2021

Half Year U.S. Disclosure Document

for the fiscal half year ended March 31, 2021

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

The date of this 2021 Half Year U.S. Disclosure Document is May 14, 2021.

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All references in this document to the "U.S. Disclosure Document" refer to the 2021 Half Year U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal half year ended March 31, 2021 (the "March 2021 half" or "Mar 21" or "Mar 21 half" or "current period"), including the Annex attached hereto. References to the "September 2020 half" refer to the fiscal half year ended September 30, 2020 (the "September 2020 half" or "Sep 20" or "Sep 20 half") and references to the "March 2020 half" refer to the fiscal half year ended March 31, 2020 (the "March 2020 half" or "Mar 20" or "Mar 20 half"), and we refer to prior fiscal half years in a similar fashion. References in this document to the "2020 Annual U.S. Disclosure Document" refer to the 2020 Annual U.S. Disclosure Document for the fiscal year ended September 30, 2020.

This U.S. Disclosure Document is dated May 14, 2021. All references in this document to "the date of this U.S. Disclosure Document" are to May 14, 2021.

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

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

This U.S. Disclosure Document has been prepared in order to provide U.S. investors with certain information regarding ANZ's business and operations, as well as its financial position, as of March 31, 2021, and the results of operations for the fiscal half year then ended. All financial information disclosed in this U.S. Disclosure Document relates to the Group.

Attached to this U.S. Disclosure Document as 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 March 31, 2021 (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 Condensed Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

This U.S. Disclosure Document contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Company or the Group to differ materially from the information presented herein. When used in this U.S. Disclosure Document, the words “forecast”, “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “may”, “probability”, “risk”, “will”, “seek”, “would”, “could”, “should” and similar expressions, as they relate to the Company or the Group and its management, are intended to identify such forward-looking statements. Such statements constitute “forward-looking statements” for the purposes of the United States (“U.S.”) Private Securities Litigation Reform Act of 1995. Investors are cautioned to not place undue reliance on any forward-looking statement, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained herein. For further discussion, including regarding certain factors that will affect the forward-looking statements contained herein, refer to the section “Risk Factors Summary” below and “Risk Factors” in “Section 2: Information on the Group”.

The forward-looking statements made in this U.S. Disclosure Document speak only as of the date on which such statements are made and ANZ 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 summarized 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:

- The COVID-19 pandemic (“COVID-19”) and outbreaks of other communicable diseases or pandemics have and in the future may create increased volatility in financial markets and have resulted and in the future may materially and adversely affect the Group’s business and operations;
- changes in political, general business and economic conditions, including disruption in regional or global financial, credit and/or capital markets, including as a result of the ongoing COVID-19 pandemic;
- the effects of competition in the geographic and business environments in which we or our customers operate, including our ability to maintain or increase market share and control expenses, our timely development of new products and services, and utilization of new technologies, our ability to compete with non-traditional financial services sectors and new forms of currency, as well as our ability to adjust to and compete in the various markets in which we operate or seek to operate;
- changes in commercial and residential mortgage lending and real estate market conditions in Australia, New Zealand or other markets;
- sovereign risk events may destabilize global financial markets, which may have an adverse effect on the Group;
- market risk events;
- changes in exchange rates;
- the planned discontinuation of LIBOR and developments affecting other benchmark rates;
- our ability to complete, integrate or separate and process acquisitions and dispositions;
- credit risk, including losses associated with the Group’s counterparty exposures and an increase in defaults in credit exposures because of a deterioration in economic conditions, including due to the impacts from the COVID-19 pandemic;
- challenges in managing the Group’s capital base, which could give rise to greater volatility in capital ratios;
- changes to our credit ratings, which could affect our ability to raise capital and wholesale funding and constrain the volume of new lending;
- the failure to meet the capital adequacy and liquidity requirements that the Group is subject to;
- changes in the valuation of some of the Group’s assets and liabilities;
- any changes to the Group’s accounting policies and their application;
- the impact of current, pending and future laws, regulation or policies (including capital, leverage, liquidity and prudential requirements),
- the impact of legal, regulatory, administrative and other current and future actions, proceedings or litigation against us, our customers or counterparties,
- significant fines and sanctions in the event of breaches of law or regulation relating to, among other things, anti-money laundering, counter-terrorism financing and sanctions;
- changes in monetary policies;
- the impact of increasing compliance costs, the risk of heightened penalties and ongoing regulatory scrutiny with respect to the significant obligations imposed by global customer tax transparency regimes;
- unexpected changes to the Group’s license to operate in any jurisdiction;
- operational risk events, including internal and external fraud, employment practices and workplace safety, and business disruption (including systems failures);
- adverse impacts on our reputation, including as a result of operational failures and regulatory compliance failures;
- conduct-related risk events or behaviors;
- disruption of information technology systems or failure to successfully implement new technology systems;
- risk associated with our information security including from cyber-attacks;
- the impact of future climate-related and geological events, plant, animal and human diseases, and other extrinsic events, and the related risk associated with lending to customers that could be directly or indirectly impacted by climate risk;
- the effectiveness of our risk management framework; and
- various other factors beyond our control.

BASIS OF PREPARATION

The summary of condensed consolidated income statements and selected ratios for the fiscal half years ended March 31, 2021, September 30, 2020 and March 31, 2020, and the summary of condensed consolidated balance sheets and selected ratios as of March 31, 2021, September 30, 2020, and March 31, 2020, 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.

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 March 31, 2021 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$0.7613 = AUD$1.00. For further information on the currency of presentation in this U.S. Disclosure Document, refer to "Currency of presentation and exchange rates" in "Section 2: Information on the Group". References to "NZD", "EUR" and "JPY" in this U.S. Disclosure Document are to New Zealand dollars, Euros and Japanese Yen respectively. References throughout this U.S. Disclosure Document to "$B" and "$M" are to billions and millions of Australian Dollars (or, if specified, such other currency), respectively.

CORONAVIRUS ("COVID-19")

The COVID-19 pandemic has caused major disruptions to community health and economic activities with wide-ranging impacts across many business sectors in Australia, New Zealand and globally over the past 12 months. From March 2020, the Group offered various forms of assistance to customers, including loan deferral and relief packages ("support packages"), to counteract the impact of COVID-19. These support packages were phased out during the March 2021 half. In respect of the support packages offered, 94% of home loan support packages in Australia and New Zealand and 90% of business support packages in Australia have reverted back to loan repayments, with the remaining loans having been either restructured or transferred to hardship. Refer to Note 10 of the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as the Annex) for further details on loan deferral packages offered to customers.

Financial Statements Impacts

The ramifications of COVID-19 continue to be uncertain and it remains difficult to predict the impact or duration of the pandemic. In preparing the Condensed Consolidated Financial Statements, the Group has made various accounting estimates for future events based on forecasts of economic conditions which reflect expectations and assumptions as at March 31, 2021 that the Group believes are reasonable under the circumstances.

While pervasive across the financial statements, the estimation uncertainty is predominantly related to expected credit losses ("ECL") where the Group recognized a credit impairment release of $491 million pre-tax in the March 2021 half (Sep 20 half: $1,064 million charge; Mar 20 half: $1,674 million charge). The credit impairment release in the current period was primarily driven by the release of collectively assessed ECL largely reflecting the impact of an improved economic outlook relative to the outlook at the September 2020 half.

The impact of the COVID-19 pandemic on our accounting estimates is discussed further in the Condensed Consolidated Financial Statements attached to this U.S. Disclosure Document as the Annex.

DISCONTINUED OPERATIONS

The financial results of the divested Wealth Australia businesses are treated as discontinued operations from a financial reporting perspective.

The information presented in the summary of condensed consolidated income statements set forth in Section 1 and otherwise disclosed in this U.S. Disclosure Document and selected ratios for the fiscal half years ended March 31, 2021, September 30, 2020 and March 31, 2020 show discontinued operations separately from continuing operations in the 'Profit/(Loss) after income tax from discontinued operations' line item.

Refer to Note 13 of the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as the Annex) for further information.

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

Condensed Consolidated Income Statement	Half Year			
	Mar 21 USD M[1]	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Interest income	**7,521**	**9,879**	10,626	13,800
Interest expense	**(2,202)**	**(2,893)**	(3,799)	(6,578)
Net interest income	**5,319**	**6,986**	6,827	7,222
Other operating income	**1,051**	**1,381**	1,917	1,671
Operating income	**6,370**	**8,367**	8,744	8,893
Operating expenses	**(3,412)**	**(4,482)**	(4,778)	(4,605)
Profit before credit impairment and income tax	**2,958**	**3,885**	3,966	4,288
Credit impairment (charge)/release[2]	**374**	**491**	(1,064)	(1,674)
Profit before income tax	**3,332**	**4,376**	2,902	2,614
Income tax expense	**(1,085)**	**(1,425)**	(862)	(978)
Profit after income tax from continuing operations	**2,247**	**2,951**	2,040	1,636
Profit/(Loss) after income tax from discontinued operations	**(6)**	**(8)**	(8)	(90)
Profit for the period	**2,241**	**2,943**	2,032	1,546
Profit attributable to non-controlling interests	**-**	**-**	-	(1)
Profit attributable to shareholders of the Company	**2,241**	**2,943**	2,032	1,545

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2021 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *The credit impairment charge represents the aggregation of the individually and collectively assessed credit impairment charges.*

Selected Ratios	Half Year			
	Mar 21 USD[1]	**Mar 21**	**Sep 20**	**Mar 20**
Other operating income as a percentage of operating income - including discontinued operations	**16.8%**	**16.8%**	22.5%	17.8%
Net interest margin - including discontinued operations (%)	**1.63%**	**1.63%**	1.57%	1.68%
Operating expense to operating income ratio - including discontinued operations (%)	**53.8%**	**53.8%**	55.2%	53.8%
Dividends on ordinary shares ($M)[2]	**741**	**973**	694	2,228
Earnings per fully paid ordinary share (cents) including discontinued operations				
Basic	**78.9**	**103.7**	71.8	54.6
Diluted	**74.9**	**98.4**	66.3	51.5
Earnings per fully paid ordinary share (cents) from continuing operations				
Basic	**79.2**	**104.0**	72.1	57.8
Diluted	**75.1**	**98.7**	66.5	54.3
Ordinary share dividend payout ratio including discontinued operations (%)[3]	**67.7%**	**67.7%**	48.9%	45.9%
Dividend per ordinary share (cents) including discontinued operations	**53**	**70**	35	25

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2021 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Dividends on ordinary shares are net of bonus option plan adjustment.*
3. *The ordinary dividend payout ratio calculation is based on the following dividend payments:*

Mar 21	***Sep 20***	***Mar 20***
*$1,992 million**	*$994 million*	*$709 million*

**Based on the proposed interim dividend announced on May 5, 2021 and on the forecast number of ordinary shares expected to be on issue at the dividend record date.*

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

	As of			
	Mar 21 USD M[1]	Mar 21 $M	Sep 20 $M	Mar 20 $M
Shareholders' equity excluding non-controlling interests	**47,631**	**62,566**	61,287	61,364
Subordinated debt[2]	**18,012**	**23,660**	21,061	21,112
Unsubordinated debt	**63,921**	**83,963**	98,607	119,136
Deposits and other borrowings	**537,952**	**706,623**	682,333	726,909
Gross loans and advances	**470,947**	**618,609**	622,074	661,278
Less: Individually assessed provision for credit impairment	**(592)**	**(778)**	(851)	(1,055)
Less: Collectively assessed provision for credit impairment	**(2,643)**	**(3,472)**	(4,130)	(3,614)
Net loans and advances	**467,712**	**614,359**	617,093	656,609
Total assets	**775,261**	**1,018,339**	1,042,286	1,149,955
Net assets	**47,639**	**62,576**	61,297	61,375
Risk weighted assets[3]	**310,737**	**408,166**	429,384	449,012
Capital adequacy ratios:[3]				
Common Equity Tier 1	**12.4%**	**12.4%**	11.3%	10.8%
Tier 1	**14.3%**	**14.3%**	13.2%	12.5%
Tier 2	**4.0%**	**4.0%**	3.3%	2.9%
Total capital ratio	**18.3%**	**18.3%**	16.4%	15.5%
Number of ordinary shares on issue (millions)	**2,845.5**	**2,845.5**	2,840.4	2,836.2

	Half Year			
	Mar 21 USD[1]	Mar 21	Sep 20	Mar 20
Selected ratios				
Profit attributable to the shareholders of the Company as a percentage of:				
Average total assets[4]	**0.56%**	**0.56%**	0.38%	0.30%
Average ordinary shareholders' equity excluding non-controlling interests[4]	**9.5%**	**9.5%**	6.6%	5.1%
Average ordinary shareholders' equity excluding non-controlling interests as a percentage of average total assets[4]	**5.9%**	**5.9%**	5.7%	5.9%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2021 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *For the composition of subordinated debt refer to Note 14 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document) for further details.*
3. *Risk weighted assets and capital adequacy ratios are calculated using the Australian Prudential Regulation Authority ("APRA") Basel 3 methodology (refer to pages 12 and 77).*
4. *Averages are calculated using predominantly daily averages.*

SUMMARY OF CREDIT RISK DATA - INCLUDING DISCONTINUED OPERATIONS

	As of			
	Mar 21 USD M[1]	Mar 21 $M	Sep 20 $M	Mar 20 $M
Gross impaired assets				
Impaired loans[2]	**1,478**	**1,941**	2,001	2,209
Restructured items[3]	**228**	**300**	254	226
Non-performing commitments and contingencies[2]	**177**	**232**	204	164
Total gross impaired assets	**1,883**	**2,473**	2,459	2,599
Allowance for expected credit losses[4]				
Individually assessed provision - impaired loans	**592**	**778**	851	1,055
Individually assessed provision - non-performing commitments and contingencies	**24**	**31**	40	38
Collectively assessed provision	**3,262**	**4,285**	5,008	4,501
Total allowance for expected credit losses	**3,878**	**5,094**	5,899	5,594
Total gross loans and advances[5]	**470,947**	**618,609**	622,074	661,278
Credit risk weighted assets[6]	**260,260**	**341,862**	360,037	385,997
Collectively assessed provision as a percentage of credit risk weighted assets[6]	**1.25%**	**1.25%**	1.39%	1.17%
Gross impaired assets as a percentage of gross loans and advances	**0.40%**	**0.40%**	0.40%	0.39%
Individually assessed provision as a percentage of gross impaired assets	**32.7%**	**32.7%**	36.2%	42.1%
Individually assessed provision for impaired loans as a percentage of impaired loans	**40.1%**	**40.1%**	42.5%	47.8%
Total allowance for expected credit losses as a percentage of:				
Gross loans and advances[5]	**0.8%**	**0.8%**	0.9%	0.8%
Credit risk weighted assets[6]	**1.5%**	**1.5%**	1.6%	1.4%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2021 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *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.*
3. *Restructured items are facilities where 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.*
4. *Includes allowance for expected credit losses for Net loans and advances - at amortized cost, Investment securities - debt securities at amortized cost and Off-balance sheet commitment - undrawn and contingent facilities.*
5. *Consists of loans and advances and capitalized brokerage and other origination costs less unearned income.*
6. *Credit risk weighted assets are calculated using APRA Basel 3 methodology (refer to pages 12 and 77).*

OVERVIEW

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

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

As of March 31, 2021, the Group had total assets of $1,018.3 billion and shareholders' equity excluding non-controlling interests of $62.6 billion. In terms of total assets among banking groups, the Group ranked second in Australia[1] as of March 31, 2021 and first in New Zealand[2] as of March 31, 2021.

ANZBGL's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange (the "NZX"). At the close of trading on March 31, 2021, ANZBGL had a market capitalization of $80.2 billion, which ranked among the top six largest companies listed on the ASX[3].

1. *Source: Commonwealth Bank of Australia results announcement for the fiscal half year ended December 31, 2020; National Australia Bank results announcement for the fiscal half year ended March 31, 2021; Westpac Banking Corporation results announcement for the fiscal half year ended March 31, 2021.*
2. *Source: Reserve Bank of New Zealand Bank Financial Strength Dashboard (https://bankdashboard.rbnz.govt.nz/summary) for the quarter ending December 31, 2020.*
3. *Source: IRESS.*

BUSINESS MODEL

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

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

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

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

STRATEGY

Our strategy is focused on improving the financial wellbeing of our customers; having the right people who listen, learn and adapt; putting the best tools and insights into their hands; and focusing on those few things that we believe really add value to customers and doing them right the first time.

In particular, we want to help customers:

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

In doing so, we seek to improve the financial wellbeing of our customers, people and communities by helping them make the most of their money throughout their lives; supporting household, business and financial practices that improve environmental sustainability; and improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

<table>
<tr><td colspan="8">Purpose
Our purpose is to shape a world where people and communities thrive</td></tr>
<tr><th>Strategic imperatives</th><th colspan="6">Strategy</th><th>Creating value for our stakeholders</th></tr>
<tr><td>Create a simpler, better capitalized, better balanced bank</td><td colspan="6">Improving the financial wellbeing of customers…</td><td>Decent returns for shareholders</td></tr>
<tr><td>Build a superior experience for our people and customers in order to compete in the digital age</td><td colspan="2">…looking to save for, buy and own a home</td><td colspan="2">…looking to start, buy and grow a business</td><td colspan="2">…looking to move capital and goods around the region</td><td>Great experience for customers</td></tr>
<tr><td>Focus our efforts where we can carve out a winning position</td><td colspan="3">…with people who listen, learn and adapt</td><td colspan="3">…with the best tools and insights</td><td>Engaged, adaptable & capable employees</td></tr>
<tr><td>Drive a purpose and values led transformation of the Bank</td><td colspan="6">…with flexible, resilient, digital infrastructure that supports great customer experience at lower cost</td><td>Improved financial wellbeing, housing and environmental sustainability outcomes for customers and communities</td></tr>
</table>

PRINCIPAL ACTIVITIES

The Group operates on a divisional structure with five continuing divisions: Australia Retail and Commercial, Institutional, New Zealand, Pacific, and Technology, Services & Operations ("TSO") 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 of March 31, 2021, the principal activities of the five continuing divisions were:

Australia Retail and Commercial

The Australia Retail and Commercial division comprises the following business units.

- Retail provides products and services to consumer customers in Australia via the branch network, mortgage specialists, contact centers and a variety of self-service channels (internet banking, phone banking, ATMs, website and digital banking) and third party brokers.
- Commercial and Private Bank provides a full range of banking products and financial services, including asset financing, across the following customer segments: medium to large commercial customers and agribusiness customers across regional Australia, small business owners and high net worth individuals and family groups, in addition to financial planning services provided by salaried financial planners and investment lending secured by approved securities.

Institutional

The Institutional division services governments, global institutional and corporate customers across three product sets: Transaction Banking, Corporate Finance and Markets.

- Transaction Banking provides 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 loan products, loan syndication, specialized loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory.
- Markets provide risk management services on 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 Retail and Commercial business units.

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

Pacific

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

TSO and Group Centre

The TSO and Group Centre division provides support to the operating divisions, including technology, group operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. Group Centre includes residual components of Group divestments, Group Treasury, Shareholder Functions and minority investments in Asia.

RECENT DEVELOPMENTSNotice of wholesale subordinated note redemption

On April 26, 2021, the Group posted notice that it will exercise its option to redeem wholesale A$700,000,000 floating rate subordinated notes due May 2026. The notes will be redeemed on May 17, 2021 for their par value of A$700 million.

Fitch revises outlook on ANZ to stable

On April 12, 2021, Fitch revised the outlook on the long-term Issuer Default Rating ("IDR") for ANZBGL, and its wholly-owned subsidiary ANZ New Zealand, to stable from negative. Fitch affirmed ANZBGL's and ANZ New Zealand's long-term IDR at 'A+'. Fitch also reaffirmed all the ratings on long-term and short-term senior debt issued by ANZBGL and ANZ New Zealand and ANZBGL's subordinated debt and hybrid Tier 1 capital instruments.

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.

Except as disclosed above, there have been no significant developments since March 31, 2021 to the date of this U.S. Disclosure Document.

COMPETITION

Australia

The Australian banking system is concentrated and highly competitive. As of March 31, 2021, 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 Authorized Deposit-taking Institutions ("ADIs") that conduct business in Australia. The operations of the smaller regional banks are typically focused on servicing customers in a particular state or region with an emphasis on retail banking. A number of international banks also provide banking services in Australia and typically focus on specific segments of the retail or institutional markets, holding a minority position in these segments.

The deregulation of the Australian financial system during the early 1980s led to a proliferation of both bank financial institutions and non-bank financial institutions that compete in selected markets with the four major banking groups. Non-bank financial intermediaries, such as building societies and credit unions, compete principally in the areas of accepting deposits and residential mortgage lending. Some large building societies have been granted banking authorizations under the *Banking Act 1959 (Cth)* (the "Banking Act"). Specialist non-bank residential mortgage lenders and direct (non-branch) banking operations have also become more prominent in recent years.

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

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

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

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

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

In addition, the current COVID-19 pandemic and future economic conditions may have the effect of further reducing the number of financial intermediaries in the markets in which the Group operates over the medium term (for details refer to "Section 2: Information on the Group - Risk factors - Competition in the markets in which the Group operates may adversely affect the Group's Position"). However, this may not lead to any medium-term reduction in the level of competition.

