underlying non-CRWA usage (excluding foreign currency translation movements) increased the CET1 ratio by +14 bps driven by decreases in IRRBB RWA, partially offset by increases in market risk RWA.
- IRB floor adjustment following implementation of APRA Capital Reform on 1 January 2023 decreased the CET1 ratio by -13 bps.
- Payment of the 2022 final dividend (net of Bonus Option Plan and Dividend Reinvestment Plan issuance) reduced the CET1 ratio by -47 bps.
- ANZ Bank Group surplus capital transfer to ANZGHL reduced CET1 ratio by -6 bps.
- Other impacts totalling -12 bps primarily reflecting net movements in capital deductions, net imposts, and net other items.

March 2023 pro-forma CET1 capital ratio of 12.10% includes pro-forma adjustments for:

- Suncorp Bank acquisition (including IRB floor adjustment) of -114 bps, and
- NOHC surplus capital of +6 bps.

Leverage ratio

At 31 March 2023, the Group's APRA Leverage Ratio was 5.3% which is above the 3.5% APRA minimum for IRB ADIs which includes the ANZ Bank Group. The following table summarises the Group's Leverage Ratio calculation:

	As at		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Tier 1 Capital (net of capital deductions)	**65,564**	63,558	58,001
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**1,013,515**	954,088	928,686
Derivative exposures[1]	**44,612**	51,800	36,474
Securities financing transaction exposures	**43,756**	35,570	34,223
Other off-balance sheet exposures[1]	**140,999**	126,853	117,904
Total exposure measure	**1,242,882**	1,168,311	1,117,287
APRA Leverage Ratio	**5.3%**	5.4%	5.2%

1. *March 2023 includes impacts from APRA Capital Reform.*

Comparison of March 2023 with September 2022

APRA leverage ratio decreased -16 bps during the March 2023 half. Key drivers of the movement were:

- Net organic capital generation (largely from profit and movements in capital deductions), less dividends paid increased the leverage ratio by +10 bps,
- Additional Tier 1 capital impact (Capital Notes 8 issuance net of Capital Notes 3 redemption) increased the leverage ratio by +5 bps,
- On-balance sheet exposure growth driven by increased liquid exposures and lending growth in the Institutional and Australia Retail divisions decreased the leverage ratio by -24 bps,
- Net movements in derivative, securities financing transactions, and other off-balance sheet exposures decreased the leverage ratio by -5 bps, and
- Net other impacts decreased the leverage ratio by -2 bps.

Summary

Refer to “Section 4: Directors, Senior Management/Executives and Employees” on pages 86 to 90 of the Group’s 2022 Annual U.S. Disclosure Document for a comprehensive discussion of the Group’s Directors, Senior Management and Executives, and Corporate Governance.

During the period since the 2022 Annual U.S. Disclosure Document to the date of this U.S. Disclosure Document, there were no material changes to these matters with the exception of the following:

Changes to Directors

On 15 December 2022, Mr Graeme Liebelt ceased as a Non-Executive Director of ANZBGL and on 8 February 2023, Mr Graham Hodges became a Non-Executive Director of ANZBGL.

The names of the Directors of ANZBGL who held office during and since the end of the half year are:
Mr PD O’Sullivan Chairman
Mr SC Elliott Director and Chief Executive Officer
Ms IR Atlas, AO Director
Ms SJ Halton, AO PSM Director
Mr GR Liebelt Director, retired 15 December 2022
Rt Hon Sir JP Key, GNZM AC Director
Mr JT Macfarlane Director
Ms CE O’Reilly Director
Mr JP Smith Director
Mr GK Hodges Director, appointed 8 February 2023

With the exception of Mr Graham Hodges, each Director of ANZBGL also serves as a Director of ANZGHL.

Changes to Senior Management and Executives

On 9 December 2022, the Group announced the appointment of Ms. Clare Morgan as Group Executive Australia Commercial. As a member of the Group’s Executive Committee, Ms. Morgan is responsible for the Group’s commercial business in Australia where she leads a team serving customers ranging from sole proprietors through to emerging corporates as well as Private Banking. Ms Morgan has extensive financial services experience across a variety of business and institutional banking sales and product roles in Australia and the United States. Ms. Morgan’s appointment follows the Group separating out Australia Commercial as a stand-alone division in March 2022. Ms. Morgan joined the Group in March 2023.

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 sets the minimum terms and conditions of employment for the ANZ Group’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.

The Group recently agreed, with the Finance Sector Union in Australia, to commence bargaining for a new EBA. Bargaining commenced in mid-April 2023.

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 Bank 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.

Rest of World

There are no significant disputes between management and labor unions in any of the countries located in the Rest of World geography.

Any public documents referred to in this U.S. Disclosure Document may be inspected by contacting the Company Secretary in writing, addressed to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Organisational Structure

ANZBGL is indirectly owned and controlled by ANZGHL. See “Section 2: Information on the Group – Overview” for a description of the Restructure implemented by the Group that resulted in ANZGHL becoming the listed parent company of the ANZ Group in place of ANZBGL and the composition of the ANZ Group following the Restructure.

DIVIDEND DISTRIBUTION POLICY

Subject to the limitations set out below, the Board of Directors of ANZBGL will determine the amount and timing of dividend distributions to holders of ordinary shares. As at the date of this U.S. Disclosure Document, ANZ Bank HoldCo, which is in turn wholly owned by ANZGHL, is ANZBGL’s sole shareholder.

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 or constrained by the terms of ANZBGL’s hybrid securities and APRA prudential standards.

RELATED PARTY TRANSACTIONS

Related Entities Transactions

From time to time, ANZBGL or its subsidiaries may enter into agreements with other members of the ANZ Group. Following the restructure, a number of transactions and arrangements exist between ANZBGL and ANZ Group entities, including leasing arrangements, funding activities and deposits being held by ANZBGL. Transactions among ANZ Group entities have been carried out on terms equivalent to those made on an arm’s length basis.

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

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. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties.

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 16 of the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as part of the Annex).

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.

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 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 the 2022 U.S. Disclosure Document as part of the Annex) for a description of contingent liabilities and contingent assets as at 30 September 2022. Refer to Note 17 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document) for a description of contingent liabilities and contingent assets as at 31 March 2023.

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.

- **South African rate action**

  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. An agreement to settle the claim was reached in November 2022. The financial impact is not material. 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 Bank New Zealand, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ Bank 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.

- **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.

- **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.

EXCHANGE CONTROLS AND RESTRICTIONS ON PAYMENTS

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. In some cases, contravention of these sanctions constitutes a criminal offence.

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.

Economic and trade sanctions and restrictions on payments that are currently in force in Australia 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.

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.

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

ANZ Bank New Zealand means ANZ Bank New Zealand Limited.

ANZ Bank New Zealand Group means ANZ Bank New Zealand and each of its subsidiaries.

ANZ Bank Group means ANZ Bank HoldCo and its subsidiaries (including ANZBGL and ANZ Bank New Zealand).

ANZ Bank HoldCo means ANZ BH Pty Ltd (ACN 658 939 952), a non-operating intermediate holding company owned by ANZGHL and which owns the ANZ Bank Group.

ANZ Group prior to the Restructure means the Group and after the Restructure means ANZGHL and its subsidiaries (including ANZ Bank HoldCo, ANZBGL, ANZ ServiceCo and ANZ Non-Bank HoldCo).

ANZGHL means ANZ Group Holdings Limited (ACN 659 510 791).

ANZ Plus is ANZBGL's digital banking service available only through the 'ANZ Plus' app. Other ANZBGL banking services are available through the 'ANZ' app, internet banking, branches and over the phone.

ANZ Non-Bank Group means ANZ ServiceCo, ANZ Non-Bank HoldCo and all businesses and entities owned by ANZ Non-Bank HoldCo.

ANZ Non-Bank HoldCo means ANZ NBH Pty Ltd (ACN 658 941 096), a non-operating intermediate holding company owned by ANZGHL and which owns certain non-banking subsidiaries.

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

APRA - Australian Prudential Regulation Authority.

APRA Leverage Ratio compares Tier 1 Capital to the "exposure measure" (expressed as a percentage) as defined by APS 110. 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.

Company means ANZBGL.

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 ("WHO") on 11 March 2020. On 5 May 2023, the WHO ended the global emergency status of the COVID-19 pandemic.

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 ANZBGL.

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 means ANZBGL and each of its subsidiaries.

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 Basel Calculation of RWA for credit risk regulations (effective 1 Jan 2023) documented in the Basel Framework and the 'Australian Banking Association Basel 3.1 Capital Comparison Study' (Mar 2023). This definition is for measures from March 2023 onwards.

Level 1 in the context of APRA supervision, means ANZBGL consolidated with certain approved subsidiaries.

Level 2 in the context of APRA supervision, means consolidated ANZ Bank Group excluding insurance and funds management entities, commercial non-financial entities, and certain securitisation vehicles.

Level 3 in the context of APRA supervision, means ANZ Group – the conglomerate group at the widest level.

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 equals share capital and reserves attributable to shareholders of ANZBGL 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.

Restructure means the restructure of the ANZ Group, as part of the establishment of the non-operating holding company, implemented by the scheme of arrangement under the *Corporations Act* between ANZBGL and shareholders.

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.

Restructure Group means ANZBGL and each of its subsidiaries.

Return on average assets is the profit attributable to shareholders of ANZBGL, divided by average total assets.