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

Note

[1] *Source: APRA monthly authorized deposit-taking institution statistics March 2021 (released April 30, 2021).*

New Zealand

The New Zealand financial services sector in which the Group operates is very concentrated and highly competitive. ANZ'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 and TSB are becoming more competitive in the retail segment. International banks such as Citigroup, HSBC and Deutsche Bank participate in a limited manner in the institutional market. Since late 2013, New Zealand has also seen Industrial and Commercial Bank of China, China Construction Bank and Bank of China become registered banks in New Zealand. Their focus appears to be in housing and business lending, however, their market share remains small in these segments.

Historically, the retail deposit market in New Zealand has been highly competitive. However, competition for deposits has been moderated recently as the Large Scale Asset Purchase program, introduced by the RBNZ to support the New Zealand's economic recovery from COVID-19, has increased the amount of money circulating in the New Zealand banking system that is available to banks as deposits. As at March 31, 2021, 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 competitive tension.

While non-bank originators have become more active in New Zealand in recent years, the growth rate in total assets has been lower compared to off-shore markets such as Australia, which we believe may be a result of factors that include the more positive community perception that New Zealand banks have compared to banks in other off-shore markets and limited legislation in New Zealand mandating the disclosure of customer data. The COVID-19 pandemic has encouraged customers to move away from physical outlets towards online and digital services, which could also prompt the rise of new players in the financial services sector. The non-banking sector constituted approximately 3% of total financial system assets as of March 31, 2021.

In response to the COVID-19 pandemic and to support New Zealanders, the New Zealand Government announced the Mortgage Repayment Deferral Scheme and Business Finance Guarantee Scheme ("BFGS") in partnership with all the major banks, including ANZ New Zealand. For further information about the Mortgage Repayment Deferral Scheme and Business Finance Guarantee Scheme, see "Supervision and Regulation - New Zealand - New Zealand Regulatory Developments - Regulatory Response to the COVID-19 Pandemic and Other Developments". The COVID-19 pandemic and other potential future economic disruptions could impact competition in the New Zealand financial services sector over the medium-term due to changes to regulation and monetary policy, funding cost and provision increases, structurally low interest rates, insufficient liquidity, implementation of business continuity plans and changes to business strategies.

Asia

Banking in Asia is highly competitive. There are a large number of global banks (for example Citibank, HSBC and Standard Chartered) and regional banks (for example DBS Bank, CIMB and Maybank) operating in the region in addition to the local banks in each market. The Group's most active competitors, particularly in the Institutional division, include global investment banks and large Chinese and Japanese banks.

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 specialization (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. Competition in Asia is expected to continue to grow with relatively stronger economic growth prospects compared with other markets, which we believe will attract continued investments in the region.

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

SUPERVISION AND REGULATION

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

AUSTRALIA

Prudential and Regulatory Supervision

The Supervisory Role of APRA

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

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

APRA discharges its responsibilities in part by requiring ADIs subject to its supervision to regularly provide it with reports that set forth a broad range of information, including financial and statistical data relating to their financial position and information in respect of prudential and other matters. APRA gives special attention to capital adequacy, liquidity, earnings, credit quality and associated loan loss experience, concentration of risks, maturity profile of assets and liabilities, operational risks, market risks, interest rate risk in the banking book ("IRRBB"), exposures to related entities, outsourcing, funds management, governance, business continuity management, audit and related matters, securitization 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 formalized a consultative relationship with each ADI's external auditor, with the agreement of the ADIs. The external auditor provides additional assurance to APRA that the information sourced from an ADI's accounting records and included in the ADI's APRA reporting is, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards. The external auditor also undertakes targeted reviews of specific risk management areas as selected by APRA. In addition, the board of directors of an ADI must make an annual declaration to APRA on risk management of the ADI in the form specified by applicable prudential standards.

Other Australian Regulators

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

ASIC is Australia's corporate, markets, financial services and consumer credit regulator. It regulates Australian companies, financial markets, financial services organizations and professionals who deal in and advise on investments, superannuation, insurance, deposit-taking and credit. As the consumer credit regulator, ASIC licenses and regulates people and businesses engaging in consumer credit activities (including banks, credit unions, finance companies, and mortgage and finance brokers). ASIC ensures that licensees meet the standards, including those related to responsibilities to consumers that are set out in the Australian National Consumer Credit Protection Act 2009. As the markets regulator, ASIC assesses how effectively authorized financial markets are complying with their legal obligations to operate fair, orderly and transparent markets. Since August 1, 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 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 Advanced Measurement Approach for the operational risk weighted asset equivalent.

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

For further discussion regarding capital regulatory developments, see “Australian Regulatory Developments” 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 January 1, 2015. The LCR is a severe short term liquidity stress scenario mandated by banking regulators including APRA. It was introduced as part of the Basel 3 international framework for liquidity risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZBGL has a Committed Liquidity Facility (“CLF”) with the RBA. The CLF has been established as a solution to a High Quality Liquid Asset shortfall in the Australian marketplace and provides an alternative form of RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set at least annually by APRA. From January 1, 2021, ANZBGL's CLF is A$10.7 billion (2020 calendar year end: A$35.7 billion).

Additionally, the Group has implemented APRA's Net Stable Funding Ratio (“NSFR”) requirement from January 1, 2018 following the release of the NSFR final standards in December 2016. The Group's Level 2 NSFR was 121% as of March 31, 2021 (September 30, 2020: 124%).

ANZBGL seeks to observe strictly its prudential obligations in relation to liquidity and funding risk as required by APRA Prudential Standard APS210 (“APS210”), as well as the prudential requirements of overseas regulators on ANZBGL's offshore operations.

Capital Management and Liquidity within APRA's Regulations

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

Banking Executive Accountability Regime

The Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 established the BEAR. ANZBGL's obligations under the BEAR commenced on July 1, 2018.

The BEAR aims to strengthen the responsibility and accountability framework for the most senior and influential directors and executives in ADI groups. 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, 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 BEAR's requirements, including for the deferral of certain components of that remuneration; and
- ANZBGL may be liable for substantial penalties for failing to comply with its BEAR obligations.

The Australian Government announced in January 2020 that BEAR will be replaced by the FAR, which proposes to extend the regime to other APRA-regulated entities and directors / senior executives to increase accountability. FAR would be jointly administered by APRA and ASIC and could impose larger civil penalties for any breaches.

Crisis Management

The Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018 enhanced APRA's powers to facilitate the orderly resolution of the entities it regulates (and their subsidiaries) in times of distress. Additional powers which could impact the Group include greater oversight, management and directions powers in relation to ANZBGL and other Group entities which were previously not regulated by APRA, increased statutory management powers over regulated entities within the Group and changes which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments (the "Statutory Conversion and Write-Off Provisions").

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

Regulatory Developments - Capital and Liquidity

APRA Guidance on Capital Management

In response to COVID-19, APRA provided guidance on capital management, including as to its expectations in relation to dividends. Most recently, in December 2020, APRA updated their guidance, whereby from the 2021 calendar year, APRA will no longer hold ADIs to a minimum level of earnings retention but ADIs will need to maintain vigilance and careful planning in capital management, including conducting regular stress testing and assurance on the capacity to continue to lend. APRA also stated that the onus will be on Boards to carefully consider the sustainable rate for dividends, taking into account the outlook for profitability, capital and economic environment.

RBNZ Capital Requirements

In December 2019, the RBNZ announced its capital review policy decisions for New Zealand banks. In November 2020, the RBNZ released for consultation its draft Banking Prudential Requirements for these capital policy changes.[1] See "Supervision and Regulation - New Zealand - New Zealand Regulatory Developments - RBNZ review of capital requirements" for more information about the RBNZ's final decisions.

The key requirements of the RBNZ's final capital requirements are:

- Tier 1 capital requirement of 16% of RWA for ANZ New Zealand of which up to 2.5% of this could be in the form of AT1 capital. Total Capital requirement remained at 18% of RWA of which up to 2% can be Tier 2 Capital;
- redeemable preference shares are allowable as AT1 capital. It is anticipated that ANZ New Zealand will be able to refinance existing internal AT1 securities to external counterparties;
- increase RWA outcomes for internal ratings-based ("IRB") banks to approximately 90% of what would be calculated under the Basel Standardized Measurement Approach ("Standardized approach"):
- apply an 85% output floor for credit risk RWA of IRB banks;
- increase the scalar applied to credit risk RWA of IRB banks from 1.06 to 1.2; and
- implemented over a transition period concluding on July 1, 2028.

The net impact on the Group is an increase in CET1 capital of approximately A$0.7 billion between March 31, 2021 and the end of the transition period (based on the Group's March 31, 2021 balance sheet). This amount could vary over time subject to changes to capital requirements in ANZ New Zealand (for example, from RWA growth), potential dividend payments and the level of capital already retained by ANZ New Zealand to meet the final RBNZ requirements.

See "Supervision and Regulation - New Zealand - New Zealand Regulatory Developments - RBNZ review of capital requirements" for more information.

RBNZ restrictions on distributions and capital instruments

In April 2020, the RBNZ amended ANZ New Zealand's Conditions of Registration to (among other things) not allow the payment of ordinary dividends. With effect from April 29, 2021, this restriction was eased to allow ANZ New Zealand to pay ordinary dividends up to a maximum of 50% of its earnings. This restriction applies to all New Zealand-incorporated banks and will remain in place until July 1, 2022 (subject to no significant worsening in economic conditions). This amendment restricts the amount of dividends that ANZ New Zealand can pay to its ultimate shareholder, ANZBGL.

From April 2020 until April 2021, the RBNZ also restricted ANZ New Zealand, and other New Zealand-incorporated banks, from redeeming capital instruments. Accordingly, ANZ New Zealand was not permitted to redeem its NZ$500 million of Capital Notes in May 2020, although ANZ New Zealand could continue making interest payments on those Capital Notes (subject to certain conditions). Further, ANZ New Zealand did not exercise its option to convert the Capital Notes in May 2020. The terms of the Capital Notes provide for their conversion into a variable number of ANZBGL ordinary shares in May 2022 (subject to certain conditions). Conversion will result in an increase in the Group's CET1 capital (approximately 10 basis points) at Level 2.

See "Recent Developments" and "Supervision and Regulation - New Zealand - New Zealand Regulatory Developments - Regulatory Response to the COVID-19 Pandemic and Other Developments" for more information.

[1] RBNZ released its consultation paper titled "Capital Review Paper 4: How much capital is enough?" on December 14, 2018.

Financial System Inquiry

The Australian Government completed a comprehensive inquiry into Australia's financial system in 2014 which included a number of key recommendations that may have an impact on regulatory capital levels. APRA initiatives in support of the FSI are:

- In July 2017, APRA released an information paper outlining its assessment on the additional capital required for the Australian banking sector to be considered "unquestionably strong" as originally outlined in the FSI final report in December 2014. APRA indicated that "in the case of the four major Australian domestic systemically important banks ("D-SIBs"), this equated to a benchmark CET1 capital ratio, under the current capital adequacy framework, of at least 10.5% from January 1, 2020".

APRA is consulting on a number of proposals in relation to risk-weighting framework revisions to credit risk, operational risk, market risk and interest rate risk in the banking book requirements. In December 2020, APRA released a consultation paper regarding proposed changes to the capital framework for ADIs aimed at embedding "unquestionably strong" levels of capital, improving the flexibility of the framework, and improving the transparency of ADI capital strength. These proposals replace previous consultation packages released by APRA in 2018 and 2019 in relation to proposed revisions to the capital framework for ADIs and is expected to be implemented from January 1, 2023. Key aspects of ARPA's latest December 2020 proposals are:

- Increased alignment with internationally agreed Basel standards;
- Implementing more risk-sensitive risk weights for residential mortgage lending;
- Introduction of the Basel II capital floor that limits the RWA outcome for IRB ADIs to no less than 72.5% of the RWA outcome under the standardized approach;
- Improving the flexibility of the capital framework through the introduction of a default level of the countercyclical capital buffer ("CCyB") of 100 basis points of RWA and increasing the capital conservation buffer CCB for IRB ADIs by 150 basis points (from 250 basis points to 400 basis points);
- Improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardized approach; and
- Implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%. APRA's "Leverage Ratio" compares Tier 1 capital to the "exposure measure" (expressed as a percentage) as defined by APRA Prudential Standard APS110. It is designed as a non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

APRA has indicated that the above proposals will likely result in a decrease in RWA by 10% for IRB ADIs, but this will be offset by the increased capital allocation to regulatory buffers. APRA has also indicated that, as ADIs are currently meeting the "unquestionably strong" benchmarks, it is not APRA's intention to require ADIs to raise additional capital. Accordingly, APRA has therefore sought to calibrate the proposed capital requirements for ADIs, measured in dollar terms, to be consistent at an industry level with the existing "unquestionably strong" capital benchmarks for ADIs under the current capital framework. The impact of these proposed changes on individual ADIs (including ANZBGL), however, will vary depending on the final form of requirements implemented by APRA.

APRA's consultation for the above is ongoing. However, in response to the challenging economic environment resulting from the COVID-19 disruptions, APRA has:

- announced a temporary change to its expectations with regards to ADIs, such as ANZBGL, maintaining bank capital ratios at the "unquestionably strong" benchmark of 10.5% for CET1. During the period of the COVID-19 disruption, APRA has stated that it would not be concerned if ADIs are not meeting this benchmark as the current large buffers may be needed to facilitate ongoing lending to the Australian economy; and
- deferred its scheduled implementation of changes to ADIs risk-weighting framework and Leverage Ratio requirements by one year. The majority of the capital reforms were initially due for implementation on January 1, 2022, but these have now been revised to January 1, 2023. The deferral also includes APRA proposals on improving transparency, international comparability and flexibility of the ADI capital framework.

Given the number of items that are yet to be finalized by APRA, the final outcome of the FSI including any further changes to APRA's prudential standards or other impacts on the Group remains uncertain.

APRA Total Loss Absorbing Capacity Requirements

In July 2019, APRA announced its decision on loss-absorbing capacity pursuant to which it will require Australian D-SIBs, including ANZBGL, to increase their total capital by 3% of risk weighted assets by January 2024. Based on the Group's capital position as at March 31, 2021, this represents an incremental increase in the total capital requirement of approximately A$4 billion, with an equivalent decrease in other senior funding. APRA has stated that it anticipates that Australian D-SIBs would satisfy the requirement predominantly with additional Tier 2 capital. APRA is considering, over the next four years, feasible alternative methods for raising an additional 1% to 2% of risk weighted assets. As part of APRA's update on the APS111 consultation in May 2021, APRA has indicated their intention to work with the industry and the RBNZ on how the RBNZ's proposed new definitions of Additional Tier 1 (AT1) and Tier 2 capital could contribute towards the overall loss absorbing capacity of banking groups. APRA has also indicated that subject to appropriate strengthening of cross-border resolution arrangements; APRA could take into account the RBNZ qualifying AT1 and Tier 2 capital when determining the financial resources needed to support the orderly resolution of major banks.

Level 3 Conglomerates ("Level 3") framework

APRA is extending its prudential supervision framework to conglomerate groups via the Level 3 framework which will regulate a bancassurance group such as the Group as a single economic entity with minimum capital requirements and additional monitoring of risk exposure levels.

In August 2016, APRA confirmed the deferral of capital requirements for conglomerate groups, to allow for the final capital requirements arising from FSI recommendations as well as from international initiatives that are in progress. APRA has not proposed any date for implementing any changes.

The non-capital components of the Level 3 framework relating to group governance, risk exposures, intragroup transactions and other risk management and compliance requirements came into effect on July 1, 2017. These requirements have had no material impact on the Group's capital position nor ANZBGL's funding of its subsidiaries. See "Restrictions on ANZBGL's ability to provide financial support" below for further discussion on the impact of the

Level 3 framework on ANZBGL's ability to support its related entities, including ANZ New Zealand (together with its subsidiaries, the "ANZ New Zealand Group").

Revisions to Related Entities Framework

In August 2019, APRA announced that it will amend APS222 "Associations with Related Entities" ("APS222") to reduce the limits for Australian ADIs' individual entity exposure to related ADIs (or overseas equivalents) from 50% of Level 1 total capital to 25% of Level 1 Tier 1 capital, and aggregate exposures from 150%. of Level 1 total capital to 75% of Level 1 Tier 1 capital. As exposures are measured net of capital deductions, the proposed changes to APRA's capital regulations (contained in APS111 "Capital Adequacy: Measurement of Capital" ("APS111")) will affect the measurement of ADI exposures. On the basis that the APS111 revisions are implemented as currently proposed, the reduction in the above limits is not expected to have a material impact on the Group. The proposed implementation date has been deferred by APRA to January 1, 2022. See "Restrictions on ANZBGL's ability to provide financial support" below for more detail.

Revisions to APS111 Capital Adequacy Measurement of Capital

In October 2019, APRA released a discussion paper on draft revisions to APS111 for consultation. The most material change from APRA's proposal is in relation to the treatment of capital investments into ADIs (or overseas equivalents) and insurance subsidiaries at Level 1, with the tangible component of the investment changing from a 400% risk weighting to:

- 250% risk weighting up to an amount equal to 10% of ANZBGL's net Level 1 CET1 capital; and
- the remainder of the investment will be treated as a CET1 capital deduction.

APRA maintained the above proposals, in an update in May 2020, which also includes APRA responses to submissions made by the industry in relation to the issues raised from the October 2019 discussion paper. ANZBGL is reviewing the implications for its current investments. The net impact on the Group is unclear and will depend upon a number of factors including the capitalization of the affected subsidiaries at the time of implementation, the final form of the prudential standard, as well as the effect of management actions being pursued that have the potential to materially offset the impact of these proposals. Based on ANZBGL's current investment in its affected subsidiaries and in the absence of any offsetting management actions, the above proposals imply a reduction in ANZBGL's Level 1 CET1 capital ratio of up to approximately A$2 billion (approximately 60 basis points). However, ANZBGL believes that this outcome is unlikely and, post implementation of management actions, the net capital impact could be minimal. There is no impact on the Group's Level 2 CET1 capital ratio arising from these proposed changes. The proposed implementation date has been deferred by APRA to January 2022.

In November 2020, APRA further announced, that until the new APS111 is finalized and implemented, APRA will require any new or additional equity investments in banking and insurance subsidiaries, where the amount of that new or additional investments takes the aggregate value of the investment above 10% of an ADI's CET1 capital, to be fully funded by equity capital at the ADI parent company level. This treatment would apply to the proportion of the new or additional investment that is above 10% of an ADI's CET1 capital.

Restrictions on ANZBGL's ability to provide financial support

Effect of APRA's Prudential Standards

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

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

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

- ANZBGL should not undertake any third party dealings with the prime purpose of supporting the business of related entities;
- ANZBGL must not hold unlimited exposures (i.e., should be limited as to specified time or amount) to related entities (e.g., not provide a general guarantee covering any of the obligations of related entities) either in aggregate or at an individual entity level;
- ANZBGL must not enter into cross-default clauses whereby a default by a related entity on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default of ANZBGL on its obligations; and
- the level of exposure, net of exposures deducted from capital, of ANZBGL's Level 1 total capital base:
    - (i) to related ADIs or equivalents, such as ANZ New Zealand, should not exceed 50% on an individual exposure basis or 150% in aggregate to all related ADIs or equivalents;
    - (ii) to other related entities:
        - a) in the case of a regulated related entity, should not exceed 25% on an individual exposure basis; or
        - b) in the case of any other (unregulated) related entity, should not exceed 15% on an individual exposure basis; and
        - c) should not exceed in aggregate 35% to all non-ADIs or equivalent related entities.

In August 2019, APRA released an update to APS222. Changes that affect the quantum and nature of the financial support that ANZBGL can provide to ANZ New Zealand are:

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

The proposed implementation date of January 1, 2021 for APS222 has been deferred by APRA to January 1, 2022. APRA has provided for entity-specific transitional arrangements or flexibility on a case by case basis.

Further, in October 2019, APRA released a discussion paper on draft revisions to APS111, which proposes to change the Level 1 capital treatment for Australian ADIs, such as ANZBGL, investing in ADIs (or overseas equivalents) and insurance subsidiaries, as outlined above in "*Revisions to APS111 Capital Adequacy Measurement of Capital*". The proposed implementation date has been deferred by APRA to January 1, 2022.

If implemented, these APS111 changes would reduce ANZBGL's Level 1 Tier 1 capital base and exposure to ANZ New Zealand for the purposes of APS222 reporting. As a result, ANZBGL's expected exposure to ANZ New Zealand at January 1, 2022 would be compliant with the APS222 limits.

However, if the APS111 changes are not implemented and the APS222 changes become effective, it is still possible that the changes outlined in APRA's announcement in connection with APS222 could adversely impact the ANZ New Zealand Group's business, results of operations, liquidity, capital resources or financial condition, as well as, its credit ratings and its ability to grow its business as ANZBGL's exposure to ANZ New Zealand would be near the limit of 25% of Level 1 Tier 1 capital, although ANZBGL would be able to apply for transition relief.

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

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

Effect of the Level 3 framework

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

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

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

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

Regulatory Developments - Other

Regulatory Response to COVID-19

Australian regulators and the Australian Government implemented a broad range of measures in response to the COVID-19 pandemic. Many measures have impacted, and may continue to impact, the Group. These include the measures outlined below.

In March 2020, the RBA established a term funding facility ("TFF") for the banking system. ADIs are able to obtain an initial allowance of up to 3% of their outstanding credit (measured as the average of an ADIs total credit in the relevant three-month period) and an additional funding allowance if they increase lending to business, especially to small and medium-sized businesses. In September 2020 the RBA announced a supplementary funding allowance available from October 1, 2020 to June 30, 2021 and extended the deadline for drawdowns of the additional funding allowance based on an ADI's lending to businesses from March 31, 2021 to June 30, 2021. The supplementary funding allowance is fixed at 2% of an ADI's outstanding credit (measured as the average of an ADIs total credit in the relevant three-month period). As at March 31, 2021, ANZBGL had fully drawn A$12 billion from its initial TFF allowance and it had not drawn anything from its additional TFF allowance of A$8 billion.

In March 2020, APRA announced, among other matters:

- the suspension of the majority of its planned policy and supervision initiatives in response to the impact of COVID-19, including substantive public consultations and actions to finalize revisions to the prudential framework that were underway or upcoming, including consultations on prudential and reporting standards. In an update in August 2020, APRA announced that apart from a limited number of high-priority policy initiatives, APRA did not plan to recommence consultation on any other matters for the remainder of 2020. However, in February 2021, as part of APRA's announcement of its policy program for 2021, the majority of the policy and supervision initiatives suspended from March 2020 have resumed;
- a temporary change to its expectations with regards to ADIs maintaining bank capital ratios at the "unquestionably strong" benchmark. During the period of the COVID-19 disruption, APRA stated that it would not be concerned if ADIs did not meet this benchmark, as the current large buffers may be needed to facilitate ongoing lending to the Australian economy;
- an exemption for banks from having to treat eligible small business loans and home loans, which are subject to a COVID-19 loan repayment deferral, as 'arrears' or 'restructured' for capital purposes. APRA initially provided the capital treatment exemption for a period of up to 6 months from March 2020, but in July 2020, APRA allowed an extension to align with a further period of loan deferrals until the earlier of an aggregate period of deferral totaling ten months or March 31, 2021. The extension of the loan deferral arrangements (and associated capital treatment) is subject to ADIs undertaking an appropriate credit assessment to ascertain if an extension or new deferral is appropriate for the particular borrower given their circumstances. There has not been any further extension of the loan deferral arrangements after March 31, 2021.

In March 2020, ASIC announced that it would focus its regulatory efforts on challenges created by COVID-19. For information on the recalibration of ASIC's priorities see "Recalibration of ASIC's Regulatory Priorities" in the section entitled "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".

In March 2020, the ACCC announced that, while its 2020 compliance and enforcement priorities remain in place, it will re-focus its efforts to those priorities of most relevance to competition and consumer issues arising from the impact of COVID-19. Further, the ACCC provided an authorization for the Australian Banking Association and participating member banks (including ANZBGL) to co-operate to provide relief packages for individuals and businesses affected by COVID-19.

In March 2020, AUSTRAC announced that it will constructively work with reporting entities, such as ANZBGL, as they manage their money laundering and terrorism financing risks during the COVID-19 disruptive period. This included considering such reporting entities' circumstances when applying anti-money laundering and counter-terrorism financing laws

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

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

The full extent of the duration and severity of the impact of the COVID-19 pandemic remains subject to significant uncertainties. Accordingly, while Australian regulators have re-focused their priorities to their usual supervisory initiatives, regulators continue to monitor the effect of COVID-19 and will adjust their approach as necessary. Given this, the regulation and supervision of, and enforcement against, financial services groups such as the Group continue to be uncertain and, as at the date of this U.S. Disclosure Document, are difficult to predict. COVID-19 resulted in the Australian Commonwealth and State Governments enacting many measures to combat the spread of the virus and economic impacts. The Australian and State and Territory Governments imposed wide ranging restrictions due to COVID-19 on, suspensions and limitations of, or advice against, travel, events, and meetings and many other normal activities and undertaken substantial and costly monetary and fiscal interventions. For example, the Victorian State Government declared a temporary 'state of disaster' in August 2020 and imposed extensive restrictions on business, household and other activities. As an example of economic measures, the Australian Commonwealth Government provided until the end of March 2021 a 'JobKeeper Payment' (where eligible businesses significantly impacted by COVID-19 are able to access a subsidy from the Australian Government to continue paying their eligible employees). The Australian Commonwealth and State Governments may in the foreseeable future implement, extend and introduce further measures. It is not clear what effect, if any, the cessation of economic assistance measures will have on the economy. A further key response to COVID-19 has been, and will continue to be, the vaccination of people against the virus. The degree of success of the vaccination program may have an effect on economic activity. As at the date of this U.S. Disclosure Document, it is unclear what the full impact of these measures will be on the Group.

Royal Commission

A Royal Commission is a formal public inquiry that can only be instigated by the executive branch of the Australian Government and is directed by terms of reference. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the "Royal Commission") was directed to inquire into, and report on, whether any conduct of financial service entities (including ANZBGL) might have amounted to misconduct or conduct falling below community standards and expectations. The Royal Commission was also tasked with considering the causes of that conduct, in particular the role of culture, governance, remuneration and risk management practices, the effectiveness of regulators and making policy recommendations in response.

The final report (the "Final Report") of the Royal Commission was released publicly in February 2019. In the Final Report, the Commissioner of the Royal Commission identified conduct by financial service entities, including ANZBGL, that may have amounted to misconduct or that has fallen short of community standards and expectations.

The Final Report contained 76 recommendations across several matters, among them, banking, financial advice, superannuation, insurance, culture, governance and remuneration and regulators.

The Australian Government provided its response to the Royal Commission in February 2019, which included a commitment to take action on all of the Royal Commission's recommendations and additional commitments to address issues raised in the Final Report.

In August 2019, the Australian Government released a roadmap to the implementation of its response. APRA, ASIC and the industry have also implemented or begun the implementation process for a number of recommendations directed towards them. The Australian Parliament passed legislation in December 2020 and March 2021 concerning a number of recommendations of the Royal Commission.

Some of the more significant changes that have resulted or are likely to result from the recommendations of the Royal Commission include:

- adjustments to the regime of self-reporting of breaches of financial services laws and the introduction of an equivalent regime for breaches of credit laws;
- giving ASIC the ability to issue directions to prevent or address suspected breaches of financial services and credit laws;
- allowing ASIC to enforce financial services industry codes by attaching civil penalties to breaches of identified provisions of approved industry codes and establishing enforceable mandatory codes of conduct for the financial services industry;
- amendments to the prohibition on hawking (or unsolicited selling) of financial products;
- the introduction of a compensation scheme of last resort;
- the increased focus, and changes to policy, of APRA on governance, culture, remuneration and accountability, which has commenced and includes proposed changes to how banks pay senior executives; and
- the proposed replacement of the BEAR with the Financial Accountability Regime, which will be jointly administered by ASIC and APRA and will impose penalties on individuals and carry higher penalties for entities than BEAR.

Actions taken in connection with the other recommendations of the Royal Commission not highlighted above could also impact the Group's Position.

In February 2019, ANZBGL announced 16 commitments responding to a number of the Royal Commission's recommendations and comments. These commitments are meant to improve the treatment of retail customers, small businesses and farmers in Australia. They include, among other matters, commitments relating to remediation, remuneration, accountability, culture and governance and regulators. As at April 1, 2021, ANZBGL has completed

11 of its 16 commitments. ANZBGL continues to engage with the Australian Government, its regulators and industry as they progress their response to the Royal Commission recommendations.

In addition to the specific recommendations, the Royal Commission's conclusions have led or may lead to regulators commencing investigations into various financial services entities, including the Group, which could subsequently result in administrative or enforcement action being taken. The recommendations and the Government's commitments have also led to the Group's regulators altering their existing policies and practices and legislation being passed to expand regulatory powers.

The Royal Commission has also referred instances of potential misconduct to APRA or ASIC for consideration where they are not already being investigated. Where these matters relate to the Group, it may result in proceedings being brought against Group entities, which could result in the imposition of civil or criminal penalties on the Group.

The Royal Commission is resulting in additional costs and may lead to 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, and may have an adverse impact on the Group's Position. The outcomes and total costs associated with these possible exposures remain uncertain.

The Royal Commission may also lead to increased political or regulatory scrutiny of the financial industry in New Zealand.

Self-assessment into frameworks and practices

On May 1, 2018, APRA indicated 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 November 30, 2018. On August 22, 2019, ANZBGL released an article from ANZBGL's Chairman detailing the actions (including development of a 'roadmap') being taken by ANZBGL to address the issues raised in its self-assessment report. ANZBGL's roadmap has five focus areas: culture; governance and accountability; management of operational risk; remediation; and simplification. The roadmap is a multi-year program. APRA requires ANZBGL to hold an additional capital overlay of A$500 million for operational risk (from September 30, 2019) until ANZBGL has effectively completed the planned uplift as outlined in ANZBGL's roadmap.

Residential mortgage lending practices

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

- in December 2014, APRA outlined additional steps it may take to reinforce sound residential mortgage lending practices of ADIs, indicating that it will pay particular attention to certain areas of concern, including higher risk mortgage lending, growth in lending to property investors (particularly if the growth is materially above an annual benchmark of 10%) and loan affordability tests for new borrowers; and in March 2017, APRA outlined that ADIs will be expected, among other things, to:
- limit the flow of new interest-only lending to 30% of total new residential mortgage lending (“30% Interest-Only Benchmark”). Within this limit, ADIs were expected to place strict internal limits on the volume of interest-only lending at loan-to-valuation ratios (“LVRs”) above 80% and ensure there was strong scrutiny and justification of any instances of interest-only lending at LVRs above 90%; and
- manage lending to investors so as to comfortably remain below the previously advised benchmark of 10% annual growth in lending to property investors (“10% Investor Loan Growth Benchmark”).

The Group applied a number of levers to meet the above expectations and manage portfolio risk, including adjustment of lending criteria and implementation of differentiated pricing between owner occupier and investor lending. Within these categories, differentiated pricing applies between customers making interest-only repayments and principal and interest repayments.

In April 2018 and December 2018, APRA outlined that the 10% Investor Loan Growth Benchmark and 30% Interest-Only Benchmark, respectively, will no longer apply to ADIs in certain circumstances. The benchmarks no longer apply to the Group.

APRA has indicated that it will continue to monitor closely conditions in the housing market more generally and despite the removal of the benchmarks, a return to more rapid rates of investor loan growth or re-acceleration in interest-only lending at an industry-wide level would raise systemic concerns and that such an environment could lead APRA to consider the need to apply industry-wide measures.

The National Credit Code contained in Schedule 1 of the National Consumer Credit Protection Act 2009 (Cth) (“NCCP Act”) imposes a range of disclosure and conduct obligations (including certain “responsible lending” obligations) on persons engaging in a credit activity in addition to imposing authorization and licensing requirements on participants.

In December 2020, the Australian Government introduced a bill into the Australian Parliament that would largely remove the responsible lending requirements in the NCCP Act for ADIs. ADIs will continue to be regulated under APRA's existing standards. They will also continue to be subject to other disclosure and conduct obligations under the NCCP Act.

Changes in classifications for residential mortgage loans

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

Classification of residential mortgage loans may change due to:

- incorrect classification at origination: to the extent that customers inaccurately advise ANZBGL of their circumstances at origination, there is a risk that loans may be incorrectly classified, and such loans may be reclassified;

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

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

Other

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

Sections 102.6 and 102.7 of the Australian Criminal Code

Under Sections 102.6 and 102.7 of the Australian Criminal Code (contained in the Criminal Code Act 1995 of Australia), 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 organization in circumstances where the person knows, or is reckless as to whether, the organization is a terrorist organization. An organization is a terrorist organization 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 organization in regulations under the Criminal Code Act 1995 of Australia.

Under the Autonomous Sanctions Act 2011 of Australia and the Autonomous Sanctions Regulations 2011 of Australia, sanctions are imposed against certain specifically identified persons, entities, assets and vessels associated with particular countries, and certain transactions involving the named persons or entities may only be conducted with specific approval from the Minister of Foreign Affairs. Contravention of these sanctions constitutes a criminal offence.

NEW ZEALAND

The supervisory role of the RBNZ

The Reserve Bank of New Zealand Act 1989 (the “Reserve Bank Act”) requires the RBNZ to exercise its powers of registration of banks and prudential supervision of registered banks (including ANZ New Zealand) for the purposes of:

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

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

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

The RBNZ places considerable emphasis on a requirement that banks regularly disclose information on financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those who 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 with the senior management of registered banks;
- using crisis management powers available to it under the Reserve Bank Act to intervene where a bank distress or failure situation threatens the soundness of the financial system;
- assessing whether a bank is carrying on business prudently;
- issuing guidelines on overseeing banks' compliance with anti-money laundering and countering financing of terrorism requirements;
- monitoring banks' outsourcing arrangements to determine whether a registered bank's risks associated with outsourcing are appropriately managed;

- issuing guidelines on banks' internal capital adequacy process and liquidity policy;
- issuing guidelines on corporate governance; and
- maintaining close working relationships with parent bank supervisors (such as APRA in Australia) on bank-specific issues, policy issues and general matters relating to the condition of the financial system in New Zealand and in the countries where parent banks are domiciled.

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

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

New Zealand-incorporated banks are required to comply with the Basel 3 capital adequacy requirements, as modified to reflect New Zealand conditions. The RBNZ also requires most New Zealand-incorporated banks, including ANZ New Zealand, to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion to apply a countercyclical buffer of common equity with an indicative range of between 0 and 2.5%, although there is no formal upper limit. There are also counterparty credit risk requirements and additional disclosure requirements to incorporate Basel 3. These capital requirements are expected to change from 2022 as a result of the RBNZ's capital reforms, although some aspects of the RBNZ's capital reforms will proceed from July 1, 2021, including the new rules around capital instruments, see "New Zealand Regulatory Developments - RBNZ review of capital requirements" below for further information.

New Zealand-incorporated banks (including ANZ New Zealand) are required to comply with the RBNZ's Liquidity Policy ("BS13"). A requirement of BS13 is that New Zealand-incorporated banks meet a minimum core funding ratio ("CFR") of 75% ensuring that at least a minimum proportion of bank funding is met through customer deposits, term wholesale funding and Tier 1 capital. However, with effect from April 2, 2020, the RBNZ amended ANZ New Zealand's Conditions of Registration to reduce ANZ New Zealand's minimum CFR to 50% in response to the COVID-19 pandemic. The RBNZ intends to revert back to the previous 75% CFR from January 1, 2022.

Basel 3 proposes a liquidity policy which the RBNZ considers very similar to the intent of BS13. However, the RBNZ considers that certain aspects of the Basel 3 liquidity standards are not suitable for adoption in New Zealand.

The RBNZ is undertaking a thematic review of compliance with BS13 ("BS13 Thematic Review"), which it intends to complete by mid-2021. Findings from the BS13 Thematic Review are intended to provide input into a forthcoming review of BS13. See "New Zealand Regulatory Developments — Thematic review of registered banks' compliance with the RBNZ Liquidity Policy" below for further information.

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

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

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

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

- commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;
- issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;
- take any steps to put that bank into liquidation; or
- exercise any right of set off against that bank.

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

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

New Zealand Regulatory Developments

Regulatory Response to the COVID-19 Pandemic and Other Developments

The exact ramifications of COVID-19 on the regulation and supervision of financial services groups such as the ANZ New Zealand Group are still uncertain and, as of the date of this U.S. Disclosure Document, difficult to predict.

In response to the COVID-19 pandemic, the RBNZ and the New Zealand Government have implemented a broad range of measures to promote financial stability and ensure foreign exchange, debt and money markets continue operating efficiently and at low cost, many of which affect the ANZ New Zealand

Group. As of the date of this U.S. Disclosure Document, it remains unclear what the full impact of these measures will be on the ANZ New Zealand Group.

The RBNZ announced in March 2020 that it would defer external-facing work on most of its regulatory initiatives. The RBNZ also extended the transition period for BS11 to October 2023, and there have been delays to the commencement of some upcoming amendments to the Credit Contracts and Consumer Finance Act 2003 ("CCCFA") with the majority of the changes coming into effect on October 1, 2021.

The RBNZ delayed the start date for the increase in bank capital arising from the capital reforms for New Zealand incorporated banks to 2022. Some aspects of the capital reforms will proceed during 2021, including recognition of Tier 2 capital instruments issued in accordance with the new requirements. The conclusion of the transition period is July 1, 2028. The implementation timetable may be revised if conditions warrant in 2021.

The RBNZ amended ANZ New Zealand's Conditions of Registration in response to the COVID-19 pandemic, as follows:

- In May 2020, the RBNZ temporarily removed LVR restrictions for residential mortgage lending. However, effective from March 1, 2021, the pre-pandemic LVR restrictions were reinstated. These LVR restrictions require New Zealand registered banks to restrict new non-property-investment residential mortgage lending over 80% LVR to no more than 20% of the dollar value of a bank's new "non- property-investment residential mortgage lending" (which is a standard residential mortgage loan secured over only owner-occupied residential property), and restrict "property investment residential mortgage" (which is a standard residential mortgage loan that is not a non-property-investment residential mortgage loan) lending over 70% LVR to no more than 5% of the dollar value of a bank's new property investment residential mortgage lending. Additionally, effective from May 1, 2021, New Zealand registered banks are required to restrict property investment residential mortgage lending over 60% LVR to no more than 5% of the dollar value of a bank's new property investment residential mortgage lending.

In April 2020, various changes were made, including:

- restricting ANZ New Zealand from paying dividends or other distributions, other than discretionary payments payable to holders of AT1 capital instruments;
- the reduction of the minimum requirement for ANZ New Zealand's CFR from 75% to 50%; and
- updates to refer to the revised version of BS11 dated April 2020 and to reflect the extension of the transition period for existing outsourcing arrangements under BS11 to October 1, 2023.

The RBNZ announced in May 2021 that it intends to increase the CFR minimum requirement back to 75% on January 1, 2022 (subject to no significant worsening of economic conditions).

With effect from April 29, 2021, the RBNZ amended ANZ New Zealand's Conditions of Registration to (among other things) restrict the payment of dividends by ANZ New Zealand to a maximum of 50% of its earnings. This restriction applies to all New Zealand-incorporated banks and will remain in place until July 1, 2022 (subject to no significant worsening in economic conditions). This amendment restricts the amount of dividends that ANZ New Zealand can pay to its ultimate shareholder, ANZBGL.

From April 2020 until April 2021, the RBNZ also restricted ANZ New Zealand, and other New Zealand-incorporated banks, from redeeming capital instruments. Accordingly, ANZ New Zealand was not permitted to redeem its NZ$500 million of Capital Notes in May 2020, although ANZ New Zealand could continue making interest payments on those Capital Notes (subject to certain conditions). Further, ANZ New Zealand did not exercise its option to convert the Capital Notes in May 2020. The terms of the Capital Notes provide for their conversion into a variable number of ANZBGL ordinary shares in May 2022 (subject to certain conditions). Conversion will result in an increase in the Group's CET1 capital (approximately 10 basis points) at Level 2.

The New Zealand Government and certain New Zealand banks (including ANZ New Zealand) implemented the BFGS to assist with the provision of credit to businesses for the purpose of managing liquidity needs as a result of COVID-19 and to help them to position themselves for the subsequent economic recovery. All businesses with annual revenues of up to NZ$200 million and who meet other criteria set by the New Zealand Treasury are eligible. A limit of NZ$5 million per loan applies and the loans have a maximum term of five years. The New Zealand Government takes 80% of the credit risk of each loan, with the other 20% to be retained by the banks. The scheme is open for applications until June 30, 2021.

The New Zealand Government has also implemented a Small Business Cashflow Loan Scheme, under which the New Zealand Inland Revenue Department provides loans of up to NZ$100,000 to assist small businesses impacted by the COVID-19 pandemic. The interest rate is 3% per annum. However, interest will not be charged if the loan is fully paid back within two years. The maximum term of the loans is five years, and businesses are not required to make repayments for the first two years. The scheme applies the same eligibility criteria as the Wage Subsidy Scheme. Businesses will have to declare that they are a viable business and that they will use the money for core business operating costs.

The RBNZ also implemented an up to NZ$100 billion Large Scale Asset Purchase ("LSAP") program, under which it will purchase New Zealand Government bonds, New Zealand Government Inflation-Indexed Bonds and Local Government Funding Agency bonds, on the secondary market and inject cash into the banking system by June 2022. The LSAP program aims to provide further support to the New Zealand economy, build confidence, and keep interest rates low. The LSAP program increases the amount of money circulating in the New Zealand banking system available to banks, including ANZ New Zealand, as deposits. The RBNZ continues to monitor the effectiveness of the LSAP program and will make further adjustments and additions if needed.

The RBNZ has also implemented a Funding for Lending Program ("FLP") that makes available to banks direct secured funding equivalent to 4% of the relevant bank's eligible loans for a term of three years at the prevailing official cash rate over the drawdown period. Additional FLP funding equivalent to a further 2% of eligible loans will be available to banks that meet certain requirements to increase eligible loans. The FLP is intended to provide banks with low cost funding and encourage lower borrowing costs for New Zealand businesses and households.