Return on average ordinary shareholders' equity is the profit attributable to shareholders of ANZBGL, 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: Condensed Consolidated Financial Statements of the Group for the half year ended 31 March 2023 and independent auditor's review report on the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal half year ended 31 March 2023

Australia and New Zealand Banking Group Limited

		Half Year			Movement	
	Note	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Interest income		**22,838**	13,902	9,707	64%	large
Interest expense		**(14,338)**	(6,128)	(2,607)	large	large
Net interest income	2	**8,500**	7,774	7,100	9%	20%
Other operating income	2	**1,507**	1,922	2,313	-22%	-35%
Net income from insurance business	2	**40**	85	55	-53%	-27%
Share of associates' profit/(loss)	2, 15	**100**	103	74	-3%	35%
Operating income		**10,147**	9,884	9,542	3%	6%
Operating expenses	3	**(4,986)**	(4,788)	(4,791)	4%	4%
Profit before credit impairment and income tax		**5,161**	5,096	4,751	1%	9%
Credit impairment (charge)/release	8	**(133)**	(52)	284	large	large
Profit before income tax		**5,028**	5,044	5,035	0%	0%
Income tax expense	4	**(1,446)**	(1,440)	(1,500)	0%	-4%
Profit after tax from continuing operations		**3,582**	3,604	3,535	-1%	1%
Profit/(Loss) after tax from discontinued operations		**-**	(14)	(5)	large	large
Profit for the period		**3,582**	3,590	3,530	0%	1%
Comprising:						
Profit attributable to shareholders of the Company		**3,568**	3,589	3,530	-1%	1%
Profit attributable to non-controlling interests	13	**14**	1	-	large	n/a

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**	**Mar 23 v. Sep 22**	**Mar 23 v. Mar 22**
Profit for the period from continuing operations	**3,582**	3,604	3,535	-1%	1%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Investment securities - equity securities at FVOCI	**50**	(66)	11	large	large
Other reserve movements	**(32)**	28	99	large	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve	**792**	16	(775)	large	large
Other reserve movements	**1,073**	(1,549)	(2,631)	large	large
Income tax attributable to the above items	**(301)**	429	743	large	large
Share of associates' other comprehensive income[1]	**8**	(50)	10	large	-20%
Other comprehensive income after tax from continuing operations	**1,590**	(1,192)	(2,543)	large	large
Profit/(Loss) after tax from discontinued operations	**-**	(14)	(5)	large	large
Total comprehensive income for the period	**5,172**	2,398	987	large	large
Comprising total comprehensive income attributable to:					
Shareholders of the Company	**5,128**	2,412	987	large	large
Non-controlling interests	**44**	(14)	-	large	n/a

1. *Share of associates' other comprehensive income includes:*

	Mar 23 half $M	*Sep 22 half $M*	*Mar 22 half $M*
FVOCI reserve gain/(loss)	*2*	*(51)*	*(5)*
Defined benefits gain/(loss)	*6*	*-*	*15*
Foreign currency translation reserve gain/(loss)	*-*	*1*	*-*
Total	***8***	***(50)***	***10***

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As at			Movement	
Assets	**Note**	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**	**Mar 23 v. Sep 22**	**Mar 23 v. Mar 22**
Cash and cash equivalents[1]		**208,800**	168,132	168,054	24%	24%
Settlement balances owed to ANZ		**7,020**	4,762	7,141	47%	-2%
Collateral paid		**9,245**	12,700	10,764	-27%	-14%
Trading assets		**39,611**	35,237	39,433	12%	0%
Derivative financial instruments		**45,614**	90,174	45,238	-49%	1%
Investment securities		**93,505**	86,153	79,757	9%	17%
Net loans and advances	7	**690,737**	672,407	651,436	3%	6%
Regulatory deposits		**646**	632	661	2%	-2%
Investments in associates		**2,214**	2,181	2,018	2%	10%
Current tax assets		**49**	46	227	7%	-78%
Deferred tax assets		**3,014**	3,384	2,903	-11%	4%
Goodwill and other intangible assets		**3,933**	3,877	4,068	1%	-3%
Premises and equipment		**2,613**	2,431	2,702	7%	-3%
Other assets		**4,604**	3,613	2,959	27%	56%
Total assets		**1,111,605**	1,085,729	1,017,361	2%	9%
Liabilities						
Settlement balances owed by ANZ		**23,010**	13,766	19,752	67%	16%
Collateral received		**8,002**	16,230	6,716	-51%	19%
Deposits and other borrowings	9	**843,098**	797,281	780,288	6%	8%
Derivative financial instruments		**46,154**	85,149	47,795	-46%	-3%
Current tax liabilities		**342**	829	320	-59%	7%
Deferred tax liabilities		**58**	83	82	-30%	-29%
Payables and other liabilities		**13,875**	9,835	10,579	41%	31%
Employee entitlements		**592**	549	585	8%	1%
Other provisions		**1,692**	1,872	2,262	-10%	-25%
Debt issuances	10	**106,157**	93,734	87,226	13%	22%
Total liabilities		**1,042,980**	1,019,328	955,605	2%	9%
Net assets		**68,625**	66,401	61,756	3%	11%
Shareholders' equity						
Ordinary share capital	13	**29,054**	28,797	25,091	1%	16%
Reserves	13	**(1,065)**	(2,606)	(1,422)	-59%	-25%
Retained earnings	13	**40,111**	39,716	38,078	1%	5%
Share capital and reserves attributable to shareholders of the Company		**68,100**	65,907	61,747	3%	10%
Non-controlling interests	13	**525**	494	9	6%	large
Total shareholders' equity		**68,625**	66,401	61,756	3%	11%

1. *Includes settlement balances owed to ANZ that meet the definition of Cash and cash equivalents.*

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Profit after income tax	**3,582**	3,590	3,530
Adjustments to reconcile to net cash flow from operating activities:			
Credit impairment charge/(release)	**133**	52	(284)
Depreciation and amortisation	**478**	499	509
Loss on reclassification of data centres to held for sale	**43**	-	-
(Profit)/loss on sale of premises and equipment	**-**	(8)	-
Net derivatives/foreign exchange adjustment	**5,417**	(4,055)	(379)
(Gain)/loss on sale from divestments	**-**	7	(259)
Other non-cash movements	**(763)**	(734)	(175)
Net (increase)/decrease in operating assets:			
Collateral paid	**3,185**	(704)	(1,934)
Trading assets	**(2,273)**	4,557	3,463
Loans and advances	**(11,877)**	(18,073)	(28,305)
Other assets	**(587)**	574	111
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**41,699**	(32)	48,911
Settlement balances owed by ANZ	**9,053**	(6,011)	2,525
Collateral received	**(7,892)**	8,205	1,263
Other liabilities	**(1,067)**	(332)	3,665
Total adjustments	**35,549**	(16,055)	29,111
Net cash (used in)/provided by operating activities[1]	**39,131**	(12,465)	32,641
Cash flows from investing activities			
Investment securities:			
Purchases	**(13,494)**	(17,083)	(17,209)
Proceeds from sale or maturity	**5,432**	14,305	18,492
Controlled entities and associates:			
Purchased, net of cash acquired	**-**	-	(65)
Proceeds from divestments, net of cash disposed	**577**	-	394
Net investments in other assets	**(350)**	(132)	(519)
Net cash (used in)/provided by investing activities	**(7,835)**	(2,910)	1,093
Cash flows from financing activities			
Deposits and other borrowings drawn down	**937**	794	432
Debt issuances:[2]			
Issue proceeds	**25,041**	15,955	7,467
Redemptions	**(14,689)**	(9,141)	(16,876)
Dividends paid[3,4]	**(2,299)**	(1,790)	(1,994)
On market purchase of treasury shares	**(19)**	-	(117)
Repayment of lease liabilities	**(156)**	(60)	(158)
Share buy-back	**-**	-	(846)
ANZ Bank New Zealand Perpetual Preference Shares	**-**	492	-
Share entitlement issue	**-**	3,497	-
Net cash (used in)/provided by financing activities	**8,815**	9,747	(12,092)
Net increase/(decrease) in cash and cash equivalents	**40,111**	(5,628)	21,642
Cash and cash equivalents at beginning of period	**168,132**	168,054	151,260
Effects of exchange rate changes on cash and cash equivalents	**557**	5,706	(4,848)
Cash and cash equivalents at end of period	**208,800**	168,132	168,054

1. *Net cash (used in)/provided by operating activities includes interest received of $22,084 million (Sep 22 half: $13,129 million; Mar 22 half: $9,619 million), interest paid of $12,720 million (Sep 22 half: $5,223 million; Mar 22 half: $2,634 million) and income taxes paid of $1,827 million (Sep 22 half: $749 million; Mar 22 half: $1,422 million).*
2. *Non-cash changes in debt issuances include a loss of $2,072 million (Sep 22 half: $831 million gain; Mar 22 half: $3,894 million gain) from unrealised movements primarily due to fair value hedge adjustments and foreign exchange differences.*
3. *Cash outflow for shares purchased to satisfy the Dividend Reinvestment Plan (DRP) are classified in dividends paid.*
4. *Includes $320 million cash outflow as part of the special dividend to the Group's parent entity, ANZ BH Pty Ltd, during the March 2023 half.*

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	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 2021	25,984	1,228	36,453	**63,665**	11	**63,676**
Profit/(Loss) from continuing operations	-	-	3,535	**3,535**	-	**3,535**
Profit/(Loss) from discontinued operations	-	-	(5)	**(5)**	-	**(5)**
Other comprehensive income for the period from continuing operations	-	(2,628)	85	**(2,543)**	-	**(2,543)**
Total comprehensive income for the period	-	(2,628)	3,615	**987**	-	**987**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(1,992)	**(1,992)**	(2)	**(1,994)**
Group share buy-back[1]	(846)	-	-	**(846)**	-	**(846)**
Other equity movements:						
Employee share and option plans	(47)	-	-	**(47)**	-	**(47)**
Other items	-	(22)	2	**(20)**	-	**(20)**
As at 31 March 2022	25,091	(1,422)	38,078	**61,747**	9	**61,756**
Profit/(Loss) from continuing operations	-	-	3,603	**3,603**	1	**3,604**
Profit/(Loss) from discontinued operations	-	-	(14)	**(14)**	-	**(14)**
Other comprehensive income for the period from continuing operations	-	(1,207)	30	**(1,177)**	(15)	**(1,192)**
Total comprehensive income for the period	-	(1,207)	3,619	**2,412**	(14)	**2,398**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(1,973)	**(1,973)**	-	**(1,973)**
Dividend Reinvestment Plan[2]	183	-	-	**183**	-	**183**
Share entitlement issue[3]	3,497	-	-	**3,497**	-	**3,497**
Other equity movements:						
Employee share and option plans	26	-	-	**26**	-	**26**
ANZ Bank New Zealand Perpetual Preference Shares issued[4]	-	-	(7)	**(7)**	499	**492**
Other items	-	23	(1)	**22**	-	**22**
As at 30 September 2022	28,797	(2,606)	39,716	**65,907**	494	**66,401**
Profit/(Loss) from continuing operations	-	-	3,568	**3,568**	14	**3,582**
Other comprehensive income for the period from continuing operations	-	1,600	(40)	**1,560**	30	**1,590**
Total comprehensive income for the period	-	1,600	3,528	**5,128**	44	**5,172**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid[5]	-	-	(3,172)	**(3,172)**	(13)	**(3,185)**
Dividend Reinvestment Plan[2]	206	-	-	**206**	-	**206**
Other equity movements:						
Employee share and option plans	53	-	-	**53**	-	**53**
Net transfers following Restructure	-	(39)	39	**-**	-	**-**
Other items	(2)	(20)	-	**(22)**	-	**(22)**
As at 31 March 2023	29,054	(1,065)	40,111	**68,100**	525	**68,625**

1. *The Group completed its $1.5 billion on-market share buy-back of ANZ ordinary shares resulting in 31 million shares being cancelled in the March 2022 half.*
2. *8.4 million shares were issued under the DRP for the 2022 final dividend (2022 interim dividend: 7.2 million; 2021 final dividend: nil). On-market share purchases for the DRP were $204 million in the March 2022 half.*
3. *The Group issued 187.1 million new ordinary shares under the share entitlement offer in the September 2022 half.*
4. *ANZ Bank New Zealand, a wholly owned subsidiary of ANZBGL, issued Perpetual Preference Shares in the September 2022 half which are considered non-controlling interests to the Group. Refer to Note 13 Shareholders' equity for further details.*
5. *Includes $1,000 million special dividend paid to the Group's parent entity, ANZ BH Pty Ltd, during the March 2023 half.*

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

1. Basis of preparation

Organisational Restructure

On 3 January 2023, Australia and New Zealand Banking Group Limited (ANZBGL) established, by a scheme of arrangement, a non-operating holding company, ANZ Group Holdings Limited (ANZGHL), as the new listed parent holding company of the ANZ Group and implemented a restructure to separate ANZ's banking and certain non-banking businesses into the ANZ bank group and ANZ non-bank group (Restructure). The ANZ bank group comprises the majority of the businesses and subsidiaries that were held in ANZBGL prior to the Restructure. The ANZ non-bank group comprises banking-adjacent businesses developed or acquired by the ANZ Group to focus on bringing new technology and banking-adjacent services to the ANZ Group's customers, and a separate service company.