From early-2020 to March 31, 2021, the New Zealand Government and the RBNZ implemented a financial support package for homeowners (the "Mortgage Repayment Deferral Scheme") and businesses affected by the economic impacts of COVID-19, in which ANZ New Zealand, along with other New Zealand banks, agreed to participate. The package included a Mortgage Repayment Deferral Scheme for residential mortgage, agriculture and small to medium-sized business customers. The Mortgage Repayment Deferral Scheme was available to eligible ANZ New Zealand customers impacted by COVID-19. Under the Mortgage Repayment Deferral Scheme, repayments could initially be deferred for any period up to six months, as agreed between the bank and the borrower. The period of a repayment deferral under the Mortgage Repayment Deferral Scheme was not treated as a period in arrears, and the granting of a repayment deferral was not treated as a distressed restructuring. ANZ New Zealand followed its usual processes for capitalizing interest on loans under the Mortgage Repayment Deferral Scheme. Treatment of loan repayment deferrals as ‘performing loans’ ended on March 31, 2021.

The financial support package included a Leave Support Scheme and Short-Term Absence Payments to help businesses pay their employees who needed to self-isolate as a result of COVID-19 and could not work from home. Wage Subsidy Schemes were also previously available to help employers adversely affected by COVID-19 lockdowns to continue to pay their staff.

Other support facilities introduced in order to support liquidity that have since been suspended include the Term Lending Facility, Term Auction Facility, and Corporate Open Market Operation. The RBNZ is considering additional monetary instruments that could be deployed in the future including a negative official cash rate, receiving interest rate swaps and purchasing foreign assets.

The Companies Act 1993 and other legislation have been amended to help businesses facing insolvency due to COVID-19 to remain viable, including by introducing a COVID-19 Business Debt Hibernation (“BDH”) regime. Under the regime, eligible entities (including companies, partnerships, incorporated societies, and other bodies) are able to submit a proposal to their creditors for putting their business debts into 'hibernation'. Creditors will have one month from the date the entity notifies the Registrar of Companies of its intention to enter into BDH to vote on the proposal, and the proposal will take effect if 50% of creditors (by number and value) agree. There will be a moratorium on the enforcement of debts during the initial one-month period following notification to the Registrar of Companies, and a further six-month moratorium if the proposal is agreed to. The proposal, if agreed to, will be subject to any conditions agreed with creditors. The BDH regime does not limit enforcement action by creditors with security over the whole, or substantially the whole, of an entity's property, and certain debts (including debts owed to employees) are excluded from the regime entirely. In December 2020, the New Zealand Government extended the BDH regime until October 31, 2021.

The New Zealand Government has also made a number of tax reforms to provide relief to businesses. These include a temporary loss carry-back scheme, under which businesses expecting to make a loss in either of the 2019-2020 or 2020-2021 income years can offset that loss against income from the preceding income year, and receive a refund of some or all of the tax paid for that preceding year. Several changes have been made to assist medium and smaller businesses, including raising the provisional tax threshold from NZ$2,500 to NZ$5,000, in order to lower compliance costs and introducing new rules to allow businesses meeting certain “business continuity criteria” to carry-forward their tax losses notwithstanding changes in continuity of shareholder ownership.

The New Zealand Government announced its Half Year Economic and Fiscal Update (“HYEFU”) on December 16, 2020. The HYEFU outlined the New Zealand Government's fiscal support measures in response to the COVID-19 pandemic which included a NZ$12.1 billion initial support package and a NZ$50 billion COVID-19 Response and Recovery Fund (“CRRF”). As at the date of the HYEFU NZ$51.8 billion of the initial support package and CRRF had been allocated to initiatives, including the Wage Subsidy Scheme and subsequent extensions, the BFGS, costs associated with managed isolation facilities and purchasing of vaccines. The remaining NZ$10.3 billion of CRRF funding was unallocated at the time of the HYEFU.

RBNZ review of capital requirements

Between May 2017 and December 2019, the RBNZ conducted a comprehensive review of the capital adequacy framework applying to New Zealand incorporated banks. The RBNZ's final decisions on the capital review as they relate to ANZ New Zealand are set out below. In response to the COVID-19 pandemic, the RBNZ has delayed the start date for the increased capital requirements to support credit availability. The new regime is expected to be implemented in stages from October 1, 2021.

ANZ New Zealand’s total capital requirement will increase to 18% of RWA, including tier 1 capital of at least 16% of RWA. Up to 2.5% of the tier 1 capital requirement can be made up of AT1 capital, with the remainder of the tier 1 requirement made up of CET1 capital. The increased capital ratios requirement will be implemented progressively from July 1, 2022 to July 1, 2028. AT1 capital must consist of perpetual preference shares, which may be redeemable. The total capital requirement can also include tier 2 capital of up to 2% of RWA. 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 March 31, 2021, ANZ New Zealand had approximately NZ$2,741 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over a transition period from January 1, 2022 to July 1, 2028.

As an IRB accredited bank, ANZ New Zealand’s RWA outcomes will be increased to approximately 90% of what would be calculated under the standardized approach. This will be achieved by applying an 85% output floor from January 1, 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from October 1, 2022.

ANZ New Zealand will be required to report RWA, and resulting capital ratios, using both the internal models and the standardized approaches from January 1, 2022.

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

Since September 30, 2018, CET1 capital has increased by NZ$3.8 billion to NZ$12.9 billion at March 31, 2021 and total capital has increased by NZ$3.8 billion to NZ$15.7 billion, in preparation for these changes and due to the RBNZ’s COVID-19 related dividend restrictions. See “Supervision and Regulation - Australia - Australian Regulatory Developments - ANZBGL Update on RBNZ Capital Requirements” for information on the impact of these requirements on ANZBGL.

Non-compliance with Conditions of Registration

Set out below are outstanding and recent instances of non-compliance by the ANZ New Zealand Group with its Conditions of Registration that were disclosed in the Half Year Disclosure Statement.

Material non-compliance with conditions of registration

A review of ANZ New Zealand's compliance with the RBNZ's capital adequacy requirements was undertaken under Section 95 of the Reserve Bank of New Zealand Act 1989 ("RBNZ Act") and was completed in April 2020. ANZ New Zealand has accepted the improvements identified in the review, and is working to rectify its processes. The RBNZ has stated that it is confident ANZ New Zealand will resolve this matter without issue, and has emphasized that the ANZ New Zealand Group remains sound and well capitalized.

As first reported in the ANZ New Zealand 2019 Disclosure Statement, ANZ New Zealand has not complied with condition of registration 1B in relation to the implementation of changes to rating models and processes that were not approved by the RBNZ.

Applying the last RBNZ approved methodologies to the affected exposures as at September 30, 2019 would have decreased RWA by NZ$47 million (0.05%) in aggregate, which was not sufficient to affect the reported capital ratios.

Affected models and the initial dates of non-compliance are:

- Commercial Property Model Suite (Single Investment, Multi Investment, Hotel Investment, Special Purpose Asset Investment, Single Residential Development, Commercial Development, Englobo Land Pre Development) - 2011
- Non-Bank Financial Institutions Model Suite (Life Insurance, Non-life Insurance, Insurance Holding Company, Finance Companies, Financial Services Companies, Real Money Funds) - 2009
- Project and Structured Finance - 2009
- Bank, Country & Sovereigns - 2008

ANZ New Zealand's model compendium required under section 1.3B of the RBNZ's Capital Adequacy Framework (Internal Models Based Approach) ("BS2B") was found to be non-compliant as it included unapproved model changes.

The first tranche of remediated models was submitted to the RBNZ for approval in August 2020, a second tranche was submitted in November 2020, with a third submission completed in April 2021. As at April 30, 2021, fourteen remediated models had been submitted to the RBNZ for approval, with the three remaining models expected to be submitted before the end of 2021.

Other matters relevant to the conditions of registration

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

Section 95 Reviews

On July 5, 2019, the RBNZ issued a notice under Section 95 of the RBNZ Act requiring ANZ New Zealand to obtain two external reviews: the first on ANZ New Zealand's compliance with certain aspects of BS2B (Capital Adequacy Review); and the second on the effectiveness of ANZ New Zealand's directors' attestation and assurance framework (Attestation Review).

The Attestation Review and the Capital Adequacy Review were completed in December 2019 and April 2020, respectively. ANZ New Zealand is committed to implementing the recommendations and addressing the issues raised by these reviews.

Due to the impacts of the COVID-19 pandemic, the RBNZ extended the time period for addressing the Attestation Review recommendations, subject to ANZ New Zealand obtaining external interim reviews of the remediation activities being undertaken in respect of the Attestation Review and the Capital Adequacy Review, assessed as at March 2021, with final reviews being assessed as at September 2021 for the Attestation Review and December 2021 for the capital models review. The interim review of the Attestation Review is in the process of being finalized. The interim review of the Capital Adequacy Review has been completed. The external reviewer has reported that ANZ New Zealand has made significant progress to address non-compliance issues and improvement areas identified by the Capital Adequacy Review, and the programme of work is expected to be completed by December 2021.

The Attestation Review and the Capital Adequacy Review have highlighted the need for a broader program of improving ANZ New Zealand's processes covered by those reviews, and this programme is now in its implementation phase.

See "New Zealand Regulatory Developments - FMA and RBNZ conduct and culture review" below for further information.

Loan calculator remediation

In June 2017, ANZ New Zealand self-reported a problem with a loan calculator to the New Zealand Commerce Commission ("Commerce Commission"). The problem affected some of ANZ New Zealand's customers' loans that were varied between May 2015 and May 2016. The loan calculator was used to calculate customer repayments and loan terms when customers asked for changes to their home, personal and business loans. The problem resulted in some customers paying less than they should have on affected loans. ANZ New Zealand fixed the calculator in May 2016. ANZ New Zealand has previously credited approximately NZ$8.4 million to affected customers to put the affected loans back into the position they would have been in had the error not occurred. In March 2020, the Commerce Commission announced it had agreed with ANZ New Zealand that ANZ New Zealand would pay some customers affected by the issue a further NZ$29.4 million. These payments are nearing completion.

RBNZ's revised outsourcing policy

BS11 requires large New Zealand-incorporated banks, such as ANZ New Zealand, to have the legal and practical ability to control and execute outsourced functions. BS11 applies to all new outsourcing arrangements entered into from October 1, 2017. The RBNZ has issued revised Conditions of

Registration to ANZ New Zealand effective from April 2, 2020, which include an extension of the transition period to full compliance for existing outsourcing arrangements under BS11 from October 1, 2022 to October 1, 2023.

Conditions of Registration

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

A formal program has been established and is responsible for delivering ANZ New Zealand's compliance with BS11, as outlined in its Path-to-Compliance Plan. In order to be compliant with BS11, ANZ New Zealand must be able to meet the policy outcomes on a stand-alone basis without reliance on any other Group entity. The policy outcomes are defined as ANZ New Zealand being able to:

continue to meet daily clearing, settlement, and other time-critical obligations;

monitor and manage financial positions, including credit, liquidity and market risk positions;

- make available the systems and financial data necessary for the statutory manager and the RBNZ to have options available for managing the failed bank; and
- provide basic banking services to existing customers, including liquidity (both access to deposits and to credit lines as defined in basic banking services) and account activity reporting.

Compliance obligations

BS11 imposes a number of ongoing compliance requirements on ANZ New Zealand. In particular:

- ANZ New Zealand must have a compendium of outsourcing arrangements;
- all contracts to which BS11 applies must include prescribed contractual terms allowing the RBNZ access to details of the contract and service, and not allowing the vendor to terminate if ANZ New Zealand is under statutory management;
- the RBNZ must provide its non-objection for all new outsourcing arrangements (including with other Group entities), unless an exemption applies;
- ANZ New Zealand must have a separation plan that describes how it will operate services or functions that are outsourced to a related party in the event of the appointment of a statutory manager to ANZ New Zealand, or separation from ANZBGL. A final separation plan, fully compliant with BS11, must be in place by October 1, 2023 and will be subject to annual testing; and
- ANZ New Zealand must obtain an independent, external review of progress against its Path-to-Compliance Plan and compliance of new arrangements on an annual basis during the transition period and at least every three years thereafter.

Financial Markets (Derivatives Margin and Benchmarking) Reform Amendment Act 2019 ("FMRA Act")

The FMRA Act was enacted in August 2019 and addresses aspects of New Zealand law that impeded the ability of certain New Zealand entities (including registered banks such as ANZ New Zealand) to comply with foreign derivative margin requirements (in particular, statutory moratoria on creditors' claims under insolvency or restructuring regimes, and the ranking of creditors in certain circumstances). These legislative impediments had resulted in a reduction of the number of counterparties with which ANZ New Zealand was able to enter into uncleared OTC derivative transactions.

The amendments made under the FMRA Act, which as of March 14, 2021 have all become effective, allow derivative counterparties, which enter into derivatives with these New Zealand entities, to enforce their security interest over margin without undue delay, and ahead of other creditors, in the event of the other party to the derivative defaulting (provided that, prior to enforcement, the margin is in the possession or under the control of the enforcing counterparty or its agent). More specifically, the amendments:

- allow these derivative counterparties to enforce against the margin notwithstanding the general moratoria on claims that ordinarily apply in statutory management and voluntary administration; and
- ensure that when these derivative counterparties enforce their security interest over margin, their claim ranks ahead of other potential claims under the New Zealand Companies Act 1993 and the New Zealand Personal Property Securities Act 1999.

The FMRA Act also amended the Financial Markets Conduct Act 2013 ("FMCA") to establish a new licensing regime for administrators of financial benchmarks. These amendments aim to ensure that New Zealand's regulatory regime for financial benchmarks (including the New Zealand Bank Bill Benchmark Rate) meets the equivalence requirements for the purposes of the Benchmarks Regulation.

Replacement of the Financial Advisers Act 2008

In March 2021, New Zealand introduced a new financial advice regime. The Financial Services Legislation Amendment Act 2019 ("FSLAA"), which inserted the provisions of the new financial advice regime into the FMCA and amended the Financial Service Providers (Registration and Dispute Resolution) Act 2008. The key changes to the regime include:

- requiring financial advice providers to be licensed;
- removing the requirement that only a natural person can give financial advice (enabling robo-advice);
- expanding the minimum standards of competence, knowledge, and skill to all categories of people giving regulated financial advice to retail clients;
- requiring all people who give regulated financial advice to retail clients to comply with standards of ethical behavior, conduct, and client care;
- adding new requirements that anyone who gives financial advice must give priority to the interests of the client, ensure the client understands the nature and scope of advice and disclose prescribed information;
- limiting who can give regulated financial advice;

- simplifying the regime and its terminology, for example by simplifying financial adviser types and services they can provide;
- amending the requirements to be registered on the New Zealand Financial Service Providers Register to prevent its misuse; and
- adding requirements to ensure that there are appropriate processes and controls in place to limit, regulate and monitor the financial advice provided by nominated representatives.

ANZ New Zealand has obtained a transitional financial advice provider license from the FMA and has up to two years to apply for and obtain a full license.

Review of the Reserve Bank Act

From November 2017 to April 2021, the New Zealand Government undertook a review of the Reserve Bank Act, with the goal of modernizing New Zealand's monetary and financial stability policy frameworks and the RBNZ's governance and accountability settings.

Phase one of the review was completed in 2018, and 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 Act, including provisions that provide the legislative basis for the RBNZ's prudential regulation and supervision functions and its crisis management framework, and institutional matters such as the RBNZ's legislative objectives, broader governance arrangements and its funding model.

The New Zealand Government has announced in-principle decisions relating to the regulation of deposit takers, including:

- introducing a formal depositor insurance scheme that will protect depositors' savings up to an insured limit of NZ$100,000 per depositor, per institution;
- making Non-Bank Deposit Takers ("NBDTs") and banks subject to a single prudential regulatory regime;
- strengthening accountability requirements on directors of companies that are deposit takers;
- strengthening the RBNZ's supervision and enforcement tools, including with powers to undertake on-site inspections as part of its supervision activities; and
- clarifying and strengthening the RBNZ's crisis resolution framework, including providing the RBNZ with the ability to "bail-in" (that is, write-down or convert to equity) certain unsecured liabilities as a new mechanism for recapitalizing a failing bank.

The New Zealand Government intends to replace the Reserve Bank Act with two separate pieces of legislation - the "Reserve Bank of New Zealand Act" and the "Deposit Takers Act" - which will implement the decisions from this review. The Reserve Bank of New Zealand Act will set out the overall governance and accountability framework for the RBNZ across all its functions. It will also provide for the RBNZ's central banking functions, including the framework for monetary policy. The Reserve Bank of New Zealand Bill is currently before the Finance and Expenditure Committee. The Deposit Takers Act will integrate the two different legislative frameworks for deposit taking institutions (banks and NBDTs) and establish the deposit insurance scheme. In April 2021, the New Zealand Government announced its in-principle decisions to adopt the final measures resulting from the review. An exposure draft of a Deposit Takers Bill is expected to be provided to the public for consultation in October 2021, with implementation of the deposit insurance scheme expected in 2023.

RBNZ review of mortgage bond collateral standards

The RBNZ has undertaken consultation on the terms under which the RBNZ would be prepared to accept mortgage bonds (such as residential mortgage-backed securities or covered bonds) as collateral for the RBNZ's lending operations in the future, and is proposing a new Residential Mortgage Obligations ("RMO") standard. The RBNZ is proposing to gradually phase in RMO to replace internal residential mortgage backed securities over a five-year transition period.

FMA and RBNZ conduct and culture review

Following the establishment of the Australian Royal Commission, the Financial Market Authority (the "FMA") and the RBNZ conducted a joint review of conduct and culture in the New Zealand banking sector in 2018 and 2019. The FMA and RBNZ's industry report concluded that conduct and culture issues did not appear to be widespread in New Zealand banks. There were a small number of issues related to poor conduct by bank staff across the industry. Issues relating to system or process weaknesses were more commonplace. The industry report noted that the FMA and the RBNZ were concerned about the identification and remediation of conduct issues and risks in the banks' businesses, and potential weaknesses in the governance and management of conduct risks.

The FMA and RBNZ have continued to engage with banks that took part in the review, including ANZ New Zealand. In July 2019, the FMA and the RBNZ provided ANZ New Zealand with their specific feedback letter. In their letter, the FMA and the RBNZ noted that ANZ New Zealand's conduct and culture plan appeared to address the relevant issues identified in the feedback letters and published reports. In addition, the FMA and the RBNZ informed ANZ New Zealand that the outcomes of the Section 95 Reviews may result in ANZ New Zealand needing to amend its conduct and culture plan. See "—Section 95 Reviews" for further information.

ANZ New Zealand is continuing to provide regular progress updates on its conduct and culture plan to the FMA and the RBNZ.

RBNZ's approach to supervision of financial institutions

In June 2019, the RBNZ announced that it would intensify its supervision of financial institutions (including ANZ New Zealand). The RBNZ indicated that financial institutions could expect more intrusive supervision, including more reviews, a deeper scrutiny of boards and management, and enforcement action in cases of non-compliance. For further discussion, see the section entitled "Risk Factors - Legal and regulatory risk - Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the ANZ New Zealand Group's Position".

RBNZ breach disclosure and reporting regime

Since January 2021, the RBNZ has introduced a new framework for the reporting and publishing of regulatory breaches by New Zealand banks. Banks are required to report promptly to the RBNZ when there is a breach or possible breach of a regulatory requirement in a material manner, and report all minor breaches every six months. Actual material breaches will then be published on the RBNZ's website. Since March 2021, a materiality threshold applies to the disclosure of breaches of a bank's conditions of registration in their disclosure statements.

FMA review of sales incentives structures in the New Zealand banking industry

In November 2018, the FMA released its findings from its review of incentive structures in the New Zealand banking industry.

The industry review found that the incentives of salespeople across the New Zealand banking industry are highly sales focused and that there is a high risk of inappropriate sales practices occurring. The industry review also found that significant changes are being made to incentive schemes across the New Zealand banking industry.

From October 1, 2019, ANZ New Zealand removed sales incentives for all frontline staff and made changes to its remuneration structure to reduce the emphasis on variable remuneration and individual performance. Frontline Retail and Business Banking staff do not have incentives paid based on individual performance (including payments based on sales measures). Instead staff are eligible for a Group Performance Dividend ("GPD") payment based on overall Group performance. Some staff are also eligible for a variable remuneration component called At Risk Pay ("ARP") which is based on business, team and individual performance. For any roles with an individual performance component, ANZ New Zealand is committed to ensuring that there are no incentives linked to sales measures. Employees who do not meet the minimum standards of behavior and performance will not receive, or will receive a smaller proportion of, GPD and ARP.

In July 2019, the FMA and the RBNZ, in their feedback letter to ANZ New Zealand on its conduct and culture plan, noted the requirement for ANZ New Zealand to notify the FMA, in writing, if ANZ New Zealand intends to materially change its approach to incentives outlined in ANZ New Zealand's conduct and culture plan.

Proposed conduct regulations for financial institutions

The Financial Markets (Conduct of Institutions) Amendment Bill ("FMCIA Bill") was introduced to the New Zealand Parliament in December 2019. The FMCIA Bill would require financial institutions (including registered banks, licensed insurers and NBDTs) that are in the business of providing relevant services to:

- obtain a license under Part 6 of the FMCA;
- 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 operationalize the fair conduct principle; and
- comply with regulations that regulate incentives.

Financial institutions and intermediaries would be subject to the FMCA's compliance and enforcement tools such as civil pecuniary penalties for contraventions of various obligations, and licensed financial institutions would be subject to licensing actions such as censure and the imposition of action plans.

These proposals are intended to form the basis of a broad conduct regime that could be expanded over time with further obligations on regulated entities.

In August 2020, the Finance and Expenditure Committee released its report on the FMCIA Bill, recommending it be passed with amendments. Among other things, the updated Bill now:

- clarifies the fair conduct principle by inserting a non-exhaustive list of relevant factors required to treat consumers fairly;
- changes the requirement that fair conduct programs must be published in full to requiring a summary of the program to be published and the program to be provided to the FMA;
- removing the duty for intermediaries to comply with fair conduct programs, and the duty for financial institutions to ensure intermediary compliance with fair conduct programs; and
- inserts a list of matters the Minister must have regard to before recommending to regulate or prohibit incentives.

In April 2021, the New Zealand Government released two discussion documents regarding the treatment of intermediaries under, and the development of regulations to support, the new conduct of financial institutions regime. This consultation may result in amendments to the Bill later in 2021.

Amendments to the CCCFA

In December 2019, the Credit Contracts Legislation Amendment Act 2019 ("CCLA Act") was enacted. The CCLA Act makes a number of significant changes to the CCCFA, including:

- introducing a new duty on directors and senior managers of creditors under consumer credit contracts to exercise due diligence to ensure that the creditor complies with its duties and obligations under the CCCFA. Proposed remedies for failure to comply with this duty include compliance orders, civil pecuniary penalties, statutory damages and payment of compensation. This change takes effect on October 1, 2021;
- strengthening enforcement provisions, including by providing civil pecuniary penalties and statutory damages for breaches of lender responsibility principles;
- requiring lenders to keep records of their inquiries in relation to their compliance with the responsible lending principles and how they calculate credit and default fees. This change takes effect on October 1, 2021;
- amending the provisions relating to how disclosure is made, including in relation to electronic disclosure; and

- requiring debt collectors to disclose key information to the debtor at the commencement of debt collection action. This change takes effect on October 1, 2021.

Certain amendments contained in the CCLA Act (including changes to electronic disclosure rules and the introduction of civil pecuniary penalties) have already come into effect. As a result of the COVID-19 pandemic, the commencement of Part 5A of the CCLA Act, relating to fit and proper person certification, was delayed and will now come into force on June 1, 2021, and the commencement of the remaining provisions of the CCLA Act and new regulations will now occur on October 1, 2021. The ANZ New Zealand Group is undertaking a program of work in relation to its current CCCFA processes and the upcoming CCLA Act reforms.

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

The RBNZ is undertaking a thematic review of compliance with BS13, which it intends to complete by mid-2021. The BS13 Thematic Review is expected to deliver an assessment of the compliance of registered banks in New Zealand with the quantitative and qualitative requirements of BS13 as well as provide useful insights into the banking industry's current liquidity management practices. The findings from the BS13 Thematic Review are also intended to provide input into a forthcoming review of BS13. ANZ New Zealand is continuing to work with the RBNZ on the BS13 Thematic Review.

Cyber resilience guidance and information sharing consultation

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

The RBNZ also plans to promote information sharing with other relevant government agencies including the National Cyber Security Centre, the NZ Computer Emergency Response Team and the FMA. Details of the RBNZ's information gathering and sharing plan are under development and expected to be published for public consultation in mid-2021.

Privacy Act 2020

The Privacy Act 2020 (“Privacy Act”) came into effect on December 1, 2020. The Privacy Act enhances the role of the Privacy Commissioner and promotes early intervention and risk management by organizations that handle personal information (such as ANZ New Zealand). Key changes relevant to ANZ New Zealand include:

- the mandatory notification of privacy breaches that cause serious harm (or are likely to do so) to the Privacy Commissioner and affected parties, for which failure to comply is an offence subject to a fine of up to $10,000 per breach;
- the ability for the Privacy Commissioner to issue compliance notices and data access notices, with a fine of up to $10,000 for non-compliance; and
- the introduction of controls on the disclosure of information overseas, including the requirement to ensure overseas entities receiving New Zealanders' personal information have similar levels of privacy protection to those in New Zealand.

The Privacy Act affects the handling of personal information ANZ New Zealand receives from customers and counterparties. ANZ New Zealand has implemented a program to ensure compliance with the new privacy obligations from December 1, 2020.

UNITED STATES

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

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

ANZBGL is subject to U.S. federal laws and regulations, including the International Banking Act of 1978 (the “IBA”). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies. As a federally-licensed branch regulated primarily by the Office of the Comptroller of the Currency in the United States (the “OCC”), ANZBGL's New York branch (“New York Branch”) can engage in activities permissible for national banks, with the exception that the New York Branch may not accept retail deposits. The New York Branch does not accept retail deposits (only institutional and corporate deposits) and thus is not subject to the supervision of the Federal Deposit Insurance Corporation (“FDIC”). The U.S. bank subsidiary operating in Guam and American Samoa does accept retail deposits and is subject to supervision by the FDIC.

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

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

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

The “Volcker Rule” adopted under Dodd-Frank, among other things, prohibits 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, private equity funds and hedge funds, subject to certain important exceptions and exemptions.

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

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 respect to certain aspects of CFTC rules in connection with transactions outside the U.S. with non-U.S. counterparties.

U.S. prudential regulators and the CFTC have implemented rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. As ANZBGL is supervised by the FRB and operates the New York Branch that is regulated by the OCC, it needs 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, or otherwise not to comply with U.S. margin rules, with respect to certain categories of transactions and counterparties.

Dodd-Frank also requires ANZBGL to submit U.S. resolution plans to the FRB and the FDIC. ANZBGL submitted its most recent U.S. resolution plan in December 2018. ANZBGL also is subject to “enhanced prudential regulations” under Reg. YY, Subpart N, which was adopted pursuant to Dodd-Frank Section 165, and which requires quarterly and annual certification of compliance with the financial and risk oversight requirements thereof. In October 2019, the FRB and the FDIC issued final rules that would apply tailored requirements on resolution planning and a modification of the enhanced prudential standards applicable to foreign banking organizations, depending on the size of their U.S. operations and their risk profile. Under the final rules, ANZBGL is next required to submit a reduced resolution plan by July 1, 2022 because it continued to be a triennial reduced filer on October 1, 2020.

ANZBGL conducts it debt capital markets activities in the United States through ANZ Securities, Inc. (“ANZSI”). ANZSI is a broker-dealer licensed by the U.S. Securities and Exchange Commission (“SEC”) and supervised by the SEC and the Financial Industry Regulatory Authority (“FINRA”). ANZSI is also licensed states and territories where it does business. The SEC and FINRA have extensive compliance requirements that apply to ANZSI, including recordkeeping, 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 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 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 tax may currently apply only to certain payments derived from sources within the United States, no such withholding tax 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” 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 finalized 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 tax if the Group does not provide such information in compliance with the applicable rules and regulations. Moreover, even if the Group does provide the required information, withholding may still be applicable to certain U.S. source payments.

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

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

Those regulations require financial institutions operating in the United States to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. They also require financial institutions in the United States to operate in compliance with U.S. sanctions regimes. In addition, the U.S. bank regulatory agencies have imposed heightened standards and U.S. law enforcement authorities have been taking a more active role, resulting in intensified enforcement of such matters. 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.

OTHER REGULATORS

The Group has ordinary shares listed on the ASX and the NZX and has other equity securities and debt securities listed on these and certain other overseas securities exchanges. As a result, the Group must comply with a range of listing and corporate governance requirements in Australia, New Zealand 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 capitalization requirements on those operations in their respective jurisdictions.

The Group is also required to comply with certain anti-money laundering and counterterrorism 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, including risks arising from the coronavirus pandemic ("COVID-19"), 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 Issuer's business activities and industry

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

The outbreak of the novel strain of coronavirus in late 2019, specifically identified as SARS-CoV-2, with the disease referred to as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Governments including those in Australia and New Zealand, have imposed wide ranging restrictions on, suspensions of, or advice against, regional and international travel, events, and meetings and many other normal activities and undertaken substantial and costly monetary and fiscal interventions designed to stabilize sovereign nations and financial markets. While certain restrictions have been lifted or modified, governments may in the foreseeable future reintroduce prior restrictions or implement and introduce further measures to contain the pandemic. Further, although globally and domestically COVID-19 vaccines have been deployed, there are uncertainties associated with the long-term effectiveness and the success of nation-wide vaccination programs. Consequently, the full extent of the duration and severity of the impact of the COVID-19 pandemic, as well as the effectiveness of the government and central bank response to the pandemic, remain subject to significant uncertainties.

Major disruptions to community health and economic activity continue to have wide ranging negative effects across most business sectors in Australia, New Zealand and globally, which in turn has impacted demand for the Group's products and services and resulted in a deterioration of the quality of the Group's credit portfolio. Additionally, many of the Group's borrowers have been and continue to be negatively impacted by the COVID-19 pandemic and the Group is exposed to an increased risk of credit loss from borrowers, particularly in the following sectors: transportation (including airlines, shipping, road and rail); ports, tourism and travel (including accommodation, food and beverage); healthcare; agriculture; entertainment; education; retail (including e-commerce due to a reduction in logistics activity); property (particularly shopping malls, office buildings and hotels); construction and contractors. See Notes 1 and 15 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

In response to the COVID-19 pandemic, the Group established a range of accommodations and measures, such as loan payment deferral, designed to assist its personal and business customers but there can be no assurance that these accommodations and measures will be sufficient to prevent or mitigate further hardship, or ensure the delivery of the Group's products and services, and there is a risk that the Group's Position may be materially and adversely affected. These accommodations and measures, and any future accommodations and measures while supporting the Group's customers, may in turn have a negative impact on the Group's Position, may negatively impact the Group's net interest margin, and may result in the Group assuming a greater level of risk than it would have under ordinary circumstances and the Group's Position may be materially and adversely affected as a result.

Significant requests for assistance from retail and small business customers have been received by the Group's customer service team. These requests may grow if there are further outbreaks and the Group is continuing to address additional resourcing and process changes to enable it to support its customers. It remains uncertain, at this stage, what percentage of its lending portfolio will be impacted. Whilst there have been signs of improvement, in the longer term, asset values may start to deteriorate if a large quantity of retail and business customers liquidate their investments, which may also be exacerbated by the cessation of government assistance, either during, or immediately after, the crisis or due to a decrease in demand for these assets. In both scenarios loan-to-value ratios are expected to be impacted.

Substantially reduced global economic activity has caused substantial volatility in the financial markets and such volatility may continue. A deterioration of public finances of sovereigns in response to COVID-19 may lead to further increased volatility and widening credit spreads. COVID-19 has also affected, and can be expected to continue to impact, the Group's ability to continue its operations without interruption or delays due to closure of and restricted access to premises, contagion management and travel restrictions. Any related illness or quarantine of the Group's employees or contractors or suspension of the Group's business operations at its branches, stores or offices could affect the Group's Position.

The COVID-19 pandemic has also increased geopolitical risk. Continuing tensions between countries and policy uncertainty could result in further downturns to the domestic and global economies, which in turn could have a material adverse impact on the Group's financial condition or its ability to execute its strategic initiatives.

The ongoing ramifications of COVID-19 remain highly uncertain and, as of the date of this document, it is difficult to predict the further spread or duration of the pandemic, including whether there will be further outbreaks and whether and to what extent vaccines or other medical treatments will be effective in curtailing the effects of COVID-19. All or any of the negative conditions related to the COVID-19 pandemic described above may cause a further reduction in demand for the Group's products and services and/or an increase in loan and other credit defaults, bad debts, and impairments and/or an increase in the cost of the Group's operations. Should these occur, it is likely that they will result in a material adverse effect on the Group's Position.

Actions taken by regulators in response to the COVID-19 pandemic have impacted, and may continue to impact, the Group. As an example, regulators in some overseas jurisdictions have exercised their powers to prevent banks from declaring dividends or undertaking share buy-backs.

To the extent the COVID-19 pandemic continues to adversely affect the Group's Position, it may also have the effect of heightening many of the other risks described in these Principal Risks and Uncertainties.

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

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

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

The COVID-19 pandemic has had, and is expected to continue to have, a significant impact on the global economy and global markets, as well as on Australia and New Zealand. The imposition of travel restrictions, border controls, social distancing, quarantine protocols and other containment measures contributed, and may continue to contribute to a continuing slowdown in economic conditions across the world and suppress demand for commodities, interrupt the supply chain for many industries globally, dampen consumer confidence and suppress business earnings and growth prospects, all of which could contribute to ongoing volatility in global financial markets. See risk factor 1 "*The COVID-19 pandemic has, and future outbreaks of other communicable diseases or pandemics may, materially and adversely affect the Group's Position*".

A deep global recession has occurred and is continuing. Many countries have experienced large declines in GDP as they restrict activities to manage the spread of the virus, with sharp increases in unemployment rates. These declines in GDP could be exacerbated by further outbreaks of the virus. Governments have responded and continue to respond with fiscal stimulus packages/measures as well as traditional and unconventional monetary easing and regulatory forbearance that is designed to offset at least some of the worst effects of the pandemic. While, such stimulus measures did not prevent the decrease in economic activity stemming from the widespread restrictions aimed at stalling the spread of the virus, they are seemingly contributing to economic recovery as restrictions are eased. In some jurisdictions, such as Australia and New Zealand, stimulus measures have been reduced more recently, though generally this is occurring where the post-pandemic recovery is well advanced.

The impact of this shock on credit losses and asset values continues to be very uncertain. Many of the policies that have been put in place are designed to 'hibernate' parts of the economy, at different times, so that activity can resume when the pandemic subsides. Even as some economies recover, however, there is considerable uncertainty about the length of these periods of hibernation, the most appropriate economic structure once the crisis has passed and the overall impact on confidence to invest in the future. While the future impact of the economic disruption caused by COVID-19, and the governmental responses to it, remain uncertain, the Group may be materially adversely affected by a protracted downturn in economic conditions globally and, in particular, in Australia and New Zealand.

Even before COVID-19, the impact of the global financial crisis in 2007 and its aftermath continued to affect regional and global economic activity, confidence and capital markets. Prudential authorities implemented increased regulations in an attempt to mitigate the risk of such events recurring, although there can be no assurance that such regulations will be effective. The Group believes that the global financial crisis has also had a lasting effect on consumer and business behavior in advanced economies, including the major countries and regions in which the Group or its customers or counterparties operate. Consumers in recent years have reduced their savings rates in the face of weak income growth, while businesses have been reluctant to invest and inflation has remained low. The escalation in geopolitical risks has also contributed to vulnerability in consumer and business behavior. Monetary authorities responded to the global financial crisis by introducing close to zero or below zero interest rates across most countries, and the major central banks took unconventional steps to support growth and raise inflation.

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. Recent examples of events that have affected (and may continue to affect) global political conditions include the United Kingdom ceasing to be a member of the EU and the EEA on January 31, 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 significant trading partners and allies.

The transitional period relating to the United Kingdom's withdrawal ended on December 31, 2020. Since January 1, 2021, aspects of the relationship between the United Kingdom and the EU have been governed by the EU-UK Trade and Cooperation Agreement (the "TCA"), but the TCA is in effect only on a provisional basis; and it is not certain that it will permanently regulate the relationship between the United Kingdom and the EU. Further, the scope of the TCA is limited, for example, it does not establish arrangements for the provision of financial services between the EU and the United Kingdom. Consequently, uncertainties remain relating to certain aspects of the United Kingdom's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the United Kingdom, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets. In anticipation of Brexit, the Group made changes to the structure of its business operations in Europe. However, in light of the continuing uncertainties arising from Brexit, including as noted here, there can be no assurance that those changes will be sufficient to address the financial, trade and legal implications of Brexit; and the Group is subject to the risk that additional changes may be required to address further issues that arise as Brexit continues to develop.

Trade, and broader geopolitical, relationships between the United States and some of its trading partners, such as China, remain volatile. The implementation of further protectionist policies by Australia's key trading partners and allies may adversely impact the demand for Australian exports and may lead to declines in global economic growth. In particular, China is one of Australia'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 economic relationship with China, including the implementation of additional tariffs and other protectionist trade policy, could have adversely affect Australian economic activity, and, as a result, could adversely affect the Group's Position.

Politics in the U.S. has also become more polarized in recent years, and continue to be a potential source of additional instability. Such global political conditions have contributed to economic uncertainty and volatility in the global financial markets and have negatively impacted and could continue to 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 need to adhere to.

Political and economic uncertainty has in the past led to declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, lower or negative interest rates, weaker economic growth and reduced business confidence, each of which may adversely affect the Group's Position. These conditions may also adversely affect the Group's ability to raise medium or long-term funding in the international capital markets.

Geopolitical instability, including potential or actual conflict, occurring around the world, such as the ongoing unrest and conflicts in Ukraine, the Democratic People's Republic of Korea ("North Korea"), Hong Kong, Myanmar, Syria, Egypt, Afghanistan, Iraq, Iran, Nicaragua, Belarus and elsewhere, as well as the current high threat of terrorist activities, may also adversely affect global financial markets, general business and economic conditions and consequently, the Group's ability to continue operating or trading in an affected country or region which in turn may adversely affect the Group's Position.

Should difficult economic conditions in markets in which the Group or its customers or counterparties operate develop or persist, 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.

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) 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.

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 even more so. Competition is expected to increase, including from non-Australian financial service providers who continue to expand in Australia, and from new non-bank entrants or smaller providers.

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, including because those lower levels 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 behavior and the competitive environment and emerging competitors are increasingly utilizing new technologies and seeking to disrupt existing business models in the financial services sector;
- existing companies from outside of the traditional financial services sector may seek to directly compete 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 in, new forms of currency (such as cryptocurrencies) in relation to which the Group may choose not to provide financial services; and
- Open Banking (as described below) may lead to increased competition (see risk factor 16 *"Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position"*).

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

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

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

In response to the COVID-19 pandemic, the Australian Government and its agencies have sought to lower lending and funding costs for both banks and non-banks. These actions may support providers that compete with the Group. Given the importance of a functioning and competitive banking sector, and the Australian Government's ongoing desire to pursue a pro-growth agenda in response to the economic disruption caused by the COVID-19 pandemic, it is anticipated that over the longer-term the level of competition in financial services will remain a focus area for the Australian Government. Policy reform in this area may result in increased competitive pressure in the Group's key markets which may adversely affect the Group's Position.

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

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

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

Since 2009, the world's major central banks have embarked upon unprecedented monetary policy stimulus. The resulting weight of funds searching for yield continues to be a significant driver underlying property markets in the Group's core property jurisdictions (Australia, New Zealand, Singapore and Hong Kong). However, although values for completed tenanted properties and residential house prices, particularly in metro east coast Australian and New Zealand markets, rose steadily until 2018, the fall in Australian house prices in 2018 was the largest since the global financial crisis. In the latter part of 2019 and early 2020, property prices across Australia had started to increase, and although this trend was disrupted by COVID-19 (see risk factor 1 *"The COVID-19 pandemic has, and future outbreaks of other communicable diseases or pandemics may, materially and adversely affect the Group's Position"*), property prices in Australia are rising again. Similarly, New Zealand residential property prices have increased in recent months.

As a response to such increases, the NZ Government announced a range of initiatives aimed to prevent a housing bubble. Specifically, the NZ government mandated that the Reserve Bank of New Zealand (the "RBNZ") consider the impact on housing when making monetary and financial policy decisions; created a NZ$3.8 billion fund to accelerate housing supply in the short to medium term; doubled the application of the 'bright-line' test (which is akin to a capital gains tax on investment property sale); removed interest deductibility for future investors and phased out its application on existing residential investments; and pledged to assist Kāinga Ora in borrowing an additional $2 billion to increase land acquisition and boost housing supply. Measures such as those taken by the NZ Government, as well as other measures to curb and control the social and economic impacts of the COVID-19 could, along with a number of other medium-term factors, such as increased unemployment levels, drive a decline in residential property prices.

Despite initial concerns about the negative impacts of COVID-19 and the threat of a long-term recession, most commercial property markets have been resilient in large part due to government stimulus, record low interest rates and strong liquidity (debt and equity) seeking long term defensive assets. However, some segments of the market have experienced more direct and ongoing consequences of COVID-19, especially with respect to mobility, international and domestic tourism, including discretionary retail, hotel accommodation, student accommodation and large scale inner city residential development. In these segments cash flows have been impaired and are more volatile, which impacts serviceability and asset valuations. Further, there may also be longer term consequences for B & C Grade office buildings as new blended working arrangements start to impact occupiers' longer term decisions about space requirements. In this context, the Group could be impacted in a number of ways:

- some commercial assets could be further impacted by weakening tenancy credit profiles and increasingly volatile property cash flows from lease renewals at lower rates, rental abatements, increased incentives and tenancy defaults impacting serviceability and increasing refinance risk;
- declining asset prices in certain segments could impact customers, counterparties and the value of security (including residential and commercial property) the Group holds against these loans, impacting the Group's ability to recover amounts owed if customers or counterparties were to default. A decline in valuations will also contribute to increasing refinance risk. Valuations will be impacted by the combined effect of reduction in rental income and softening in yields (risk adjusted returns and implicit rental growth), notwithstanding the low interest rate environment;
- liquidity concerns arising from an emerging capital gap as existing loans are refinanced or new loans are financed within existing senior lending risk appetite parameters but against lower valuations, creating a need for additional equity contributions from owners or developers or alternative sources of funding. This creates an additional cash flow risk for borrowers and the potential for non-bank financiers to disintermediate;
- declining demand for the Group's residential lending products due to buyer concerns about decreases in values that may make the Group's lending products less attractive to potential homeowners and investors; and
- a material decline in residential housing prices may also cause losses in the Group's residential development portfolio if customers who are pre-committed to purchase these dwellings are unable or unwilling to complete their contracts and the Group is forced to re-sell these dwellings at a loss.