On Restructure, each ANZ shareholder received one ANZGHL ordinary share for each ANZ ordinary share that they held prior to the implementation of the Restructure. The Restructure was accounted for as a reverse acquisition in the ANZGHL consolidated financial statements as at 31 March 2023, with ANZBGL identified as the acquirer in accordance with AASB 3 *Business Combinations*.

As a result of the Restructure, the ANZBGL consolidated results for the March 2023 half consist of:

- the results of the former ANZ Group for the period 1 October 2022 to 2 January 2023;
- the result of ANZBGL and its subsidiaries (Group) for the period 3 January to 31 March 2023.

Refer to iv) Accounting policies section below for details on accounting policy applicable to the Restructure.

These Condensed Consolidated Financial Statements have been prepared for the Australia New Zealand Banking Group Limited consolidated group.

Basis of Preparation

These Condensed Consolidated Financial Statements:

- have been prepared in accordance with the recognition and measurement requirements of *Australian Accounting Standards* (AASs);
- should be read in conjunction with ANZ's Annual Financial Report for the year ended 30 September 2022 and any public announcements made by the ANZGHL and its controlled entities for the half year ended 31 March 2023 in accordance with the continuous disclosure obligations under the *Corporations Act 2001* and the *ASX Listing Rules*;
- do not include all notes of the type normally included in the 2022 ANZ Annual Report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 4 May 2023.

i) Statement of Compliance

These Condensed Consolidated Financial Statements have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* which ensures compliance with IAS 34 *Interim Financial Reporting*.

ii) Rounding of amounts

The amounts contained in these Condensed Consolidated Financial Statements have been rounded to the nearest million dollars, except where otherwise indicated, as permitted by *Australian Securities and Investments Commission Corporations Instrument 2016/191*.

iii) Basis of measurement and presentation

The financial information has been prepared in accordance with the historical cost basis except the following assets and liabilities that are stated at their fair values:

- derivative financial instruments as well as, in the case of fair value hedges, the fair value adjustment on the underlying hedged exposure;
- financial assets and liabilities held for trading;
- financial assets and liabilities designated at fair value through profit and loss (FVTPL);
- financial assets at fair value through other comprehensive income (FVOCI); and
- assets and liabilities held for sale (except those required to be at carrying value).

In accordance with AASB 119 *Employee Benefits*, defined benefit obligations are measured using the Projected Unit Credit method.

There were no discontinued operations in the current period. For the purpose of comparative information, discontinued operations in the prior periods were separately presented from the results of the continuing operations as a single line item 'Profit/(Loss) after tax from discontinued operations' in the Condensed Consolidated Income Statement.

iv) Accounting policies

These Condensed Consolidated Financial Statements have been prepared on the basis of accounting policies and using methods of computation consistent with those applied in the 2022 ANZ Annual Report.

Accounting policies applicable to the Restructure

The implementation of the non-operating holding company involved the transfer of assets and entities between companies within the wider ANZGHL Group. This had implications for the ANZBGL Consolidated financial statements due to the transfers extending outside of the ANZBGL group. From an accounting perspective, since the transfers were between wholly owned entities, these are considered common control transactions. As there is no specific accounting standard for such transfers, the Group is required to make an accounting policy choice.

The Group's accounting policy for the transfer of the assets and entities between companies under common control is to apply book value accounting. Under this approach, any differences between book value and the transfer price are recorded in equity. The accounting policy choice did not have a material impact on profit and loss or equity when the assets were transferred as part of the Restructure.

1. Basis of preparation, cont'd

v) Use of estimates, assumptions and judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions impacting the application of accounting policies and financial outcomes. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments are provided in the 2022 ANZ Annual Report. Such estimates and judgements are reviewed on an ongoing basis.

The global economy is facing challenges associated with high inflation, increasing interest rates, labour market constraints, and continuing geopolitical tensions which contributes to an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The Group has made various accounting estimates in these Condensed Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions at 31 March 2023 about future events considered reasonable in the circumstances. Thus 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, along with assumptions and judgements made in relation to other key estimates. Readers should consider these disclosures in light of the inherent uncertainties described above.

Allowance for expected credit losses

The Group measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by AASB 9 *Financial Instruments*.

The Group's allowance for expected credit losses is included in the table below (refer to Note 8 for further information).

	As at		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Collectively assessed	**4,040**	3,853	3,757
Individually assessed	**421**	542	636
Total[1]	**4,461**	4,395	4,393

1. *Includes allowance for expected credit losses for Net loans and advances - at amortised cost, Investment securities - debt securities at amortised cost and Off-balance sheet commitments - undrawn and contingent facilities.*

Individually assessed allowance for expected credit losses

During the March 2023 half, the individually assessed allowance for expected credit losses decreased $121 million.

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 continuing uncertainties described above.

Collectively assessed allowance for expected credit losses

During the March 2023 half, the collectively assessed allowance for expected credit losses increased $187 million, attributable to $100 million from deterioration in economic outlook, $80 million from a net increase in management temporary adjustments, $24 million from deterioration in credit risk, and $24 million from foreign currency translation and other impacts. This was partially offset by $41 million from an improvement in portfolio composition.

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 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 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.

1. Basis of preparation, cont'd

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.

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2023
Determining when a significant increase in credit risk (SICR) has occurred or reversed	In the measurement of ECL, judgement is involved in determining 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 (PD) 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 SICR 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 continued to adjust 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, elevated inflation and labour market pressures.
Measuring both 12-month and lifetime credit losses	The probability of default, loss given default (LGD) and exposure at default (EAD) factors 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 is relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity. In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility which is used in measuring ECL.	The PD, LGD and EAD models are subject to the Group's model risk policy that stipulates periodic model monitoring and re-validation, and defines approval procedures and authorities according to model materiality. 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 31 March 2023, the base case assumptions have been updated to reflect elevated inflation, continuing high interest rates, continued cost of living pressures and tightness in the labour market. The expected outcomes of key economic drivers for the base case scenario at 31 March 2023 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.	The probability weightings for each scenario remained unchanged from 30 September 2022. Weightings for current and prior periods are as detailed in the section below under the heading on 'Probability weightings'.
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.	Management have continued to apply adjustments to accommodate uncertainty associated with higher inflation and interest rates. Management overlays have been made for risks particular to retail, including home loans, credit cards and small business in Australia, business banking in New Zealand, and for personal and tourism in Pacific.

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.

1. Basis of preparation, cont'd

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 macro-economic conditions, used at 31 March 2023 are set out below. For years beyond the near-term forecasts below, the ECL models apply simplified assumptions for the economy to calculate lifetime loss.

	Actual calendar year	Forecast calendar year	
	2022	2023	2024
Australia			
GDP (annual % change)	3.6%	2.0%	1.2%
Unemployment rate	3.7%	3.7%	4.2%
Residential property prices (annual % change)	-6.9%	-9.2%	4.2%
Consumer price index (annual % change)	6.6%	5.3%	3.3%
New Zealand			
GDP (annual % change)	2.8%	1.4%	-0.1%
Unemployment rate	3.3%	3.9%	5.2%
Residential property prices (annual % change)	-13.0%	-9.7%	2.2%
Consumer price index (annual % change)	7.2%	6.1%	2.9%
Rest of World			
GDP (annual % change)	2.1%	1.4%	0.4%
Consumer price index (annual % change)	8.0%	4.1%	2.7%

The base case economic forecasts for Australia, New Zealand and Rest of World are for continuing slowdowns in economic activity. Continued high inflation and tight labour markets are expected to keep interest rates high and dampen growth over the forecast period.

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.

Scenario weightings remain the same as those applied in September 2022 as noted in the table below.

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:

	Mar 23	Sep 22	Mar 22
Group			
Base	**45.0%**	45.0%	40.0%
Upside	**0.0%**	0.0%	5.0%
Downside	**40.0%**	40.0%	45.0%
Severe downside	**15.0%**	15.0%	10.0%

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 the Group's allowance for collectively assessed ECL to key factors used in determining it at 31 March 2023:

	Balance Sheet $M	(Profit) and Loss Impact $M
If 1% of stage 1 facilities were included in stage 2	4,121	81
If 1% of stage 2 facilities were included in stage 1	4,035	(5)
100% upside scenario	1,315	(2,725)
100% base scenario	1,816	(2,224)
100% downside scenario	3,272	(768)
100% severe downside scenario	7,314	3,274

1. Basis of preparation, cont'd

Fair value measurement of financial instruments

The majority of valuation models the Group used to value financial instruments employ observable market data as inputs. For certain financial instruments, the Group may use data that is not readily observable in current markets requiring management to exercise judgement in determining fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Group derives unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

At 31 March 2023, the Group had $1,401 million of assets and $26 million of liabilities where the valuation was primarily derived using unobservable inputs (Sep 22: $1,833 million assets and $31 million liabilities; Mar 22: $1,580 million assets and $23 million liabilities). The financial instruments which are valued using unobservable inputs are predominantly equity securities and syndicated loans where quoted prices in active markets are not available.

Equity securities

The Group holds an equity investment in the Bank of Tianjin (BoT), which at 31 March 2023 has a carrying value of $900 million (Sep 22: $854 million; Mar 22: $956 million). The shares in BoT are listed, but the shares are illiquid, and consequently the fair value is based upon a valuation model using comparator group pricing multiples.

The Group holds equity investments in unlisted equities, which at 31 March 2023 have a carrying value of $89 million (Sep 22: $491 million; Mar 22: $426 million). The fair values of these investments are based on valuation techniques relevant to the investments, including use of discounted cash flow approaches, prices from recent arm's length transactions where available, and comparator group pricing multiples, such as price to book ratios.