Separately, a highly competitive construction sector with declining profit margins, could impact contractor and sub-contractor cash flow and liquidity, which presents an indirect risk to the Group's commercial property development financing activities.

Longer term, given a prolonged period of asset price inflation and record low interest rates, the Group's portfolio of commercial property loans may become more susceptible to a sudden and material increase in interest rates, which could cause a decline in interest coverage ratios and asset values, which could increase refinance risk and necessitate equity contributions towards debt reduction.

5. Sovereign risk events may destabilize 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 nationalize 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 destabilizing global financial markets, thereby adversely impacting the Group's position.

Sovereign risk exists in many economies, including the United States, the United Kingdom, 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. Significant uncertainties exist relating to the COVID-19 crisis that is currently unfolding globally. These COVID-19 related uncertainties, combined with pre-existing sovereign risk have been significantly destabilizing global financial markets, and may continue to do so, which in turn could adversely affect the Group's Position. For more information on risks relating to the COVID-19 pandemic see risk factor 1 *"The COVID-19 pandemic has, and future outbreaks of other communicable diseases or pandemics may, materially and adversely affect the Group's Position"*.

6. 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.

As a result of COVID-19, in March 2020 there was a substantial impact to market liquidity across most asset classes as market volatility significantly increased. For more information on risks relating to the COVID-19 pandemic see risk factor 1 *"The COVID-19 pandemic has, and future outbreaks of other communicable diseases or pandemics may, materially and adversely affect the Group's Position"*.

7. 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 appreciation in the Australian dollar against other currencies in which the Group earns revenues (particularly the New Zealand dollar and U.S. dollar) may adversely affect the Group's reported earnings.

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 appreciation in the Australian dollar against other currencies in which the Group earns its revenue may have an adverse impact upon the Group's Position.

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

As a result of longstanding global regulatory initiatives, LIBOR (the London Interbank Offered Rate) is being discontinued as a floating rate benchmark. LIBOR has been the principal floating rate benchmark in the financial markets, and its planned discontinuation has affected and will continue to affect the financial markets generally and may also affect our operations, finances and investments specifically, as described below.

On March 5, 2021, ICE Benchmark Administration Limitation (the "IBA"), the administrator of LIBOR, and its regulator, the United Kingdom's Financial Conduct Authority (the "FCA"), separately announced the dates on which panel bank submissions for all LIBOR settings will either permanently cease to be published or will cease to be representative of the underlying market and economic reality the rates are intended to measure (with such representativeness not being restored). These dates are (a) December 31, 2021, for all sterling, euro, Swiss franc and Japanese yen settings and the 1-week and 2-month U.S. dollar settings; and (b) June 30, 2023, for the remaining U.S. dollar settings. Subsequently, the Alternative Reference Rates Committee (the "ARRC"), the working group convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York to identify risk-free alternatives to U.S. dollar LIBOR, confirmed the FCA's announcements constituted a "Benchmark Transition Event" under ARRC-recommended fallback language with respect to all U.S. dollar LIBOR settings. The International Swaps and Derivatives Association ("ISDA") also confirmed the FCA announcement was an "Index Cessation Event" under the fallbacks added to derivatives transactions by Supplement 70 to the 2006 ISDA Definitions.

While significant effort has been made to introduce and implement replacement alternative benchmark rates, vast amounts of loans, mortgages, securities, derivatives and other financial instruments are linked to the LIBOR benchmark, Any failure to successfully introduce replacement benchmark rates and implement effective transitional arrangements to address the discontinuation of LIBOR 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 LIBOR-based obligations, may generally be adversely affected by the planned discontinuation of LIBOR and by the remaining uncertainties regarding LIBOR's discontinuation, the alternative reference rates that will be used when LIBOR is discontinued and other reforms related to LIBOR. There is no assurance that any alternative reference rate will be the economic equivalent of the LIBOR setting it is intended to replace. Any or all of these matters could have a negative impact on the Group's Position and on the value of LIBOR-linked securities or other instruments which are issued, funded or held by the Group.

A large number of loans, securities, derivatives and other financial instruments to which the Group is a party currently use LIBOR as a benchmark rate or are otherwise linked to 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 LIBOR's discontinuation; and such instruments should transition away from 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 other arrangements may have to be made with regard to such instrument when LIBOR is discontinued. In certain cases, it may not be possible to amend the relevant terms; and the potential legal, regulatory and other consequences if this occurs are uncertain. In any event, implementation of existing fallback provisions or changes made on any other basis may, for example, alter the amounts payable under the relevant instrument, its value and its liquidity, and may result in a mismatch between such instrument and any related contract (such as a hedging agreement). In addition, the process of taking the necessary action with regard to this large volume of contracts prior to the end of 2021 (for sterling, euro, Swiss franc and Japanese yen settings, or the 1-week or 2-month U.S. dollar settings) and prior to the end of June 2023 (for remaining U.S. dollar settings) involves operational risks for the Group.

Other benchmark rates have been, or may be, reformed (for example, 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 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, 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.

9. 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, and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners.

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. There can also be no assurance that any acquisition (or divestment) would have the anticipated positive results around cost or cost savings, time to integrate and overall performance. 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 counterparty to satisfy its completion conditions or because other completion conditions such as obtaining relevant regulatory 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 a proposed merchant acquiring joint venture arrangement with Worldline, a European payment systems provider. The transaction, which remains subject to regulatory and other approvals and card scheme arrangements between ANZ and Worldline, is expected to be completed in late 2021.

Risks related to the Issuer's financial situation

10. 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 honor its contractual obligations. Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether.

The risk of credit-related losses has increased as a result of the impact of COVID-19. The risk of credit-related losses may further increase as a result of a number of factors, including deterioration in the financial condition of the economies in which the Group or its customers or counterparties operate, a sustained high level of unemployment in the markets in which the Group or its customers or counterparties operate, more expensive imports into Australia and New Zealand due to the reduced strength of the Australian and New Zealand dollars relative to other currencies, a deterioration of the financial condition of the Group's customers or counterparties, a reduction in the value of assets the Group holds as collateral, and a reduction in the market value of the counterparty instruments and obligations it holds.

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

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

- industries impacted by the COVID-19 pandemic particularly those referred to in risk factor 1 *"The COVID-19 pandemic has, and future outbreaks of other communicable diseases or pandemics may, materially and adversely affect the Group's Position"*.
- industries exposed to the unwind of government stimulus packages and/or timing of the opening of borders (both domestic and international) as well as industries reliant on consumer discretionary spending;
- the Commercial property sector (including construction and contractors) which is exposed to a decline in investor demand for large scale inner city apartment buildings and a material decline in net migration. In some markets, contractors and sub-contractors may face cash flow / liquidity issues over the next 12-24 months as current projects run off and their forward books are diminished. Projects are expected to be more competitively bid with tighter profit margins;
- industries at risk of sanctions, geopolitical tensions or trade disputes (e.g. technology, agriculture and communications) and/or declining global growth and disruption to global supply chains;
- customers and industries exposed to disruption from physical climate risk (e.g. bushfires, flood, storm 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 27 *"Impact of future climate events, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position"*; and
- industries exposed to the volatility of the United States Dollar as well as the Australian Dollar and New Zealand Dollar.

The decision by the Group to provide customers impacted by the COVID-19 pandemic the option of suspending or deferring certain mortgage or loan repayments may lead to an increase in the level of credit risk related losses. There can be no guarantee that at the conclusion of the deferral or suspension period, customers will be able to recommence their loan repayment obligations, leading to a potential increase in credit risk related losses, which could have a material adverse effect on the Group's Position. See Notes 1 and 15 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

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 analyze the information correctly, the provisions made for credit impairment may be insufficient, which may adversely affect the Group’s Position.

11. 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 United Kingdom and the countries in the Asia Pacific region. The Group is required by its primary regulator, APRA and the RBNZ for the ANZ New Zealand Group to maintain adequate regulatory capital.

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

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

APRA and the RBNZ have implemented prudential standards to accommodate Basel 3. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel 3, that seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations have had or will have their intended effect. These regulations, together with risks arising from any regulatory changes (including those arising from APRA’s response to the remaining Financial System Inquiry (“FSI”) recommendations, further changes from APRA’s “unquestionably strong” requirements, the requirements of the BCBS, the RBNZ’s review of capital requirements and the RBNZ’s amendments to ANZ New Zealand's Conditions of Registration in response to the COVID-19 pandemic are described in risk factor 16 *"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.

12. 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 document, a change in ratings methodologies or by other events. As a result, downgrades in the Group’s credit ratings or rating outlooks could occur that do not reflect changes in the general economic conditions or the Group's financial condition. In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 capital and Tier 2 capital securities and covered bonds) issued by the Group (and other banks globally) could be impacted from time to time by changes in the regulatory requirements for those instruments as well as the ratings methodologies used by rating agencies.

Fitch Ratings (“Fitch”) and S&P Global Ratings (“S&P”) have revised the Group’s ratings and/or outlook as described below.

On April 12, 2021, Fitch revised the outlook on the ANZBGL (“ANZ Banking Group Limited”) and ANZNZ to stable, from negative and affirmed the Group’s and ANZ NZ’s ‘A+’ long-term and ‘F1’ short term issuer default rating.

On April 9, 2020, S&P revised the outlook on the long-term issuer credit rating for the Commonwealth of Australia to negative from stable. As a result of the sovereign action, S&P has also revised the credit rating outlook of the Australian major banks and their New Zealand bank subsidiaries, including the Group, to negative from stable. S&P reaffirmed the Group’s ‘AA-’ long-term and ‘A-1+’ short term issuer credit ratings. S&P also reaffirmed all the ratings on debt issued by the Group, including senior and subordinated debt and hybrid Tier 1 capital instruments.

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.

13. 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, including the adverse changes in market conditions experienced as a result of COVID-19, and/or declines in investor confidence in the Group may materially impact the Group’s ability to replace maturing liabilities and access funding (in a timely and cost effective manner), which may adversely impact the Group’s Position.

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

In response to the economic impacts of COVID-19, major central banks including in Australia and New Zealand have implemented or expanded the use of alternative monetary policy tools including quantitative easing and certain other facilities that directly provide funding to banks in their relevant jurisdiction, including the Group. If these tools were to be withdrawn or significantly reduced unexpectedly the Group may be required to seek alternative funding.

The availability of alternative funding, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions and the Group's credit ratings at that time (which are strongly influenced by Australia's and New Zealand's sovereign credit rating). Even if available, the cost of these funding alternatives may be more expensive or on unfavorable terms that may adversely affect the Group's Position.

14. 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 that 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 16 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 recognized in earnings or equity.

Generally, in order to establish the fair value of these instruments, the Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, fair values are based on present value estimates or other valuation techniques that incorporate the impact of factors that would influence the fair value as determined by a market participant. 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 recognized 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, investment in associates, capitalized software and other intangible assets where there are indicators of impairment.

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

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

In making these assessments, the Group considers relevant internal and external information available. This includes assessing the ongoing impact of COVID-19, and related responses of governments, regulators and businesses, on the carrying values of the Group's assets. There is a high degree of uncertainty associated with the duration and impact of COVID-19 which may affect the recoverability of the Group's assets in future periods.

15. 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 must exercise judgement in selecting and applying many of these accounting policies so that they not only comply with the applicable accounting standards or interpretations but that they also reflect the most appropriate manner in which to record and report on the Group's financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of the Group's financial position. In addition, the application of new or revised accounting standards or interpretations may adversely affect the Group's Position.

The impact of new accounting standards effective for the first time in the Group's 2021 fiscal year is outlined in Note 1 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

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

Legal and regulatory risk

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

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

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

Such delays and deferrals could impact the Group's ability to manage regulatory change and increase the risk of the Group not complying with new regulations when they come into effect. Governments worldwide have imposed wide ranging restrictions on, suspensions of, or advice against, travel, events, and meetings and many other normal activities and have undertaken substantial and costly interventions to stabilize sovereign nations and financial markets. Governments already have and may continue to implement and introduce further measures to contain the pandemic.

The ongoing COVID-19 pandemic also has the potential to complicate the Group's dealings with its regulators in a number of ways. In particular, disruptions to the Group's business, operations, third party contractors and suppliers resulting from the COVID-19 outbreak may increase the risk that the Group will not be able to satisfy its regulatory obligations or processes and/or address outstanding issues, potentially increasing the prospect of a regulator taking adverse action against the Group. Although there is continuing engagement with regulators with respect to banking industry wide loan repayment deferrals and assistance to customers to get back to making their repayments, the Group remains susceptible to regulatory action where it fails to satisfy its regulatory obligations. For more information on risks relating to the COVID-19 pandemic see risk factor 1 "*The COVID-19 pandemic has, and future outbreaks of other communicable diseases or pandemics may, materially and adversely affect the Group's Position*".

In Australia:

Prudential Developments

Developments in prudential regulation continue to impact the Group in a material way. Given the number of items that are currently open for consultation with APRA and the RBNZ, the potential impacts on the Group remain 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:

- APRA continues to be impacted by the evolving situation arising from COVID-19 although certain engagements have resumed as a result of eased restrictions. Primary areas of interest include the impact on funding and liquidity, markets, operational resilience and payments.
- In October 2019, APRA released a discussion paper on draft revisions to the prudential standard APS111 "Capital Adequacy: Measurement of Capital" ("APS111") for consultation. The most material change from APRA's proposal is in relation to the treatment of capital investments for each banking and insurance subsidiary at Level 1, with the tangible component of the investment changing from a 400% risk weighting to:
  - 250% risk weighting up to an amount equal to 10% of ANZBGL's net Level 1 Common Equity Tier 1 ("CET1") capital; and
  - the remainder of the investment will be treated as a CET1 capital deduction.
- APRA has maintained the above proposals, in an update in May 2021, which also includes APRA responses to submissions made by the industry in relation to the issues raised from the October 2019 discussion paper. ANZBGL continues to review the implications of APRA's proposal for its current investments. The net impact on the Group is unclear and will depend upon a number of factors including the capitalization of the affected subsidiaries at the time of implementation, the final form of the prudential standard, as well as the effect of management actions being pursued that have the potential to materially offset the impact of these proposals. Based on ANZBGL's current investment as at March 31, 2021, in its affected subsidiaries and in the absence of any offsetting management actions, the above proposals imply a reduction in ANZBGL's Level 1 CET1 capital ratio of up to approximately A$2.0 billion (approximately 60 basis points). There would be no impact on the Group's Level 2 CET1 capital ratio arising from these proposed changes. The proposed implementation date has been deferred by APRA to January 1, 2022. In a further update during November 2020, APRA announced, that until the new APS111 is finalized and implemented, APRA will require any new or additional equity investments in banking and insurance subsidiaries, where the amount of that new or additional investments takes the aggregate value of the investment above 10% of an ADI's CET1 capital, to be fully funded by equity capital at the ADI parent company level. This treatment would apply to the proportion of the new or additional investment that is above 10% of an ADI's CET1 capital.
- In August 2019, APRA announced that it will amend APS222 "Associations with Related Entities" 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. As exposures are measured net of capital deductions, the proposed changes to APRA's capital regulations (contained in APS111) will affect the measurement of ADI exposures. The implementation date for these changes has been deferred by APRA from January 1, 2021, to January 1, 2022.
- In July 2019, APRA announced its decision on loss-absorbing capacity pursuant to which it will require Australian domestic systemically important banks ("D- SIBs"), including ANZBGL, to increase their total capital by 3% of risk-weighted assets by January 2024. Based on the Group's capital position as at March 31, 2021, this represents an incremental increase in the total capital requirement of approximately A$4.0 billion, with an equivalent decrease in other senior funding. APRA has stated that it anticipates that D-SIBs would satisfy the requirement predominantly with additional Tier 2 capital. APRA is considering, over the next four years, feasible alternative methods for raising an additional 1% to 2% of risk weighted assets. As part of APRA's update on the APS111 consultation in May 2021, APRA has also indicated their intention to work with the industry and the RBNZ on how the RBNZ's proposed new definitions of Additional Tier 1 (AT1) and Tier 2 capital could contribute towards the overall loss absorbing capacity of banking groups. Subject to appropriate strengthening of cross-border resolution arrangements, APRA could take into account the RBNZ qualifying AT1 and Tier 2 capital when determining the financial resources needed to support the orderly resolution of major banks.
- Implementation of APRA's revisions to the capital framework for ADIs, resulting from the BCBS Basel 3 capital reforms and the recommendations of the FSI, will continue over the coming years. However, in response to the challenging economic environment resulting from disruption caused by COVID-19, APRA announced a temporary change to its expectations with regards to ADIs maintaining bank capital ratios at the "unquestionably strong" benchmark of 10.5% for CET1. APRA advised all banks that during this period of disruption resulting from the COVID-19 pandemic, APRA would not be concerned if banks are not meeting this benchmark as the current large buffers may be needed to facilitate ongoing lending to the Australian economy, provided that they continue to meet their other minimum capital requirements.
- APRA has deferred its scheduled implementation of changes to ADIs risk-weighting framework and other capital requirements (capital reforms) by one year. The majority of the capital reforms were initially due for implementation on January 1, 2022, but these have now been revised to January 1, 2023. In December 2020, APRA released a consultation paper regarding proposed changes to the capital framework for ADIs aimed at

embedding “unquestionably strong” levels of capital, improving the flexibility of the framework, and improving the transparency of ADI capital strength. These proposals replaced previous consultation packages released by APRA in 2018 and 2019 in relation to proposed revisions to the capital framework for ADIs. The key aspects of APRA’s latest proposal, published in December 2020 proposals are:

- Increased alignment with internationally agreed Basel standards;
- Implementing more risk-sensitive risk weights for residential mortgage lending;
- Introduction of the Basel II capital floor that limits the RWA outcome for IRB ADIs to no less than 72.5% of the RWA outcome under the standardized approach;
- Improving the flexibility of the capital framework through the introduction of a default level of the countercyclical capital buffer (“CCyB”) of 100 basis points of RWA and increasing the capital conservation buffer (“CCB”) for IRB ADIs by 150 basis points (from 250 basis points to 400 basis points);
- Improving the transparency and comparability of ADIs’ capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardized approach; and;
- Implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%.

- APRA has indicated in their proposals a decrease in RWA by approximately 10% for IRB ADIs, but this would be offset by the increased capital allocation to regulatory buffers. APRA has also indicated that, as ADIs are currently meeting the “unquestionably strong” benchmarks, it is not APRA’s intention to require ADIs to raise additional capital. Accordingly, APRA has therefore sought to calibrate the proposed capital requirements for ADIs, measured in dollar terms, to be consistent at an industry level with the existing “unquestionably strong” capital benchmarks for ADIs under the current capital framework. The impact of these proposed changes on individual ADIs (including ANZBGL), however, will vary depending on the final form of requirements implemented by APRA.
- In response to COVID-19, in April 2020 APRA provided guidance on capital management, which included an expectation that ADIs seriously consider deferring decisions on the appropriate level of dividends. In July 2020, APRA provided an update to their guidance, which included an expectation that ADIs maintain caution on dividends and, for the remainder of the 2020 calendar year, the ADIs seek to retain at least half of their earnings when making decisions on capital distributions. In December 2020, APRA further updated its guidance, whereby from the 2021 calendar year, APRA will no longer hold banks to a minimum level of earnings retention but ADIs will need to maintain vigilance and careful planning in capital management. APRA stated that the onus will be on Boards to carefully consider the sustainable rate for dividends, taking into account the outlook for profitability, capital and economic environment. The Group’s interim dividend of 25 cents per share (paid to shareholders on September 30, 2020) and 2020 final dividend of 35 cents per share (paid on December 16, 2020) took into account the July 2020 guidance.
- The RBNZ has completed a comprehensive review of the capital adequacy framework for registered banks in New Zealand, and released its final decisions on key components of the capital review in December 2019. The net impact on the Group is an increase in CET1 capital of approximately A$2.1 billion over the transition period. The RBNZ has delayed the start date for the increase in bank capital arising from the capital reforms for New Zealand incorporated banks to July 2022. Some other aspects of the capital reforms will proceed from July 1, 2021, including the rules around capital instruments. The conclusion of the transition period is July 1, 2028. The implementation timetable may be revised if deemed necessary by the RBNZ. The net impact will be reduced by approximately A$0.5 billion if ANZ New Zealand’s NZ$500 million Capital Notes are converted into new Group ordinary shares in May 2022 (described further below).
- On March 31, 2021, the RBNZ announced that it would ease the dividend restrictions to allow for a maximum of 50% of bank earnings to be paid as dividends to shareholders. The 50% dividend restriction will remain in place until July 1, 2022, at which point the RBNZ intends to remove restrictions entirely. The RBNZ also informed ANZ New Zealand, and other New Zealand-incorporated registered banks, that they should not redeem capital instruments at this time. Accordingly ANZ New Zealand was not permitted to redeem its Capital Notes in May 2020, although ANZ New Zealand can continue making interest payments on those Capital Notes (subject to certain conditions). Further, ANZ New Zealand announced that it would not exercise its option to convert the Capital Notes in May 2020. The terms of the Capital Notes provide for their conversion into a variable number of ANZBGL ordinary shares in May 2022 (subject to certain conditions). Conversion would result in an increase in the Group’s CET1 capital (approximately 10 basis points) at Level 2.

Recalibration of ASIC’s Regulatory Priorities

ASIC announced on March 23, 2020, that it will focus its regulatory efforts on challenges created by COVID-19. Since then, ASIC has afforded priority to matters where there is the risk of significant consumer harm, serious breaches of the law, risks to market integrity and time-critical matters. This included a focus on loan deferral programs and customers dealing with hardship. ASIC immediately suspended a number of near-term activities which are not time-critical. These included some consultation, regulatory reports and onsite reviews including ASIC’s close and continuous monitoring program. In April 2020, ASIC announced further details of changes to its regulatory work and priorities in light of COVID-19, including that it has stepped up markets supervision work and that enforcement action will continue. However, ASIC stated that there may be changes to the timing and process of investigations it is conducting to take in account the impact of COVID-19. In May 2020, ASIC announced that it would defer the commencement date of the mortgage broker best interest duty and remuneration reforms and the design and distribution obligations by six months to January 1, 2021, and October 5, 2021, respectively. In August 2020, ASIC released its Corporate Plan for 2020 through 2024 which outlines actions ASIC are taking to address the impact of the COVID-19 pandemic as well as longer term threats and harms in the regulatory environment. A key stated consideration of ASIC is to support the long term recovery of the Australian economy. ASIC’s stated strategic priorities responding to the COVID-19 pandemic include: (I) protecting consumers from harm at a time of heightened vulnerability; (ii) maintaining financial system resilience and stability; (iii) supporting Australian businesses to respond to the effects of the COVID-19 pandemic; (iv) continuing to identify, disrupt and take enforcement action against the most harmful conduct; and (v) continuing to build ASIC organizational capacity in challenging times.

Royal Commission

The Royal Commission made 76 recommendations concerning law reform, self-regulatory standards and the operations of ASIC and APRA, a number of which have already been addressed. The Government has stated that it remained focused on completing the implementation of the remaining recommendations. In addition, the Royal Commission has led or may lead to regulators increasing the scope and frequency of investigations into various financial services entities, including the Group. The recommendations could also result in additional costs and may lead to 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 recommendations may also lead to adjustments in the competitive environment of the Group. The outcomes and total costs associated with these possible exposures and changes remain uncertain and their impact may adversely affect the Group's Position.

Competition Laws, Regulations and Inquiries

There is a strong focus on the regulation of competition in the financial services sector. In February 2021, the ACCC announced its enforcement priorities for the year and financial services has returned as a key priority. The ACCC noted that it would be following through on the recommendations from the ACCC's Home Loan Price Inquiry final report which was released in December 2020. The recommendations included a prompt to encourage borrowers to consider if they could benefit from switching loan providers, changes to the mortgage discharge process, and an ongoing role for the ACCC to monitor competition and prices in the home loan market. These changes are likely to result in increased compliance costs being incurred by the Group. The ACCC has noted it will heavily scrutinize any mergers or acquisitions, particularly by any of the big four Australian banks and will also keep a close watch on any issues arising from collections as loan deferral periods come to an end.

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. In December 2020, the Government introduced a bill to make changes to Australia's credit framework, including changes to the responsible lending obligations for ADIs, where APRA will continue to regulate ADIs in relation to existing standards, while ASIC will regulate non ADIs in relation to new standards. Laws for stricter anti-hawking prohibitions in relation to financial products and a deferred sales model for add on insurance have recently been passed. The design and distribution obligation legislation, which comes into effect in Australia on October 5, 2021, will introduce requirements on 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 Australian Government announced in March 2019 that ASIC would be provided with more than A$400 million and APRA with more than A$150 million in additional funding to support enforcement actions and increase regulation and supervision. 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 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 specialized rules applicable to senior executives in the banking sector. The Banking Executive Accountability Regime ("BEAR") was introduced as a new responsibilityand 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 Financial Accountability Regime ("FAR"), which proposes to extend the regime to other APRA-regulated entities. FAR would be jointly administered by APRA and ASIC and could impose larger civil penalties for any breaches, including for individuals. Potential risks to the Group from the BEAR legislation and FAR include the risk of penalties and the risk to the Group's ability to attract and retain high-quality directors and senior executives.

Other Government or regulatory interventions in the financial sector

There remain ongoing Australian Government and regulator led inquiries and interventions into Australia's banks. 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 also increased substantially following the commencement by the AUSTRAC (which is the Australian government financial intelligence agency set up to monitor financial transactions to identify money laundering, organized crime, tax evasion, welfare fraud 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 Parliament's Joint Standing Committee on Trade and Investment Growth has established an inquiry into the prudential regulation of investment in Australia's export industries. The terms of reference focus on prudential standards and practices across banking, insurance and superannuation and how these are impacting businesses and the rural, regional and national economies. The impact of the inquiry on ANZBGL, if any, is not yet clear. See also risk factor 18 "*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*" below.

Industry self-regulation

There is continued focus on industry best practice guidance and standards impacting retail and small business banking. Changes to self-regulatory instruments, including industry codes and practice guidelines, has required Group resources to implement and monitor compliance. A new Australian Banking Code came into effect from July 2019, with further changes to certain retail and small business products and processes introduced in March 2020. Industry guidance on working with vulnerable customers is also evolving. Laws in response to the Financial Services Royal Commission to allow certain industry code provisions to be deemed as 'enforceable code provisions', the breach of which would attract civil penalties. A process is expected to be undertaken in late 2021 to determine which provisions of the Banking Code of Practice should be designated as 'enforceable'.

Open Banking Laws

Open Banking is part of a new consumer data right in Australia that was made law in August 2019. The consumer data right it establishes seeks to improve consumers' ability to compare and switch between products and services. From July 1, 2020, individual customers can request their bank share their data for deposit and transaction accounts and credit and debit cards and this ability has since been extended to a number of additional products. It is expected to reduce the barriers to new entrants into the banking industry in Australia. Open Banking may lead to increased competition that may adversely affect the Group's Position.

On December 23, 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 consumer data right (CDR) which currently underpins open banking. It includes a recommendation to enable general action initiation (e.g. opening, managing and closing products) and payment initiation by accredited persons through the CDR regime. If the recommendations are implemented by the Government this may lead to a further increase in competition. The Government has not yet responded to the report.

Cyber Security

The Australian Government has expressed its commitment to protecting Australian essential services by improving the security and resilience of critical infrastructure. The Security Legislation Amendment (Critical Infrastructure) Bill 2020 was introduced in December 2020. If passed, the bill would create an enhanced regulatory framework for Australia's critical infrastructure that may include banks. The impact on ANZBGL of the bill, if passed, is not yet clear.

Outside of Australia:

New Zealand Developments

The New Zealand Government and regulatory authorities have proposed significant legislative and regulatory changes for New Zealand financial institutions. These changes include, among other things: the RBNZ's reform of capital requirements, the RBNZ's amendments to BS11,ANZ New Zealand's revised conditions of registration, the enactment of the Financial Services Legislation Amendment Act 2019 and replacement of the Financial Advisers Act 2008, proposed conduct regulations for financial institutions under the Financial Markets (Conduct of Institutions) Amendment Bill, the review and proposed replacement of the Reserve Bank of New Zealand Act 1989 and the enactment of the CCLA Act. Such changes may adversely affect the ANZ New Zealand Group, potentially impacting its corporate structures, businesses, strategies, capital, liquidity, fundingand 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.

In addition to the delay of capital reforms, the RBNZ has also extended the transition period for BS11 to October 1, 2023, and there have been delays to the commencement of some provisions of the CCLA Act.

Other Offshore Developments

Other offshore regulatory developments include changes to financial regulations in the United States (including legislative changes to the Dodd-Frank Act and revision to its Volcker Rule), changes to senior executive accountability in Singapore, Hong Kong, and the United Kingdom, introduction of greater data protection regulations in Europe, implementation of further phases of the initial margin requirements for uncleared OTC derivatives in a number of the Relevant Jurisdictions and the requirement that banks prepare for the reform of EURIBOR and SIBOR, andthe discontinuation of LIBOR and other such interbank offered rates by transitioning to risk free rates. For further information in relation to LIBOR risks, see also risk factor 8 "T*he planned 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 licenses or other enforcement or administrative action or agreements (such as enforceable undertakings) that may adversely affect the Group's Position.

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

Such failures may also result in the Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of any litigation (including class action proceedings) may result in the payment of compensation to third parties and/or further remediation activities. For information in relation to the Group's litigation and contingent liabilities, see risk factor 17 "*Litigation and contingent liabilities may adversely affect the Group's Position*" and Note 21 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

17. 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 March 31, 2021, in respect of the matters outlined in Note 21 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

Note 21 includes, among other things, descriptions of:

- regulatory and customer exposures;
- benchmark/rate actions;
- capital raising actions;
- consumer credit insurance litigation;

- Esanda dealer car loan litigation;
- OnePath superannuation litigation;
- the Royal Commission;
- security recovery actions; and
- warranties and indemnities.

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

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.

18. 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 breaches by 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.

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 "designate service" to a customer, such as opening a bank account or providing a loan). AUSTRAC continues to publically communicate its view that many reporting entities in Australia have underinvested in systems and controls required to identify, mitigate and manage their AML/CTF risks.

In late 2019, AUSTRAC commenced civil penalty proceedings against a major Australian bank relating to alleged past reporting contraventions of the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006. In September 2020, an agreed statement of facts was filed in Federal Court resulting in a civil penalty of A$1.3 billion being imposed against the bank. This is the largest financial penalty imposed on a financial institution in Australia's history (almost twice the amount of the previous largest AUSTRAC financial penalty) confirming AUSTRAC's continued efforts to penalize significant non-compliance with the AML/CTF regime. Additionally, since 2018 AUSTRAC has had the power to issue infringement notices pursuant to which it can impose significant penalties. It has used this approach twice issuing infringement notices to reporting entities despite the number of breaches in each case being relatively small (less than 100). Further, AUSTRAC and other regulators have exhibited a willingness to promptly exercise their enforcement powers by instituting civil penalty proceedings.

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.

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

The risk of non-compliance with AML/CTF and sanction laws remains high given the scale and complexity of the Group and the lack of clarity around some mandatory reporting requirements. Emerging technologies, such as virtual currency issuers/exchangers 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.

19. 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 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 also 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.

Many central monetary authorities have actively reduced official interest rates in jurisdictions in which the Group operates and are currently considering, implementing or expanding the use of unconventional monetary policies. Central banks worldwide, including the RBA, the U.S. Federal Reserve and the RBNZ cut interest rates during 2019 in response to slowing economic growth and again in 2020 in response to emerging risks to growth from COVID-19. On November 3, 2020, the RBA cut the cash rate to the Australian historic low rate of 0.1%, in response to the ongoing effect of the COVID-19 outbreak on the Australian economy. The RBNZ also cut the New Zealand Official Cash Rate to a record low of 0.25% in March 2020. Low or negative interest rates would likely put pressure on the Group's interest margins and adversely affect the Group's Position.

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

20. Increasing compliance costs, the risk of heightened penalties and ongoing regulatory scrutiny with respect to the significant obligations imposed by global customer tax transparency regimes (which are still evolving), may adversely affect the Group's Position

There have been 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, including FATCA, the OECD's Common Reporting Standard ("CRS") and similar anti-tax avoidance regimes. This includes enforcement and implementation of detailed rules and frameworks to close down circumventions and deter, detect and penalize non-compliance.

As an in scope FI, the Group operates in a globally interlinked operating environment. In this context, the highly complex and rigid nature of the obligations under the various regimes present heightened operational and compliance risks for the Group. This may be coupled with increased regulatory scrutiny of FIs (including the Group), increasing trends in compliance breaches by FIs and related fines for non-compliance in general. Accordingly, compliance with global customer tax transparency regimes will continue to be a key area of focus for the Group.

Ongoing OECD Government level peer reviews and regulatory FI compliance reviews continue to increase the scrutiny on FIs, resulting in further tightening of existing obligations and focus on CRS compliance. Each country of adoption is being pushed by the OECD to ensure its penalty regime is sufficient to deter and penalize non-compliance.

Under FATCA and other 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 which may introduce standards that can be challenging to implement;
- must deal with considerable country specific variations in local law and regulatory implementation, with significant local regulatory penalties for non-collection or failed reporting in respect of prescribed customer information; and
- along with other FIs, is under increasingly stringent regulatory scrutiny and measures as regulators turn their focus from the initial establishment of the CRS to its effective implementation. This tightening of the regulatory focus can lead to significant negative experience for affected customers (including unilateral account blocking and closure), may adversely affect the Group's Position and if not similarly implemented by other FIs, may present a significant competitive disadvantage.

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. A failure to successfully operate the implemented processes 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, COVID-19 challenges have resulted in limited staff access to systems, tools and information, and have impacted on the delivery of regulatory obligations to 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 lodgments and payments may similarly be impacted. While some level of leniency from global regulators is anticipated, there is an increasing 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.

21. Unexpected changes to the Group's license 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

22. 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, cyber risk, conduct and culture 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 include but are not limited to:

- internal fraud (for example, involving employees or contractors);
- external fraud (for example, fraudulent loan applications or ATM skimming);
- employment practices, loss of key staff, inadequate workplace safety and failure to effectively implement employment policies;
- impacts on clients, products and business practices (for example, misuse of customer data or anti-competitive behavior);
- business disruption (including systems failures);
- reputational risk (see risk factor 23 *"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"*);
- cyber risk (see risk factors 25 *"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"* and 26 *"Risks associated with information security including cyber-attacks, may adversely affect the Group's Position"*);
- conduct and culture risks (see risk factor 24 *"Conduct risk events may adversely affect the Group's Position"*);
- damage to physical assets; and
- execution, delivery and process management (for example, processing errors or data management failures).

Loss from operational risk events may adversely affect the Group's Position. Such losses can include fines, penalties, 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.

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

COVID-19 challenges have resulted in a number of changes in terms of how the Group is undertaking its operations including to adapt to remote working arrangement. While the lifting of restrictions in Australia and New Zealand has allowed a number of ANZ staff to return to work on ANZ premises, many ANZ staff continue to work remotely. Although technology has been successfully deployed to ensure remote working capabilities are available to the relevant staff, greater reliance on digital channels creates heightened risks associated with cyber-attacks and the impact those attacks might have on our systems and service availability, which could affect ANZ technology assets as well as third party technology suppliers and critical services on which the Group relies, such as telecommunications operators.

All or any of the impacts described above may cause a reduction in productivity or delays in completing important activities or increased regulatory scrutiny, which could subsequently result in customer remediation activities, or fines, all of which may adversely affect the Group's Position.

23. 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. 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.

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

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

- failures related to fulfilment of identification obligations;
- failures related to new product development;
- failures related to ongoing product monitoring activities;
- failures related to suitability requirements when products are sold outside of the target market;
- market manipulation or anti-competitive behavior;

- failure to comply with disclosure obligations;
- inappropriate crisis management/response to a crisis event;
- inappropriate handling of customer complaints;
- inappropriate third party arrangements;
- privacy breaches; and
- unexpected risks (e.g. credit, market, operational or compliance).

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

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

The Group defines conduct-related 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
- unauthorized 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. The Group has a centralized 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.

The COVID-19 pandemic has resulted in more employees working remotely which may impact employee behavior and/or Group systems and processes, and may adversely, impact our customers, or market integrity, or increase the risk that we fail to live up to community expectations. And as the economy begins to recover and government- or company-imposed COVID-19 measures are eliminated~~,~~ individual customers still enduring hardship may suffer detriment if the Group cannot provide support based on individual circumstances.

For further discussion of the increasing regulatory focus on conduct risk, see risk factor 16 *"Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position*" and risk factor 17 *"Litigation and contingent liabilities may adversely affect the Group's Position*".

25. 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 requirements.

The frequency and magnitude of threats to the Group's IT systems from cyber-attacks are increasing and continuously evolving. Cyber-attacks against organizations can range from attacks from single private individuals up to state owned attacks, which are generally much more sophisticated. While the Group has implemented policies and procedures design to protect against cyber-attacks, it may not be able to anticipate or implement effective measures to prevent or minimize disruptions including those caused by, among other things, by cyber-attacks due to well-resourced perpetrators using highly sophisticated and/or novel techniques.

The Group has an ongoing obligation to maintain its IT systems and to identify, assess and respond to risk exposures caused by the use of technology including IT asset lifecycle, IT asset project delivery, technology resilience, technology security, use of third parties, data retention/restoration or business rules and automation. Inadequate responses to these risk exposures could lead to unstable or insecure systems or a decrease in the Group's ability to service its customers, increased costs, and non-compliance with regulatory requirements, which may adversely affect the Group's Position. As an example, in response to the COVID-19 pandemic, more of the Group's staff and third party contractors are working remotely or from alternative work sites, which has put additional stress on the Group's productivity and remote access to systems.

The Group has disaster recovery and business continuity measures in place designed to ensure that critical IT systems will continue to operate during both short-lived and prolonged disruption events. However, COVID-19 has highlighted that these arrangements must cater for vast and improbable events, like a global pandemic, and ensure critical information systems can be supported and accessed by a large number of multi-jurisdictional technology and business users for extended periods. If such measures cannot be effectively implemented, this may adversely affect the Group’s Position.

In addition, businesses in all countries within the ANZ network, including ANZ New Zealand rely on the Group to provide a number of IT systems. A failure of the Group’s systems may affect ANZ network countries, which may in turn, adversely affect the Group's Position.

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

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

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

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

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.

Environmental, social and governance risks

27. Impact of future climate events, 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 climate-related events. These events include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The Group and its customers may also be exposed to other events such as geological events (including volcanic seismic activity or tsunamis), plant, animal and human diseases or a pandemic such as COVID-19, which is causing significant impacts on the Group’s operations and its customers. The COVID-19 pandemic has resulted in a widespread health crisis that could continue to adversely affect the economies and financial markets of many countries, including Australia and New Zealand, resulting in an economic downturn that could affect the Group and its customers. See risk factor 1 “*The COVID-19 pandemic has, and future outbreaks of other communicable diseases or pandemics may, materially and adversely affect the Group’s Position*” for further details regarding the different impacts from COVID-19.

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 centers 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.

28. 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 all of the Group’s activities and includes the identification and monitoring of the Group’s risk appetite and reporting on the Group’s risk exposure 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 (including conduct risk). 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 reputation damage, and failing to comply with regulatory obligations, which could adversely affect the Group’s Position.

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

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

The risks associated with climate change are subject to increasing regulatory, political and societal focus. APRA has released a draft prudential practice guide that is designed to assist regulated entities in managing climate-related risks and opportunities as part of their existing risk management and governance frameworks. Embedding climate change risk into the Group’s risk management framework in line with APRA’s and other stakeholders’ expectations, and adapting the Group’s operation and business strategy to address both the risks and opportunities posed by climate change and the transition to a low carbon economy could have a significant impact on the Group.

The Group's most material climate-related risks result from its lending to business and retail customers, including credit-related losses incurred as a result of a customer being unable or unwilling to repay debt, or impacting the value and liquidity of collateral.

The risk to the Group through credit-related issues with the Group's customers could result directly from climate-related events, and indirectly from changes to laws, regulations, or other policies such as carbon pricing and climate risk adaptation or mitigation policies, which may impact the customer's supply chain. This may result in credit-related losses as a result of the customer being unable or unwilling to repay debt, which may adversely affect the Group's Position.

CURRENCY OF PRESENTATION AND EXCHANGE RATES

Currency of presentation

ANZ 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$0.7613 = A$1.00, the 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") on March 31, 2021.

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 of			Half Year		
	Mar 21	**Sep 20**	**Mar 20**	**Mar 21**	**Sep 20**	**Mar 20**
Chinese Renminbi	**4.9879**	4.8453	4.3895	**4.9209**	4.7920	4.7002
Euro	**0.6490**	0.6061	0.5619	**0.6263**	0.6038	0.6066
Pound Sterling	**0.5538**	0.5539	0.5017	**0.5568**	0.5403	0.5225
Indian Rupee	**55.883**	52.473	46.745	**55.046**	51.296	48.153
Indonesian Rupiah	**11,073**	10,595	10,126	**10,711**	10,117	9,487
Japanese Yen	**84.229**	75.059	67.015	**78.911**	73.099	72.937
Malaysian Ringgit	**3.1585**	2.9593	2.6611	**3.0684**	2.9153	2.7969
New Taiwan Dollar	**21.662**	20.591	18.707	**21.245**	20.265	20.315
New Zealand Dollar	**1.0894**	1.0802	1.0269	**1.0697**	1.0710	1.0488
Papua New Guinean Kina	**2.6665**	2.4858	2.1193	**2.6315**	2.3669	2.2845
United States Dollar	**0.7600**	0.7110	0.6189	**0.7507**	0.6840	0.6705

For the March 2021 half, 32% (Sep 20 half: 34%; Mar 20 half: 33%) of ANZ's operating income including discontinued operations was derived from the New Zealand and Asia Pacific, Europe and Americas ("APEA") geographic regions.

Operating income from the New Zealand and APEA geographic regions is denominated principally in the currencies outlined in the table below. Movements in foreign currencies against the Australian Dollar can therefore affect ANZ'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 21**	**Sep 20**	**Mar 20**
Chinese Renminbi	3%	2%	-2%
Euro	4%	0%	-2%
Pound Sterling	3%	3%	-5%
Indian Rupee	7%	7%	-1%
Indonesian Rupiah	6%	7%	-3%
Japanese Yen	8%	0%	-3%
Malaysian Ringgit	5%	4%	-3%
New Taiwan Dollar	5%	0%	-6%
New Zealand Dollar	0%	2%	-1%
Papua New Guinean Kina	11%	4%	-3%
United States Dollar	10%	2%	-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.*

ANZ monitors its exposure to revenues, expenses and invested capital denominated in functional 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 of statutory profit 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).