For equity instruments valued using valuation techniques, judgement is required in both the selection of the model and inputs used. When the Group adopts comparator group pricing multiples, judgement is required to determine an appropriate comparator group for the purposes of the specific valuation.

Syndicated loans

The Group holds $380 million (Sep 22: $403 million; Mar 22: $113 million) of syndicated loans which are measured at fair value when there is no market data available for the valuation. A fair value is derived using discounted cash flow techniques with discount factors sourced from credit default swaps as a proxy.

Investments in associates

The Group assesses the carrying value of its investments in associates for impairment indicators semi-annually. In addition, the recoverable amount of the investments is assessed to determine whether it is appropriate to reverse any prior period impairment losses recorded in respect of those investments.

Investments may be subjected to impairment depending on whether indicators of impairment exist, and then where a value-in-use (VIU) or fair value less cost of disposal (FVLCOD) recoverable value assessment indicate that impairment is warranted.

Investments are also assessed for reversals of any prior period impairments by comparing their carrying values to higher of value-in-use and FVLCOD and determining whether the service potential of the investment has increased since it was last impaired.

Both VIU and FVLCOD are subject to management judgement including the inputs used in the VIU measurement. Depending on the judgements applied, decisions on the amount of impairment, reversals of prior-period impairments, or decisions on whether or not to adjust carrying values, may differ.

Customer remediation provisions

At 31 March 2023, the Group has recognised customer remediation provisions of $549 million (Sep 22: $662 million; Mar 22: $853 million) which includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation costs and outcomes.

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, 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 advice, and adjustments are made to the provisions where appropriate.

Other provisions

The Group holds provisions for various obligations including 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. 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.

1. Basis of preparation, cont'd

vi) Interest rate benchmark reform

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), continue to play a critical role in global financial markets, serving as reference rates for certain 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). 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.

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) and 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 cease primarily by 30 June 2023.

The Group continues to manage the transition from the remaining USD LIBOR tenors and other 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 31 March 2023

The table below presents the Group's exposure to interest rate benchmarks still 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 31 March 2023	USD Libor $M	Others $M
Gross loans and advances[1]	7,735	48
Other non-derivative financial assets[1]	149	-
Non-derivative financial liabilities[2]	650	32
Derivative assets (notional value)[3]	597,784	11,064
Derivative liabilities (notional value)[3]	578,589	9,599
Loan commitments[1,4]	6,914	-

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. In the event there are multiple pricing currencies that are impacted by cessation, the allocation is based on 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 exposures designated in hedge accounting relationships referencing LIBOR that will be impacted by IBOR reform. The nominal value of the associated hedging instruments is also presented:

Hedged items	As at 31 March 2023 $M
Investment securities at FVOCI	7,410
Net loans and advances	201
Deposits and other borrowings	157
Debt issuances	15,387

Hedging instruments	Notional designated up to 30 June 2023 $M	Notional designated beyond 30 June 2023 $M	Total notional amount $M
Fair value hedges	3,278	19,098	22,376
Cash flow hedges	-	277	277

2. Income

	Half Year			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Interest income	**22,838**	13,902	9,707	64%	large
Interest expense	**(14,163)**	(5,953)	(2,442)	large	large
Major bank levy	**(175)**	(175)	(165)	0%	6%
Net interest income	**8,500**	7,774	7,100	9%	20%
Other operating income					
i) Fee and commission income					
Lending fees[1]	**199**	186	188	7%	6%
Non-lending fees	**1,119**	1,120	1,274	0%	-12%
Commissions	**40**	53	50	-25%	-20%
Funds management income	**122**	124	137	-2%	-11%
Fee and commission income	**1,480**	1,483	1,649	0%	-10%
Fee and commission expense	**(543)**	(494)	(666)	10%	-18%
Net fee and commission income	**937**	989	983	-5%	-5%
ii) Other income					
Net foreign exchange earnings and other financial instruments income[2]	**590**	870	1,123	-32%	-47%
Gain on completion of ANZ Worldline partnership	**-**	-	307	n/a	large
Release of foreign currency translation reserve	**-**	-	(65)	n/a	large
Loss on disposal of financial planning and advice business	**-**	-	(62)	n/a	large
Loss on reclassification of data centres to held for sale	**(43)**	-	-	n/a	n/a
Other	**23**	63	27	-63%	-15%
Other income	**570**	933	1,330	-39%	-57%
Other operating income	**1,507**	1,922	2,313	-22%	-35%
Net income from insurance business	**40**	85	55	-53%	-27%
Share of associates' profit/(loss)	**100**	103	74	-3%	35%
Operating income	**10,147**	9,884	9,542	3%	6%

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 measured and/or designated at fair value through profit or loss.*

3. Operating expenses

	Half Year			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
i) Personnel					
Salaries and related costs	**2,602**	2,376	2,378	10%	9%
Superannuation costs	**194**	187	188	4%	3%
Other	**90**	79	88	14%	2%
Personnel	**2,886**	2,642	2,654	9%	9%
ii) Premises					
Rent	**34**	48	40	-29%	-15%
Depreciation	**219**	207	212	6%	3%
Other	**90**	125	89	-28%	1%
Premises	**343**	380	341	-10%	1%
iii) Technology					
Depreciation and amortisation	**256**	285	293	-10%	-13%
Subscription licences and outsourced services	**484**	455	444	6%	9%
Other	**91**	66	78	38%	17%
Technology	**831**	806	815	3%	2%
iv) Restructuring	**54**	52	49	4%	10%
v) Other					
Advertising and public relations	**90**	88	77	2%	17%
Professional fees	**406**	471	464	-14%	-13%
Freight, stationery, postage and communication	**86**	85	87	1%	-1%
Other	**290**	264	304	10%	-5%
Other	**872**	908	932	-4%	-6%
Operating expenses	**4,986**	4,788	4,791	4%	4%

4. Income tax expense

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in the profit and loss.

	Half Year			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Profit before income tax from continuing operations	**5,028**	5,044	5,035	0%	0%
Prima facie income tax expense at 30%	**1,508**	1,513	1,511	0%	0%
Tax effect of permanent differences:					
Net gain from divestments/closures	**-**	4	(87)	large	large
Share of associates' (profit)/loss	**(31)**	(31)	(22)	0%	41%
Interest on convertible instruments	**38**	28	21	36%	81%
Overseas tax rate differential	**(94)**	(67)	(61)	40%	54%
Provision for foreign tax on dividend repatriation[1]	**18**	16	139	13%	-87%
Other	**8**	(7)	11	large	-27%
Subtotal	**1,447**	1,456	1,512	-1%	-4%
Income tax (over)/under provided in previous years	**(1)**	(16)	(12)	-94%	-92%
Income tax expense	**1,446**	1,440	1,500	0%	-4%
Australia	**847**	884	960	-4%	-12%
Overseas	**599**	556	540	8%	11%
Income tax expense	**1,446**	1,440	1,500	0%	-4%
Effective tax rate	**28.8%**	28.5%	29.8%		

1. *Includes the $126 million withholding tax paid in the March 2022 half on the dividend payment made by ANZ Papua New Guinea to ANZBGL.*

5. Dividends

	Half Year			Movement	
	Mar 23	Sep 22	Mar 22	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Ordinary share dividend ($M)[1]					
Interim dividend	**-**	2,012	-		
Final dividend	**2,213**	-	2,030		
Bonus option plan adjustment	**(41)**	(39)	(38)		
Special dividend to ANZ BH Pty Ltd	**1,000**	-	-		
Total	**3,172**	1,973	1,992	61%	59%

1. *Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders of $13 million (Sep 22 half: nil; Mar 22 half: $2 million).*

Ordinary Shares

ANZBGL's Dividend Reinvestment Plan ("DRP") and Bonus Option Plan ("BOP") ceased to operate following implementation of the Restructure on 3 January 2023.

The Directors propose an interim dividend of $2,433 million be paid on 3 July 2023 to its intermediate holding company, ANZ BH Pty Ltd, a wholly owned subsidiary of ANZGHL.

6. Segment reporting

i) Description of segments

During the March 2023 half, the Group operated on a divisional structure with six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific, and Group Centre.

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 (including PNG) 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 and commercial customers (including multi-nationals) and to governments located in the Pacific region excluding PNG which forms part of the Institutional division.

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 Group Treasury, Shareholder Functions, and minority investments in Asia.

ii) Segment Restatements

Prior period comparatives have been restated for the following:

- Non-banking businesses - transfer of non-banking businesses held in the Australia Commercial and Institutional divisions to the Group Centre division which were then disposed as part of the Restructure.
- Corporate customer re-segmentation - certain business and property finance customers were transferred from the New Zealand division to the Institutional division to better align customer needs with the right support and expertise delivery.
- Cost reallocations - certain costs were reallocated across the Australia Retail, Australia Commercial, Institutional and Group Centre divisions.

Operating segments presented below are consistent with internal divisional reporting provided to the chief operating decision maker, being the Chief Executive Officer.

6. Segment reporting, cont'd

iii) Operating segments

ANZ measures the performance of operating segments on a cash profit basis. To calculate cash profit, the Group excludes items from profit after tax attributable to shareholders. For the current and prior periods, the adjustments relate to impacts of economic hedges and revenue and expense hedges which represent timing differences that will reverse through earnings in the future.

Transactions between divisions across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

March 2023 Half Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Group Total $M
Net interest income	3,018	1,632	2,071	1,582	62	135	8,500
Net fee and commission income	235	162	346	199	10	(15)	937
Net income from insurance business	40	-	-	-	-	-	40
Other income[1,2]	6	13	1,027	-	30	(117)	959
Share of associates' profit/(loss)	-	-	-	-	-	100	100
Operating income[1,2]	3,299	1,807	3,444	1,781	102	103	10,536
Operating expenses	(1,745)	(685)	(1,328)	(630)	(74)	(524)	(4,986)
Cash profit before credit impairment and income tax	1,554	1,122	2,116	1,151	28	(421)	5,550
Credit impairment (charge)/release	(82)	(66)	74	(75)	16	-	(133)
Cash profit before income tax	1,472	1,056	2,190	1,076	44	(421)	5,417
Income tax expense and non-controlling interests[1,2]	(446)	(317)	(593)	(302)	(10)	93	(1,575)
Cash profit/(loss) from continuing operations	1,026	739	1,597	774	34	(328)	3,842
Cash profit/(loss) from discontinued operations							-
Cash profit/(loss)	1,026	739	1,597	774	34	(328)	3,842
Economic hedges[1]							(190)
Revenue and expense hedges[2]							(84)
Profit after tax attributable to shareholders							3,568
Financial Position							
Total external assets	303,783	60,227	525,748	123,565	3,489	94,793	1,111,605
Total external liabilities	160,228	119,042	450,764	121,580	3,834	187,532	1,042,980

1. *The cash profit adjustment relates to the Institutional, New Zealand and Group Centre divisions. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: $269 million loss; Sep 22 half: $278 million gain; Mar 22 half: $524 million gain) and Income tax expense (Mar 23 half: $79 million benefit; Sep 22 half: $82 million expense; Mar 22 half: $151 million expense).*
2. *The cash profit adjustment relates to the Group Centre division. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: $120 million loss; Sep 22 half: $7 million gain; Mar 22 half: $70 million gain) and Income tax expense (Mar 23 half: $36 million benefit; Sep 22 half: $2 million expense; Mar 22 half: $21 million expense).*

6. Segment reporting, cont'd

September 2022 Half Year	Australia Retail $M	Australia Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Group Total $M
Net interest income	2,821	1,410	1,925	1,517	50	51	**7,774**
Net fee and commission income	262	170	339	215	14	(11)	**989**
Net income from insurance business	85	-	-	-	-	-	**85**
Other income[1,2]	6	15	529	1	20	77	**648**
Share of associates' profit/(loss)	-	-	-	-	-	103	**103**
Operating income[1,2]	3,174	1,595	2,793	1,733	84	220	**9,599**
Operating expenses	(1,656)	(652)	(1,293)	(622)	(73)	(492)	**(4,788)**
Cash profit before credit impairment and income tax	1,518	943	1,500	1,111	11	(272)	**4,811**
Credit impairment (charge)/release	16	11	2	(76)	9	(14)	**(52)**
Cash profit before income tax	1,534	954	1,502	1,035	20	(286)	**4,759**
Income tax expense and non-controlling interests[1,2]	(462)	(286)	(374)	(290)	(5)	60	**(1,357)**
Cash profit/(loss) from continuing operations	1,072	668	1,128	745	15	(226)	**3,402**
Cash profit/(loss) from discontinued operations							**(14)**
Cash profit/(loss)							**3,388**
Economic hedges[1]							**196**
Revenue and expense hedges[2]							**5**
Profit after tax attributable to shareholders							**3,589**
Financial Position							
Total external assets	292,876	59,983	544,066	116,218	3,707	68,879	**1,085,729**
Total external liabilities	153,494	118,355	473,114	115,263	4,065	155,037	**1,019,328**
March 2022 Half Year							
Net interest income	2,706	1,158	1,772	1,354	46	64	**7,100**
Net fee and commission income	214	233	312	213	12	(1)	**983**
Net income from insurance business	55	-	-	-	-	-	**55**
Other income[1,2]	-	244	471	31	22	(32)	**736**
Share of associates' profit/(loss)	-	-	-	-	-	74	**74**
Operating income[1,2]	2,975	1,635	2,555	1,598	80	105	**8,948**
Operating expenses	(1,741)	(649)	(1,273)	(651)	(80)	(397)	**(4,791)**
Cash profit before credit impairment and income tax	1,234	986	1,282	947	-	(292)	**4,157**
Credit impairment (charge)/release	113	122	25	31	(3)	(4)	**284**
Cash profit before income tax	1,347	1,108	1,307	978	(3)	(296)	**4,441**
Income tax expense and non-controlling interests[1,2]	(410)	(225)	(498)	(274)	(3)	82	**(1,328)**
Cash profit/(loss) from continuing operations	937	883	809	704	(6)	(214)	**3,113**
Cash profit/(loss) from discontinued operations							**(5)**
Cash profit/(loss)							**3,108**
Economic hedges[1]							**373**
Revenue and expense hedges[2]							**49**
Profit after tax attributable to shareholders							**3,530**
Financial Position							
Total external assets	287,304	57,822	469,683	119,667	3,796	79,089	**1,017,361**
Total external liabilities	150,732	122,812	420,226	119,683	3,986	138,166	**955,605**

1. *The cash profit adjustment relates to the Institutional, New Zealand and Group Centre divisions. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: $269 million loss; Sep 22 half: $278 million gain; Mar 22 half: $524 million gain) and Income tax expense (Mar 23 half: $79 million benefit; Sep 22 half: $82 million expense; Mar 22 half: $151 million expense).*
2. *The cash profit adjustment relates to the Group Centre division. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: $120 million loss; Sep 22 half: $7 million gain; Mar 22 half: $70 million gain) and Income tax expense (Mar 23 half: $36 million benefit; Sep 22 half: $2 million expense; Mar 22 half: $21 million expense).*

7. Net loans and advances

	As at			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Australia					
Overdrafts	**3,834**	3,852	3,491	0%	10%
Credit cards outstanding	**5,670**	5,658	5,707	0%	-1%
Commercial bills outstanding	**4,898**	5,214	5,632	-6%	-13%
Term loans - housing	**292,597**	282,343	277,894	4%	5%
Term loans - non-housing	**166,701**	163,520	151,718	2%	10%
Other	**916**	1,019	1,113	-10%	-18%
Total Australia	**474,616**	461,606	445,555	3%	7%
Rest of World					
Overdrafts	**568**	561	668	1%	-15%
Credit cards outstanding	**6**	6	6	0%	0%
Term loans - housing	**475**	490	464	-3%	2%
Term loans - non-housing	**77,095**	79,878	69,731	-3%	11%
Other	**613**	1,016	1,332	-40%	-54%
Total Rest of World	**78,757**	81,951	72,201	-4%	9%
New Zealand					
Overdrafts	**879**	853	824	3%	7%
Credit cards outstanding	**1,184**	1,091	1,087	9%	9%
Term loans - housing	**97,939**	91,792	95,794	7%	2%
Term loans - non-housing	**38,381**	36,332	38,512	6%	0%
Total New Zealand	**138,383**	130,068	136,217	6%	2%
Subtotal	**691,756**	673,625	653,973	3%	6%
Unearned income[1]	**(526)**	(518)	(460)	2%	14%
Capitalised brokerage and other origination costs[1]	**3,165**	2,882	1,482	10%	large
Gross loans and advances	**694,395**	675,989	654,995	3%	6%
Allowance for expected credit losses (refer to Note 8)	**(3,658)**	(3,582)	(3,559)	2%	3%
Net loans and advances[2]	**690,737**	672,407	651,436	3%	6%

1. *Amortised over the expected life of the loan.*
2. *Net loans and advances include a balance of $558 million (Sep 22: $667 million; Mar 22: $724 million) relating to the ANZ Share Investing lending portfolio which was sold in April 2023.*

8. Allowance for expected credit losses

	As at								
	Mar 23			Sep 22			Mar 22		
	Collectively assessed $M	Individually assessed $M	Total $M	Collectively assessed $M	Individually assessed $M	Total $M	Collectively assessed $M	Individually assessed $M	Total $M
Net loans and advances at amortised cost	**3,244**	**414**	**3,658**	3,049	533	3,582	2,940	619	3,559
Off-balance sheet commitments	**767**	**7**	**774**	766	9	775	788	17	805
Investment securities - debt securities at amortised cost	**29**	**-**	**29**	38	-	38	29	-	29
Total	**4,040**	**421**	**4,461**	3,853	542	4,395	3,757	636	4,393
Other Comprehensive Income									
Investment securities - debt securities at FVOCI[1]	**13**	**-**	**13**	10	-	10	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 with a corresponding charge to profit or loss.*

The following tables present the movement in the allowance for ECL.

Net loans and advances at amortised cost

Allowance for ECL is included in Net loans and advances.

			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
As at 1 October 2021	**968**	**1,994**	**417**	**666**	**4,045**
Transfer between stages	130	(152)	(58)	80	-
New and increased provisions (net of releases)	(73)	(301)	46	221	(107)
Write-backs	-	-	-	(111)	(111)
Bad debts written off (excluding recoveries)	-	-	-	(222)	(222)
Foreign currency translation and other movements[1]	(14)	(14)	(3)	(15)	(46)
As at 31 March 2022	**1,011**	**1,527**	**402**	**619**	**3,559**
Transfer between stages	155	(131)	(87)	63	-
New and increased provisions (net of releases)	(41)	158	46	156	319
Write-backs	-	-	-	(111)	(111)
Bad debts written off (excluding recoveries)	-	-	-	(206)	(206)
Foreign currency translation and other movements[1]	16	(6)	(1)	12	21
As at 30 September 2022	**1,141**	**1,548**	**360**	**533**	**3,582**
Transfer between stages	114	(100)	(63)	49	-
New and increased provisions (net of releases)	(103)	264	56	188	405
Write-backs	-	-	-	(164)	(164)
Bad debts written off (excluding recoveries)	-	-	-	(185)	(185)
Foreign currency translation and other movements[1]	7	17	3	(7)	20
As at 31 March 2023	**1,159**	**1,729**	**356**	**414**	**3,658**

1. *Other movements include the impact of discounting on expected cash flows for individually assessed allowances for ECL during the period.*

8. Allowance for expected credit losses, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2021	**555**	**211**	**19**	**21**	**806**
Transfer between stages	28	(27)	(2)	1	-
New and increased provisions (net of releases)	24	(5)	21	(1)	39
Write-backs	-	-	-	(4)	(4)
Foreign currency translation and other movements[1]	(30)	(6)	-	-	(36)
As at 31 March 2022	**577**	**173**	**38**	**17**	**805**
Transfer between stages	24	(18)	(7)	1	-
New and increased provisions (net of releases)	(29)	(12)	(2)	(1)	(44)
Write-backs	-	-	-	(7)	(7)
Foreign currency translation	21	1	-	(1)	21
As at 30 September 2022	**593**	**144**	**29**	**9**	**775**
Transfer between stages	24	(22)	(2)	-	-
New and increased provisions (net of releases)	(30)	30	1	-	1
Write-backs	-	-	-	(2)	(2)
Foreign currency translation	(1)	-	1	-	-
As at 31 March 2023	**586**	**152**	**29**	**7**	**774**

[1] *Other movements include the impact of divestments completed during the period.*

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 31 March 2022	29	-	-	-	29
As at 30 September 2022	38	-	-	-	38
As at 31 March 2023	**29**	**-**	**-**	**-**	**29**

Investment securities - debt securities at FVOCI

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.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 31 March 2022	10	-	-	-	10
As at 30 September 2022	10	-	-	-	10
As at 31 March 2023	**13**	**-**	**-**	**-**	**13**

8. Allowance for expected credit losses, cont'd

Credit impairment charge/(release) analysis

	Half Year			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
New and increased provisions (net of releases)[1,2]					
- Collectively assessed	**163**	60	(371)	large	large
- Individually assessed	**237**	219	301	8%	-21%
Write-backs[3]	**(166)**	(118)	(115)	41%	44%
Recoveries of amounts previously written off	**(101)**	(109)	(99)	-7%	2%
Total credit impairment charge/(release)	**133**	52	(284)	large	large

1. *Includes the impact of transfers between collectively assessed and individually assessed.*
2. *New and increased provisions (net of releases) includes:*

	Mar 23 half		*Sep 22 half*		*Mar 22 half*	
	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	*168*	*237*	*100*	*219*	*(408)*	*301*
Off-balance sheet commitments	*1*	*-*	*(44)*	*-*	*39*	*-*
Investment securities - debt securities at amortised cost	*(8)*	*-*	*4*	*-*	*(1)*	*-*
Investment securities - debt securities at FVOCI	*2*	*-*	*-*	*-*	*(1)*	*-*
Total	***163***	***237***	***60***	***219***	***(371)***	***301***

3. *Consists of write-backs in Net loans and advances at amortised cost of $164 million for the March 2023 half (Sep 22 half: $111 million; Mar 22 half: $111 million), and Off-balance sheet commitment of $2 million for the March 2023 half (Sep 22 half: $7 million; Mar 22 half: $4 million).*

9. Deposits and other borrowings

	As at			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Australia					
Certificates of deposit	**37,920**	29,412	29,914	29%	27%
Term deposits	**76,341**	51,319	44,165	49%	73%
On demand and short term deposits	**270,725**	285,677	286,191	-5%	-5%
Deposits not bearing interest	**22,815**	25,110	24,785	-9%	-8%
Deposits from banks and securities sold under repurchase agreements	**53,990**	47,147	50,398	15%	7%
Commercial paper and other borrowings	**36,475**	36,619	27,309	0%	34%
Total Australia	**498,266**	475,284	462,762	5%	8%
Rest of World					
Certificates of deposit	**5,233**	3,193	5,013	64%	4%
Term deposits	**127,467**	107,557	97,525	19%	31%
On demand and short term deposits	**24,125**	28,974	30,841	-17%	-22%
Deposits not bearing interest	**5,453**	6,957	7,314	-22%	-25%
Deposits from banks and securities sold under repurchase agreements	**52,160**	52,343	47,967	0%	9%
Total Rest of World	**214,438**	199,024	188,660	8%	14%
New Zealand					
Certificates of deposit	**1,392**	1,444	2,018	-4%	-31%
Term deposits	**47,598**	41,188	38,931	16%	22%
On demand and short term deposits	**56,307**	54,809	59,590	3%	-6%
Deposits not bearing interest	**18,103**	18,839	21,712	-4%	-17%
Deposits from banks and securities sold under repurchase agreements	**4,398**	4,090	2,069	8%	large
Commercial paper and other borrowings	**2,596**	2,603	4,546	0%	-43%
Total New Zealand	**130,394**	122,973	128,866	6%	1%
Deposits and other borrowings	**843,098**	797,281	780,288	6%	8%

10. Debt issuances

	As at			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Total unsubordinated debt	**73,443**	66,406	64,645	11%	14%
Additional Tier 1 Capital (perpetual subordinated securities)[1]					
ANZ Capital Notes (ANZ CN)[2]					
ANZ CN3	**-**	970	969	large	large
ANZ CN4	**1,620**	1,619	1,618	0%	0%
ANZ CN5	**929**	928	928	0%	0%
ANZ CN6	**1,488**	1,487	1,487	0%	0%
ANZ CN7	**1,297**	1,297	1,298	0%	0%
ANZ CN8	**1,482**	-	-	n/a	n/a
ANZ Capital Securities[3]	**1,380**	1,404	1,282	-2%	8%
Tier 2 Capital - Term Subordinated Notes[4]	**22,797**	17,907	14,047	27%	62%
Other subordinated debt securities[5]	**1,721**	1,716	952	0%	81%
Total subordinated debt	**32,714**	27,328	22,581	20%	45%
Total debt issuances	**106,157**	93,734	87,226	13%	22%

1. *ANZ Capital Notes and ANZ Capital Securities are Basel 3 compliant instruments.*
2. *Each of the ANZ Capital Notes will convert into a variable number of ordinary shares of ANZGHL on a specified mandatory conversion date at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into a variable number of ordinary shares of ANZGHL at a 1% discount subject to a maximum conversion number. Subject to certain conditions, the notes are redeemable or convertible into ordinary shares of ANZGHL (on similar terms to mandatory conversion) by ANZ at its discretion on an early redemption or conversion date.*

	Issuer	*Issue date*	*Issue amount $M*	*Early redemption or conversion date*	*Mandatory conversion date*
CN3	*ANZ, acting through its New Zealand branch*	*5 Mar 2015*	*970*	*n/a*	*n/a*
CN4	*ANZ*	*27 Sep 2016*	*1,622*	*20 Mar 2024*	*20 Mar 2026*
CN5	*ANZ*	*28 Sep 2017*	*931*	*20 Mar 2025*	*20 Mar 2027*
CN6	*ANZ*	*8 Jul 2021*	*1,500*	*20 Mar 2028*	*20 Sep 2030*
CN7	*ANZ*	*24 Mar 2022*	*1,310*	*20 Mar 2029*	*20 Sep 2031*
CN8	*ANZ*	*24 Mar 2023*	*1,500*	*20 Mar 2030*	*20 Sep 2032*

All ANZ Capital Notes 3 were redeemed by ANZ's New Zealand branch on 24 March 2023 with approximately $502 million of the proceeds from redemption reinvested into ANZ Capital Notes 8 on the same date.

3. *On 15 June 2016, ANZ acting through its London branch issued US$1 billion fully-paid perpetual subordinated contingent convertible securities (ANZ Capital Securities). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the securities will immediately convert into a variable number of ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on the First Reset Date (15 June 2026) and on each 5 year anniversary, ANZ has the right to redeem all of the securities at its discretion.*
4. *All the term subordinated notes are convertible and are Basel 3 compliant instruments. If ANZ receives a notice of non-viability from APRA, then the convertible subordinated notes will immediately convert into a variable number of ordinary shares of ANZGHL at a 1% discount subject to a maximum conversion number.*
5. *ANZ Bank New Zealand Limited, a wholly owned subsidiary of the Group, 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. Other subordinated debt securities also includes ANZ's USD 300 million perpetual subordinated notes from 1 January 2022. The USD 300 million perpetual subordinated notes ceased to be treated as Basel 3 transitional Tier 2 capital under APRA's capital framework from 1 January 2022.*

11. Credit risk

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 the 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 As at			Excluded[1] As at			Maximum Exposure to Credit Risk As at		
On-balance sheet positions	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**
Net loans and advances	**690,737**	672,407	651,436	**-**	-	-	**690,737**	672,407	651,436
Investment securities									
- debt securities at amortised cost	**7,912**	7,943	8,505	**-**	-	-	**7,912**	7,943	8,505
- debt securities at FVOCI	**84,589**	76,817	69,824	**-**	-	-	**84,589**	76,817	69,824
- equity securities at FVOCI	**997**	1,353	1,390	**997**	1,353	1,390	**-**	-	-
- debt securities at FVTPL	**7**	40	38		-	-	**7**	40	38
Other financial assets	**314,637**	314,580	273,507	**8,521**	9,769	13,117	**306,116**	304,811	260,390
Total on-balance sheet positions	**1,098,879**	1,073,140	1,004,700	**9,518**	11,122	14,507	**1,089,361**	1,062,018	990,193
Off-balance sheet commitments									
Undrawn and contingent facilities[2]	**292,550**	285,041	264,137	**-**	-	-	**292,550**	285,041	264,137
Total	**1,391,429**	1,358,181	1,268,837	**9,518**	11,122	14,507	**1,381,911**	1,347,059	1,254,330

1. *Excluded comprises bank notes and coins and cash at bank within Other financial assets, and investment securities - equity securities at FVOCI as they do not have credit exposure.*
2. *Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed allowance for expected credit losses.*

Credit Quality

The Group's internal Customer Credit Rating (CCR) is used 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 Requirement	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

11. Credit risk, cont'd

Net loans and advances

			Stage 3		
As at March 2023	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	416,703	14,678	-	-	431,381
Satisfactory	176,054	40,305	-	-	216,359
Weak	10,072	10,293	-	-	20,365
Defaulted	-	-	3,378	804	4,182
Gross loans and advances at amortised cost	**602,829**	**65,276**	**3,378**	**804**	**672,287**
Allowance for ECL	(1,159)	(1,729)	(356)	(414)	(3,658)
Net loans and advances at amortised cost	**601,670**	**63,547**	**3,022**	**390**	**668,629**
Coverage ratio	**0.19%**	**2.65%**	**10.54%**	**51.49%**	**0.54%**
Loans and advances at fair value through profit or loss					19,469
Unearned income					(526)
Capitalised brokerage and other origination costs					3,165
Net carrying amount					**690,737**
As at 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 March 2022					
Strong	431,582	13,744	-	-	445,326
Satisfactory	145,404	30,144	-	-	175,548
Weak	11,709	10,721	-	-	22,430
Defaulted	-	-	3,628	1,286	4,914
Gross loans and advances at amortised cost	**588,695**	**54,609**	**3,628**	**1,286**	**648,218**
Allowance for ECL	(1,011)	(1,527)	(402)	(619)	(3,559)
Net loans and advances at amortised cost	**587,684**	**53,082**	**3,226**	**667**	**644,659**
Coverage ratio	**0.17%**	**2.80%**	**11.08%**	**48.13%**	**0.55%**
Loans and advances at fair value through profit or loss					5,755
Unearned income					(460)
Capitalised brokerage and other origination costs					1,482
Net carrying amount					**651,436**

11. Credit risk, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

As at March 2023	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
Strong	200,066	1,439	-	-	201,505
Satisfactory	18,769	2,742	-	-	21,511
Weak	904	782	-	-	1,686
Defaulted	-	-	89	24	113
Gross undrawn and contingent facilities subject to ECL	**219,739**	**4,963**	**89**	**24**	**224,815**
Allowance for ECL included in Other provisions	(586)	(152)	(29)	(7)	(774)
Net undrawn and contingent facilities subject to ECL	**219,153**	**4,811**	**60**	**17**	**224,041**
Coverage ratio	**0.27%**	**3.06%**	**32.58%**	**29.17%**	**0.34%**
Undrawn and contingent facilities not subject to ECL[1]					68,509
Net undrawn and contingent facilities					**292,550**
As at 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	(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 March 2022					
Strong	175,462	1,244	-	-	176,706
Satisfactory	23,219	3,637	-	-	26,856
Weak	1,728	782	-	-	2,510
Defaulted	-	-	112	37	149
Gross undrawn and contingent facilities subject to ECL	**200,409**	**5,663**	**112**	**37**	**206,221**
Allowance for ECL included in Other provisions	(577)	(173)	(38)	(17)	(805)
Net undrawn and contingent facilities subject to ECL	**199,832**	**5,490**	**74**	**20**	**205,416**
Coverage ratio	**0.29%**	**3.05%**	**33.93%**	**45.95%**	**0.39%**
Undrawn and contingent facilities not subject to ECL[1]					58,721
Net undrawn and contingent facilities					**264,137**

1. *Commitments that can be unconditionally cancelled at any time without notice.*

11. Credit risk, cont'd

Investment securities - debt securities at amortised cost

As at March 2023	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
Strong	6,191	-	-	-	6,191
Satisfactory	82	-	-	-	82
Weak	1,668	-	-	-	1,668
Gross investment securities - debt securities at amortised cost	**7,941**	**-**	**-**	**-**	**7,941**
Allowance for ECL	(29)	-	-	-	(29)
Net investment securities - debt securities at amortised cost	**7,912**	**-**	**-**	**-**	**7,912**
Coverage ratio	**0.37%**	**-**	**-**	**-**	**0.37%**
As at 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 March 2022					
Strong	6,978	-	-	-	6,978
Satisfactory	120	-	-	-	120
Weak	1,436	-	-	-	1,436
Gross investment securities - debt securities at amortised cost	**8,534**	**-**	-	-	**8,534**
Allowance for ECL	(29)	-	-	-	(29)
Net investment securities - debt securities at amortised cost	**8,505**	-	-	-	**8,505**
Coverage ratio	**0.34%**	-	-	-	**0.34%**

Investment securities - debt securities at FVOCI

As at March 2023	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
Strong	84,589	-	-	-	84,589
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	**84,589**	**-**	**-**	**-**	**84,589**
Allowance for ECL recognised in Other comprehensive income	(13)	-	-	-	(13)
Coverage ratio	**0.02%**	**-**	**-**	**-**	**0.02%**
As at 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 March 2022					
Strong	69,656	-	-	-	69,656
Satisfactory	168	-	-	-	168
Investment securities - debt securities at FVOCI	**69,824**	-	-	-	**69,824**
Allowance for ECL recognised in Other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**

11. Credit risk, cont'd

Other financial assets

	As at		
	Mar 23 $M	**Sep 22 $M**	**Mar 22 $M**
Strong	**302,765**	301,735	257,543
Satisfactory[1]	**2,285**	2,164	2,483
Weak	**1,069**	945	391
Defaulted	**4**	7	11
Other financial assets[1]	**306,123**	304,851	260,428

1. *Includes Investment securities - debt securities at FVTPL of $7 million (Sep 22: $40 million; Mar 22: $38 million).*

12. 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 with their carrying amounts as recognised on the balance sheet.

As at March 2023	At amortised cost $M	At fair value $M	Total $M
Financial assets			
Cash and cash equivalents[1]	**184,092**	**24,708**	**208,800**
Settlement balances owed to ANZ	**7,020**	**-**	**7,020**
Collateral paid	**9,245**	**-**	**9,245**
Trading assets	**-**	**39,611**	**39,611**
Derivative financial instruments	**-**	**45,614**	**45,614**
Investment securities	**7,912**	**85,593**	**93,505**
Net loans and advances[1]	**671,268**	**19,469**	**690,737**
Regulatory deposits	**646**	**-**	**646**
Other financial assets	**3,701**	**-**	**3,701**
Total	**883,884**	**214,995**	**1,098,879**
Financial liabilities			
Settlement balances owed by ANZ	**23,010**	**-**	**23,010**
Collateral received	**8,002**	**-**	**8,002**
Deposits and other borrowings[1]	**811,770**	**31,328**	**843,098**
Derivative financial instruments	**-**	**46,154**	**46,154**
Payables and other liabilities	**9,142**	**4,733**	**13,875**
Debt issuances	**104,626**	**1,531**	**106,157**
Total	**956,550**	**83,746**	**1,040,296**

As at September 2022	At amortised cost $M	At fair value $M	Total $M
Financial assets			
Cash and cash equivalents	168,132	-	168,132
Settlement balances owed to ANZ	4,762	-	4,762
Collateral paid	12,700	-	12,700
Trading assets	-	35,237	35,237
Derivative financial instruments	-	90,174	90,174
Investment securities	7,943	78,210	86,153
Net loans and advances	667,732	4,675	672,407
Regulatory deposits	632	-	632
Other financial assets	2,943	-	2,943
Total	864,844	208,296	1,073,140
Financial liabilities			
Settlement balances owed by ANZ	13,766	-	13,766
Collateral received	16,230	-	16,230
Deposits and other borrowings	794,621	2,660	797,281
Derivative financial instruments	-	85,149	85,149
Payables and other liabilities	6,596	3,239	9,835
Debt issuances	92,623	1,111	93,734
Total	923,836	92,159	1,015,995

1. *During the March 2023 half, within the trading book in its Markets business, a component of the Institutional division, the Group commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognised and measured at fair value through profit and loss.*

12. Fair value of financial assets and financial liabilities, cont'd

As at March 2022	At amortised cost $M	At fair value $M	Total $M
Financial assets			
Cash and cash equivalents	168,054	-	168,054
Settlement balances owed to ANZ	7,141	-	7,141
Collateral paid	10,764	-	10,764
Trading assets	-	39,433	39,433
Derivative financial instruments	-	45,238	45,238
Investment securities	8,505	71,252	79,757
Net loans and advances	645,681	5,755	651,436
Regulatory deposits	661	-	661
Other financial assets	2,216	-	2,216
Total	843,022	161,678	1,004,700
Financial liabilities			
Settlement balances owed by ANZ	19,752	-	19,752
Collateral received	6,716	-	6,716
Deposits and other borrowings	775,699	4,589	780,288
Derivative financial instruments	-	47,795	47,795
Payables and other liabilities	5,945	4,634	10,579
Debt issuances	85,362	1,864	87,226
Total	893,474	58,882	952,356

12. Fair value of financial assets and financial liabilities, cont'd

i) Assets and liabilities measured at fair value

The fair values of financial assets and financial liabilities are generally determined at the individual instrument level. If the Group holds offsetting risk positions, then the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) is used to measure the fair value of such groups of financial assets and financial liabilities. The Group measures 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.

a) Fair value designation

The Group designates certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain separable embedded derivatives and are managed on a fair value basis, the total fair value movements are recognised in profit or loss in the same period as the movement on any associated hedging instruments; or
- in order to eliminate an accounting mismatch which would arise if the assets or liabilities were otherwise carried at amortised cost. This mismatch arises due to measuring the derivative financial instruments (used to mitigate interest rate risk of these assets or liabilities) at fair value through profit or loss.

The Group's approach ensures that it recognises the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

The Group 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.

b) 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 for that asset or liability exists. 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.

There were no significant changes to valuation approaches during the current or prior periods.

c) 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.

There were no significant changes to levelling approaches during the current or prior periods.

12. Fair value of financial assets and financial liabilities, cont'd

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements			
As at March 2023	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Cash and cash equivalents (measured at fair value)[1]	**-**	**24,708**	**-**	**24,708**
Trading assets[2]	**26,593**	**13,017**	**1**	**39,611**
Derivative financial instruments	**315**	**45,275**	**24**	**45,614**
Investment securities[2,3]	**68,176**	**16,421**	**996**	**85,593**
Net loans and advances (measured at fair value)[1]	**-**	**19,089**	**380**	**19,469**
Total	**95,084**	**118,510**	**1,401**	**214,995**
Liabilities				
Deposits and other borrowings (designated at fair value)[1]	**-**	**31,328**	**-**	**31,328**
Derivative financial instruments	**765**	**45,363**	**26**	**46,154**
Payables and other liabilities[4]	**3,572**	**1,161**	**-**	**4,733**
Debt issuances (designated at fair value)	**-**	**1,531**	**-**	**1,531**
Total	**4,337**	**79,383**	**26**	**83,746**
As at September 2022				
Assets				
Trading assets[2]	28,455	6,782	-	35,237
Derivative financial instruments	944	89,185	45	90,174
Investment securities[2,3]	68,211	8,614	1,385	78,210
Net loans and advances (measured at fair value)	-	4,272	403	4,675
Total	97,610	108,853	1,833	208,296
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,660	-	2,660
Derivative financial instruments	309	84,809	31	85,149
Payables and other liabilities[4]	2,842	397	-	3,239
Debt issuances (designated at fair value)	-	1,111	-	1,111
Total	3,151	88,977	31	92,159
As at March 2022				
Assets				
Trading assets[2]	31,901	7,532	-	39,433
Derivative financial instruments	1,302	43,889	47	45,238
Investment securities[2,3]	59,312	10,520	1,420	71,252
Net loans and advances (measured at fair value)	-	5,642	113	5,755
Total	92,515	67,583	1,580	161,678
Liabilities				
Deposits and other borrowings (designated at fair value)	-	4,589	-	4,589
Derivative financial instruments	655	47,117	23	47,795
Payables and other liabilities[4]	4,226	408	-	4,634
Debt issuances (designated at fair value)	-	1,864	-	1,864
Total	4,881	53,978	23	58,882

1. *During the March 2023 half, within the trading book in its Markets business, a component of the Institutional division, the Group commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognised and measured at fair value through profit and loss.*
2. *During the March 2023 half, $7,246 million of assets were transferred from Level 1 to Level 2, (Sep 22: $1,043 million; Mar 22: $3,949 million), and $1,181 million of assets were transferred from Level 2 to Level 1 (Sep 22: $1,677 million; Mar 22: $1,181 million) due to a change of the observability of bond 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.*
3. *During the March 2023 half, ANZBGL sold its equity interests in the 1835i trusts, TIN and Pollination to ANZ NBH Pty Ltd as part of the Restructure. These were classified as Level 3 assets in the fair value hierarchy in the September 2022 and March 2022 halves, with fair values of $402 million and $346 million respectively.*
4. *Payables and other liabilities relate to securities sold short which are classified as held for trading and measured at FVTPL.*

12. Fair value of financial assets and financial liabilities, cont'd

ii) Details of fair value measurements that incorporate unobservable market data

a) Level 3 fair value measurements

Level 3 financial instruments are a net asset of $1,375 million (Sep 22: $1,802 million; Mar 22: $1,557 million). 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 March 2023 half, the Group transferred $3 million of derivatives measured at fair value from Level 3 to Level 2, as a result of valuation inputs becoming observable during the period. There were no other transfers into or out of Level 3 during the period.

The material Level 3 financial instruments as at 31 March 2023 are summarised below:

i) Investment Securities - equity holdings classified as FVOCI

Bank of Tianjin (BoT)

The Group holds an investment in the BoT. 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 March 2023, the BoT equity holding balance was $900 million (Sep 22: $854 million, Mar 22: $956 million). An increase in the BoT fair valuation in the March 2023 half was mainly due to the increase of the P/B multiple used in the valuation over the half.

Other equity investments

The Group holds $89 million (Sep 22: $491 million; Mar 22: $426 million) of unlisted equities classified as FVOCI for which there are no active markets or traded prices available, resulting in Level 3 classification. The decrease in unlisted equity holdings balance was due to the sale of equity securities from ANZBGL to ANZ Non-bank Group.

ii) Net loans and advances - classified as FVTPL

Syndicated loans

The Group holds $380 million (Sep 22: $403 million; Mar 22: $113 million) of syndicated 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. The decrease in the Level 3 loan balances for the March 2023 half was mainly due to FX translation impact as well as scheduled repayments.

b) 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 is 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 $99 million increase or decrease in the fair value of the portfolio, which would be recognised in shareholders' equity in the Group, 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.

12. Fair value of financial assets and financial liabilities, cont'd

c) Deferred fair value gains and losses

When 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 determined based on the valuation technique (referred to as the day one gain or loss) in profit or loss. The amount deferred at initial recognition is recognised in profit or loss over the life of the transaction on a straight line basis or when all inputs become observable.

The day one gains and losses deferred are immaterial.

iii) Financial assets and liabilities not measured at fair value

The classes of financial assets and liabilities listed in the table below are predominately carried at amortised cost on the Group's balance sheet. Whilst 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 these financial assets and liabilities at balance date in the table below.

	Carrying amount in the balance sheet			Fair value
As at March 2023	**At amortised cost $M**	**At fair value $M**	**Total $M**	**$M**
Financial assets				
Investment securities[1]	**7,912**	**85,593**	**93,505**	**93,491**
Net loans and advances	**671,268**	**19,469**	**690,737**	**688,107**
Total	**679,180**	**105,062**	**784,242**	**781,598**
Financial liabilities				
Deposits and other borrowings	**811,770**	**31,328**	**843,098**	**842,750**
Debt issuances	**104,626**	**1,531**	**106,157**	**105,800**
Total	**916,396**	**32,859**	**949,255**	**948,550**
As at September 2022				
Financial assets				
Investment securities[1]	7,943	78,210	86,153	86,128
Net loans and advances	667,732	4,675	672,407	668,407
Total	675,675	82,885	758,560	754,535
Financial liabilities				
Deposits and other borrowings	794,621	2,660	797,281	796,784
Debt issuances	92,623	1,111	93,734	93,121
Total	887,244	3,771	891,015	889,905
As at March 2022				
Financial assets				
Investment securities[1]	8,505	71,252	79,757	79,678
Net loans and advances	645,681	5,755	651,436	649,142
Total	654,186	77,007	731,193	728,820
Financial liabilities				
Deposits and other borrowings	775,699	4,589	780,288	780,104
Debt issuances	85,362	1,864	87,226	87,727
Total	861,061	6,453	867,514	867,831

1. *Investment securities at amortised cost includes $4,260 million of assets that are part of the Group's liquidity portfolio (Sep 22: $3,976 million; Mar 22: $4,664 million). These are all short tenor (<1 year) instruments primarily in the Group's Rest of World geography and represent <4% of the Group's total liquid asset securities at 31 March 2023.*

13. Shareholders' equity

i) Issued securities

	As at		
Ordinary shares	**Mar 23 No.**	**Sep 22 No.**	**Mar 22 No.**
Opening balance	**2,989,923,751**	2,794,104,174	2,823,563,652
Share buy-back[1]	**-**	-	(30,831,227)
Share entitlement issue[2]	**-**	187,105,950	-
Bonus Option Plan	**1,657,422**	1,518,519	1,371,749
Dividend Reinvestment Plan issuances	**8,406,978**	7,195,108	-
Employee share and option plans	**3,378,631**	-	-
Closing balance	**3,003,366,782**	2,989,923,751	2,794,104,174
Less: Treasury Shares	**(4,099,015)**	(4,209,150)	(4,391,572)
Closing balance	**2,999,267,767**	2,985,714,601	2,789,712,602
Issued/(Repurchased) during the period	**13,443,031**	195,819,577	(29,459,478)

1. *The Group completed its $1.5 billion on-market share buy-back of ANZ ordinary shares in the March 2022 half, purchasing $846 million worth of shares and resulting in 31 million shares being cancelled in the March 2022 half.*
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 Group issued a total of 187.1 million ordinary shares under the offer, raising $3,497 million of new share capital (net of issue costs).*

	As at			Movement	
ii) Shareholders' equity	**Mar 23 $M**	**Sep 22 $M**	**Mar 22 $M**	**Mar 23 v. Sep 22**	**Mar 23 v. Mar 22**
Ordinary share capital	**29,054**	28,797	25,091	1%	16%
Reserves					
Foreign currency translation reserve[1]	**644**	(148)	(164)	large	large
Share option reserve	**58**	78	54	-26%	7%
FVOCI reserve	**(458)**	(478)	(43)	-4%	large
Cash flow hedge reserve	**(1,287)**	(2,036)	(1,247)	-37%	3%
Transactions with non-controlling interests reserve	**(22)**	(22)	(22)	0%	0%
Total reserves	**(1,065)**	(2,606)	(1,422)	-59%	-25%
Retained earnings	**40,111**	39,716	38,078	1%	5%
Share capital and reserves attributable to shareholders of the Company	**68,100**	65,907	61,747	3%	10%
Non-controlling interests	**525**	494	9	6%	large
Total shareholders' equity	**68,625**	66,401	61,756	3%	11%

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 the March 2022 half.*

13. Shareholders' equity, cont'd

iii) Non-controlling interests	Profit attributable to non-controlling interests			Equity attributable to non-controlling interests			Dividend paid to non-controlling interests		
	Half Year			As at			Half Year		
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 $M	Sep 22 $M	Mar 22 $M
ANZ Bank New Zealand PPS	**13**	-	-	**515**	484	-	**13**	-	-
Other non-controlling interests	**1**	1	-	**10**	10	9	**-**	-	2
Total	**14**	1	-	**525**	494	9	**13**	-	2

ANZ Bank New Zealand Perpetual Preference Shares

ANZ Bank New Zealand, a wholly owned subsidiary of ANZBGL, issued $484 million (NZD 550 million) of Perpetual Preference Shares (PPS) on 18 July 2022. These are considered non-controlling interests of the Group.

The key terms of the PPS are as follows:

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 dividend 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 or regulatory event, subject to prior written approval of RBNZ and meeting other conditions.

14. Changes in composition of the Group

As described in Note 1, ANZGHL was established as the listed parent company of the ANZ Group on 3 January 2023. New legal entities ANZ BH Pty Ltd, ANZ NBH Pty Ltd and ANZ Group Services Pty Ltd were created and became wholly owned subsidiaries of ANZGHL.

On 11 January 2023, the following controlled entities were transferred to:

- ANZ NBH Pty Ltd: 1835i Creation Fund I Trust, 1835i Ventures Trust I, 1835i Ventures Trust II, 1835i Ventures Trust III, Journeywise Pty Ltd, CashRewards Pty Limited, Secure Data Consent Pty Limited; and
- ANZ Group Services Pty Ltd: ANZ Centre Pty Ltd, ANZ Centre Trust, ANZ Centre Chattels Trust.

The contribution of these entities was not material to the ANZBGL consolidated results for the March 2023 half and the March 2022 half.

There were no other acquisitions or disposals of material controlled entities for the half year ended 31 March 2023.

15. Investments in associates

	Half Year			Movement	
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Share of associates' profit/(loss)	**100**	103	74	-3%	35%

Contributions to profit Associates	Contribution to Group profit after tax			Ownership interest held by Group		
	Half Year			As at		
	Mar 23 $M	Sep 22 $M	Mar 22 $M	Mar 23 %	Sep 22 %	Mar 22 %
P.T. Bank Pan Indonesia (PT Panin)	**56**	58	24	**39**	39	39
AMMB Holdings Berhad (AmBank)	**63**	57	51	**22**	22	22
Worldline Australia Pty Ltd[1]	**(18)**	(10)	-	**-**	49	49
Other associates	**(1)**	(2)	(1)	**n/a**	n/a	n/a
Share of associates' profit/(loss)	**100**	103	74			

[1] *As part of the Restructure, ANZBGL's investment in Worldline Australia Pty Ltd was transferred to ANZ NBH Pty Ltd.*

16. Related party disclosure

Other than the transactions below, 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.

Following the restructure of the Group on 3 January 2023, a number of transactions have occurred between wholly owned entities of ANZ Group Holdings Limited, including ANZBGL. These transactions include leasing arrangements, funding activities and deposits.

The following balances with related ANZ Group entities were outstanding at March 2023:

	Mar 23 $M
Amounts due from related entities	658
Amounts due to related entities	310
Deposits from related entities	307

During the March 2023 half, the following transactions occurred with related ANZ Group entities:

	Mar 23 $M
Dividend paid to controlling entity	1,000
Interest paid to related entities	11
Interest received from related entities	8

In addition, ANZBGL has right-of-use assets of $714 million and lease liabilities of $836 million with ANZ Group Services Pty Ltd at 31 March 2023. For the half year ended 31 March 2023, the associated depreciation on the right-of-use assets was $12 million and interest paid on the lease liabilities was $5 million (the interest paid on lease liabilities have been included in the table above).

17. Contingent liabilities and contingent assets

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 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 ANZ Annual Financial Report for a description of commitments, contingent liabilities and contingent assets as at 30 September 2022. A description of the contingent liabilities and contingent assets as at 31 March 2023 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.

- **South African rate action**

  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. An agreement to settle the claim was reached in November 2022. The financial impact is not material. 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 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.

- **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.

17. Contingent liabilities and contingent assets, cont'd

- **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.

- **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.

18. Significant events since balance date

There have been no significant events from 31 March 2023 to the date of signing this report.

Directors' Declaration

The Directors of Australia and New Zealand Banking Group Limited declare that:

1. in the Directors' opinion the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are in accordance with the *Corporations Act 2001*, including:
   - section 304, that they comply with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and
   - section 305, that they give a true and fair view of the financial position of the Group as at 31 March 2023 and of its performance for the half year ended on that date; and
2. in the Directors' opinion as at the date of this declaration 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

Shayne C Elliott
Managing Director

4 May 2023

KPMG

Independent Auditor's Review Report to the shareholders of Australia and New Zealand Banking Group Limited

Report on the Condensed Consolidated Financial Statements

Conclusion

We have reviewed the accompanying Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited (the Group).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited do not comply with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the half year ended on that date; and

ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Condensed Consolidated Financial Statements comprise:

- The condensed consolidated balance sheet as at 31 March 2023;
- The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated cash flow statement for the half year ended on that date;
- Notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Condensed Consolidated Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Condensed Consolidated Financial Statements that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Condensed Consolidated Financial Statements

Our responsibility is to express a conclusion on the Condensed Consolidated Financial Statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements do not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2023 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of Condensed Consolidated Financial Statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG	**Martin McGrath** *Partner*	**Maria Trinci** *Partner*
	Melbourne 4 May 2023	Melbourne 4 May 2023

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

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 review of Australia and New Zealand Banking Group Limited for the half year ended 31 March 2023, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Martin McGrath
Partner

Melbourne
4 May 2023