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

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

Large/notable items - continuing operations

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

Divestment impacts

As the divestments below did not qualify as discontinued operations under accounting standards they form part of continuing operations. The financial impacts from these divestments are summarized below including the business results for those divestments that have completed:

	Gain/(Loss) on sale from divestments			Completed divestment business results		
	Half Year			Half Year		
Statutory Profit Impact	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
UDC	-	(7)	-	-	41	38
New Zealand legacy insurance portfolio	**13**	-	-	-	-	-
ANZ Share Investing	**(251)**	-	-	-	-	-
Profit/(Loss) before income tax	**(238)**	(7)	-	-	41	38
Income tax benefit/(expense) and non-controlling interests	-	-	-	-	(11)	(11)
Profit/(loss) from continuing operations	**(238)**	(7)	-	-	30	27

- **UDC Finance ("UDC")**

  The Group completed the sale of UDC to Shinsei Bank Limited ("Shinsei Bank") on September 1, 2020. The Group recognized a loss after tax of $7 million in the September 2020 half comprising a loss on disposal of $29 million partially offset by a $22 million release from the foreign currency translation reserve.

- **New Zealand legacy insurance portfolio**

  During the March 2021 half, the Group sold and transferred its rights and obligations relating to servicing a legacy portfolio of insurance underwritten by Tower Limited ("Tower") in the New Zealand division to Tower and recognized a gain after tax of $13 million.

- **ANZ Share Investing**

  During the March 2021 half, the Group reclassified its ANZ Share Investing business as held for sale reflecting a continuation of the Group's simplification strategy. As a consequence of remeasuring the net assets at fair value less costs to sell, the Group recognized a loss after tax of $251 million relating to the write-down of goodwill attributable to the business. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

Other large/notable items

- **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		
Statutory Profit Impact	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Operating income	**(74)**	(116)	(58)
Operating expenses	**(92)**	(138)	(71)
Profit/(Loss) before income tax	**(166)**	(254)	(129)
Income tax benefit/(expense) and non-controlling interests	**58**	66	38
Profit/(loss) from continuing operations	**(108)**	(188)	(91)

- **Litigation settlements**

  During the March 2021 half, the Group reached an agreement to settle a United States class action related to the Bank Bill Swap Rate ("BBSW") and the trading of BBSW-based products. The settlement is without admission of liability and remains subject to negotiation and execution of complete settlement terms as well as court approval. In the March 2021 half, the Group recognized expenses of $48 million after tax in relation to the settlement and related costs.

- **Restructuring**

  The Group recognized restructuring expenses of $76 million after tax in the March 2021 half (Sep 20 half: $41 million; Mar 20 half: $74 million) largely relating to business and property changes in the Australia Retail and Commercial division and operational changes in the TSO and Group Centre division.

- **Asian associate items**

	Half Year		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
AmBank 1MDB settlement	**(212)**	-	-
AmBank goodwill impairment	**(135)**	-	-
PT Panin AASB 9 adjustment	**-**	(68)	-
Profit/(Loss) before income tax	**(347)**	(68)	-
Income tax benefit/(expense) and non-controlling interests	**-**	2	-
Profit/(loss) from continuing operations	**(347)**	(66)	-

AmBank 1MDB settlement

Following AMMB Holdings Berhad's ("AmBank") agreement with the Malaysian Ministry of Finance to resolve potential claims relating to its involvement with 1Malaysia Development Berhad ("1MDB"), the Group recognized a $212 million reduction in equity accounted earnings after tax reflecting its share of the settlement provision during the March 2021 half. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

AmBank goodwill impairment

During the March 2021 half, AmBank partially impaired goodwill and the Group recognized a $135 million reduction in equity accounted earnings after tax reflecting its share of the impairment recognized by AmBank. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

PT Panin AASB 9 adjustment

When the Group adopted AASB 9 *Financial Instruments* on October 1, 2018, an estimate of PT Bank Pan Indonesia ("PT Panin")'s transition adjustment was recognized through opening retained earnings to align accounting policies. During the September 2020 half, PT Panin adopted AASB 9 and recognized a transition adjustment in retained earnings. The $66 million after tax represents the Group's equity accounted share of the transition adjustment net of amounts adjusted by the Group on October 1, 2018. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

- **Asian associate impairments**

  During the March 2020 half, the Group recognized an impairment of $815 million after tax in respect of two of the Group's equity accounted investments to adjust their carrying values in line with their value in use ("VIU") calculations at March 31, 2020. AmBank was impaired by $595 million and PT Panin was impaired by $220 million. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

  The Group completed VIU assessments and assessment of carrying values as at March 31, 2021 and determined that no adjustment to carrying values was necessary.

- **Accelerated software amortization**

  During the September 2020 half, the Group amended the application of its software amortization policy to reflect the shorter useful life of various types of software, including regulatory and compliance focused assets and purchased assets. These changes reflect the Group's rapidly changing technology and business needs and ongoing reinvestments in purchased and internally developed software to ensure assets remain fit for purpose. As a result of these changes, the Group recognized accelerated amortization of $138 million after tax during the September 2020 half. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

- **Goodwill write-off**

  During the September 2020 half, the Group wrote off goodwill of $77 million after tax previously held in the Pacific and New Zealand divisions:

  - Pacific division - The impact of COVID-19 on the economies of the Pacific region had been significant and conditions were expected to take some time to recover. Goodwill of $50 million after tax for the division was impaired in the September 2020 half. No further impairment was required for the carrying values of other assets in the Pacific division.
  - New Zealand division - As a result of changes in the economic environment and outlook, the Group announced its intention to begin winding up the Bonus Bonds business ("Bonus Bonds", a managed investment product) in the New Zealand division by October 31, 2020. As a result, the Group wrote off the associated goodwill of $27 million after tax in the September 2020 half.

  This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

- **Lease-related items**

  Following the adoption of the new lease accounting standard ("AASB 16") on October 1, 2019 the Group recognized additional charges which were presented as a large/notable item at the time as the 2019 comparatives were prepared under the previous lease accounting standard ("AASB 117"). During the March 2021 half, the recurring AASB 16 impacts have been removed as the comparative periods are now presented on a consistent basis to the March 2021 half. The residual lease related item relates to non-recurring items recognized in 2020 financial year.

GROUP INCOME STATEMENT

	Half Year		
	Mar 21 $M	Sep 20 $M	Mar 20 $M
Net interest income	**6,986**	6,827	7,222
Other operating income	**1,381**	1,917	1,671
Operating income	**8,367**	8,744	8,893
Operating expenses	**(4,482)**	(4,778)	(4,605)
Profit before credit impairment and income tax	**3,885**	3,966	4,288
Credit impairment (charge)/release	**491**	(1,064)	(1,674)
Profit before income tax	**4,376**	2,902	2,614
Income tax expense	**(1,425)**	(862)	(978)
Non-controlling interests	**-**	-	(1)
Profit after income tax from continuing operations	**2,951**	2,040	1,635
Profit/(Loss) after income tax from discontinued operations	**(8)**	(8)	(90)
Profit after income tax	**2,943**	2,032	1,545

Group results - continuing operations

Comparison of March 2021 with March 2020

Profit after income tax from continuing operations increased $1,316 million (+80%) compared with the March 2020 half mainly due to:

- Net interest income decreased $236 million (-3%) driven by a 6 basis points ("bps") decrease in net interest margin. The decrease in net interest margin was driven by growth in liquid assets, the impact of central bank rate cuts on earnings on capital and replicated deposits, deposit margin compression and the impact of large/notable items. This was partially offset by decrease in lower margin Markets average interest earning assets, favorable wholesale funding costs, and favorable asset and funding mix. Refer to "Analysis of Major Income and Expense Items" on pages 53 and 54 for further details on key movements.
- Other operating income decreased $290 million (-17%) driven by a net decrease in unrealized mark-to-market movement on economic hedges, Asian associate items ($347 million) and loss on sale from divestments ($238 million) in the March 2021 half, a decrease in Markets other operating income, net fees and commission income, and lower profits from associates. This was partially offset by Asian associate impairments in the March 2020 half ($815 million), an increase in unrealized mark-to-market movement on revenue and expense hedges, an increase in other incomes from realized gains on economic hedges and rebalancing of liquidity portfolio and fair value movements, and lower customer remediation. Refer to "Analysis of Major Income and Expense Items" on pages 55 and 56 for further details on key movements.
- Operating expenses decreased $123 million (-3%) driven by lower premises expenses, technology expenses, personnel expenses and marketing and travel expenses, partially offset by a litigation settlement ($69 million) in the March 2021 half and higher customer remediation expenses. Refer to "Analysis of Major Income and Expense Items" on page 57 for further details on key movements.
- Credit impairment charges decreased $2,165 million primarily driven by a decrease of $1,726 million in collectively assessed credit impairment charges reflecting improvement in the economic outlook together with a reduction in volumes, and improvements in portfolio mix and risk. Individually assessed credit impairment charge decreased $439 million (-70%) primarily across the Australia Retail and Commercial, Institutional, and New Zealand divisions and remained subdued due to the impact of COVID-19 support packages. Refer to "Analysis of Major Income and Expense Items" on pages 58 and 59 for further details on key movements.

Comparison of March 2021 with September 2020

Profit after income tax from continuing operations increased $911 million (+45%) compared with the September 2020 half mainly due to:

- Net interest income increased $159 million (+2%) driven by a 6 bps increase in net interest margin, partially offset by a 1% decrease in average interest earning assets. Net interest margin increased driven by deposit optimization across all divisions, favorable wholesale funding costs, a decrease in lower margin Markets average interest earning assets, favorable asset pricing, and favorable asset and funding mix. This was partially offset by the impact of central bank rate cuts on earnings on capital and replicated deposits, growth in liquid assets, and the impact of large/notable items. Refer to "Analysis of Major Income and Expense Items" on pages 53 and 54 for further details on key movements.
- Other operating income decreased $536 million (-28%) driven by a decrease in markets other operating income, the impact of Asian associate items ($279 million), a decrease in unrealized mark-to-market movement on revenue and expense hedges, higher loss on sale from divestments ($200 million), lower net fees and commission income, and lower profits from associates. This was partially offset by a net increase in unrealized mark-to-market movement on economic hedges, an increase in other incomes from realized gains on economic hedges and rebalancing of liquidity portfolio and dividend income, higher profits from associates and lower customer remediation expenses. Refer to "Analysis of Major Income and Expense Items" on pages 55 and 56 for further details on key movements.
- Operating expenses decreased $296 million (-6%) primarily driven by one-off items in the September 2020 half including an accelerated software amortization charge ($197 million) and goodwill write-offs ($77 million) in the Pacific and New Zealand divisions. Lower personnel expenses, premises expenses and customer remediation expenses were partially offset by a litigation settlement ($69 million) in the March 2021 half and higher restructuring expenses. Refer to "Analysis of Major Income and Expense Items" on page 57 for further details on key movements.
- Credit impairment charges decreased $1,555 million primarily driven by a decrease of $1,347 million in collectively assessed credit impairment charge reflecting improvement in the economic outlook together with a reduction in volumes, and improvements in portfolio mix and risk. Individually assessed credit impairment charge decreased $208 million (-53%) primarily across the Australia Retail and Commercial, Institutional, and New Zealand divisions and remained subdued due to the impact of COVID-19 support packages. Refer to "Analysis of Major Income and Expense Items" on pages 58 and 59 for further details on key movements.

ANALYSIS OF MAJOR INCOME AND EXPENSE ITEMS

Net interest income - continuing operations

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

	Half Year		
Group	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Net interest income [1]	**6,986**	6,827	7,222
Average interest earning assets[2]	**857,524**	869,110	856,652
Average deposits and other borrowings[2]	**696,066**	690,104	668,514
Net interest margin (%)	**1.63**	1.57	1.69

	Half Year		
Net interest margin by major division	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Australia Retail and Commercial			
Net interest margin (%)[1]	**2.56**	2.53	2.65
Average interest earning assets[2]	**311,211**	305,924	305,981
Average deposits and other borrowings[2]	**240,094**	222,191	210,214
Institutional			
Net interest margin (%)[1]	**0.77**	0.73	0.78
Average interest earning assets[2]	**397,339**	424,614	415,490
Average deposits and other borrowings[2]	**292,475**	321,745	305,506
New Zealand			
Net interest margin (%)[1]	**2.32**	2.20	2.31
Average interest earning assets[2]	**120,580**	120,104	121,955
Average deposits and other borrowings[2]	**95,864**	92,756	90,329

1. *Includes large/notable items of -$56 million for the March 2021 half (Sep 20 half: -$25 million; Mar 20 half: $53 million) and the major bank levy of -$189 million for the March 2021 half (Sep 20 half: -$210 million; Mar 20 half: -$196 million).*
2. *Averages are calculated using predominantly daily averages.*

Comparison of March 2021 with March 2020

The decrease in net interest income of $236 million (-3%) was driven by:

Net interest margin (-6 bps)

- Wholesale funding and deposit pricing (+2 bps): driven by favorable funding costs, partially offset by deposit margin compression.
- Asset pricing (0 bps): higher Institutional lending margins were offset by competition in home lending in the Australia Retail and Commercial division.
- Asset and funding mix (+2 bps): driven by favorable deposit mix with growth in at-call deposits, as well as customer deposits replacing wholesale funding. This was partially offset by unfavorable product mix from the impacts of customers switching from variable to fixed home loans, and lower unsecured lending in the Australia Retail and Commercial, and New Zealand divisions.
- Liquidity (-6 bps): driven by growth in liquid assets.
- Impact of rates net of repricing (-5 bps): driven by the impact of central bank rate cuts (primarily RBA, RBNZ and U.S. Federal Reserve) on earnings on capital and replicated deposits, net of repricing.
- Markets Balance Sheet activities (+4 bps): driven by lower Markets average interest earning assets as a result of lower reverse repurchase agreements and foreign currency translation movements.
- Large/notable (-3 bps): driven by lower net interest income from divested UDC business and higher customer remediation.

Average interest earning assets (+$0.9 billion or flat)

- Average net loans and advances (-$18.2 billion or -3%): driven by decrease in Institutional lending and the impact of foreign currency translation movements, partially offset by home lending growth in the Australia Retail and Commercial, and New Zealand divisions.
- Average trading and investment securities (+$19.2 billion or +15%): driven by an increase in liquid assets in Markets, partially offset by the impact of foreign currency translation movements.
- Average cash and other liquid assets (flat): higher central bank balances were offset by lower reverse repurchase agreements and the impact of foreign currency translation movements.

Average deposits and other borrowings (+$27.6 billion or +4%)

- Average deposits and other borrowings (+$27.6 billion or +4%): driven by growth in deposits across the Australia Retail and Commercial, Institutional and New Zealand divisions, partially offset by the impact of foreign currency translation movements.

Comparison of March 2021 with September 2020

The increase in net interest income of $159 million (+2%) was driven by:

Net interest margin (+6 bps)

- Wholesale funding and deposit pricing (+4 bps): driven by deposit optimization across all divisions and favorable wholesale funding costs.
- Asset pricing (+2 bps): driven by higher Institutional lending margins partially offset by competition in home lending in the Australia Retail and Commercial division.
- Asset and funding mix (+3 bps): driven by favorable deposit mix with growth in at-call deposits and favorable divisional lending mix from stronger growth in the Australia Retail and Commercial, and New Zealand divisions relative to the Institutional division. This was partially offset by unfavorable product mix from the impacts of customers switching from variable to fixed home loans, and lower unsecured lending in the Australia Retail and Commercial, and New Zealand divisions.
- Liquidity (-3 bps): driven by growth in liquid assets.
- Impact of rates net of repricing (-3 bps): driven by the impact of central bank rate cuts on earnings on capital and replicated deposits, net of repricing.
- Markets Balance Sheet activities (+4 bps): driven by lower Markets average interest earning assets as a result of lower reverse repurchase agreements and the impact of foreign currency translation movements.
- Large/notable items (-1 bps): driven by lower net interest income from divested UDC business, partially offset by lower customer remediation.

Average interest earning assets (-$11.6 billion or -1%)

- Average net loans and advances (-$20.9 billion or -3%): driven by a decrease in Institutional lending and the impact of foreign currency translation movements, partially offset by home lending growth in the Australia Retail and Commercial, and New Zealand divisions.
- Average trading and investment securities (+$12.4 billion or +9%): driven by an increase in liquid assets in Markets, partially offset by the impact of foreign currency translation movements.
- Average cash and other liquid assets (-$3.0 billion or -2%): driven by decreases in settlement balances and reverse repurchase agreements as well as the impact of foreign currency translation movements, partially offset by higher central bank balances.

Average deposits and other borrowings (+$6.0 billion or +1%)

- Average deposits and other borrowings (+$6.0 billion or +1%): driven by growth in the Australia Retail and Commercial, and New Zealand divisions, and increases in commercial paper and certificates of deposit, partially offset by a decrease in the Institutional division and the impact of foreign currency translation movements.

Other operating income - continuing operations

	Half Year		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Net fee and commission income[1]	**1,011**	1,080	1,135
Markets other operating income	**638**	1,120	764
Share of associates' profit/(loss)	**(242)**	20	135
Economic hedges[2]	**(73)**	(649)	480
Revenue and expense hedges[3]	**17**	220	(169)
Other[1,4]	**30**	126	(674)
Total other operating income from continuing operations	**1,381**	1,917	1,671

	Half Year		
Markets income	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Net interest income	**402**	370	400
Other operating income	**638**	1,120	764
Total Markets income	**1,040**	1,490	1,164

1. *Excluding the Markets product set.*
2. *Represents unrealized 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 unrealized 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.*

Comparison of March 2021 with March 2020

Other operating income decreased by $290 million (-17%). Key factors affecting the result were:

Net fee and commission income (-$124 million or -11%)

- $49 million decrease in the Institutional division driven by lower trade-related fees and loan syndication fees.
- $39 million decrease in the Australia Retail and Commercial division driven by lower credit card and international transaction volumes due to COVID-19 impacts.
- $23 million decrease in the New Zealand division driven by the reduction or removal of fees and lower volume related fee income due to COVID-19 impacts.
- $12 million decrease driven by higher customer remediation.

Markets income (-$124 million or -11%)

Markets income decreased $124 million (-11%) driven by a $126 million (-16%) decrease in Other operating income, partially offset by a $2 million (+1%) increase in Net interest income. This was primarily attributable to the following business activities:

- $130 million decrease in Foreign Exchange income driven by elevated income in the March 2020 half as corporates and financial institutions sought foreign exchange solutions at the onset of the COVID-19 pandemic, and currency volatility presented favorable trading conditions, partially offset by lower customer remediation.
- $162 million decrease in Rates income driven by reduced demand for hedging solutions.
- $29 million decrease in Commodities income as the March 2020 half income was elevated from oil price volatility while the March 2021 half had seen reduced demand for hedging solutions and less favorable trading conditions.
- $164 million increase in Balance Sheet income from the increasing value of high quality liquid assets.
- $36 million increase in Credit and Capital Markets income driven by more favorable Credit Trading conditions and higher Sales revenues from new bond issuance activity by customers.

Share of associates' profit/(loss) (-$377 million)

- $212 million decrease driven by the Group's share of AmBank 1MDB settlement in the March 2021 half.
- $135 million decrease driven by the Group's share of AmBank goodwill impairment in the March 2021 half.
- $30 million decrease in profits from associates from AmBank ($21 million) and PT Panin ($9 million).

Economic hedges (-$553 million)

- For the March 2021 half, the majority of the $73 million loss on economic hedges relates to funding related swaps, principally from the strengthening of the AUD and NZD against the USD and narrowing of basis spreads on the EUR/USD currency pair.
- For the March 2020 half, the majority of the $480 million gain on economic hedges relates to funding related swaps, principally from widening basis spreads on the AUD/USD and NZD/USD currency pairs and from the weakening of both the AUD and NZD against USD.

Revenue and expense hedges (+$186 million)

- For the March 2021 half, the gain of $17 million on revenue and expense hedges was mainly due to the strengthening of the AUD against the USD and NZD.
- For the March 2020 half, the loss of $169 million on revenue and expense hedges was mainly due to the weakening of the AUD against the USD and NZD.

Other (+$707 million)

- $815 million increase driven by the impairment of PT Panin ($220 million) and AmBank ($595 million) in the March 2020 half.
- $110 million increase in the TSO and Group Centre division primarily due to realized gains from rebalancing the liquidity portfolio in Treasury ($31 million), and higher realized gains on economic hedges against foreign currency denominated revenue streams ($62 million) which offset net unfavorable foreign currency translations elsewhere in the Group.
- $27 million increase in the Institutional division primarily driven by widening credit spread impacts on loans measured at fair value in the March 2020 half.
- $238 million decrease driven by the loss on reclassification of ANZ Share Investing to held for sale ($251 million) in the Australia Retail and Commercial division, partially offset by gain from the sale of a legacy insurance portfolio to Tower ($13 million) in the New Zealand division.

Comparison of March 2021 with September 2020

Other operating income decreased by $536 million (-28%). Key factors affecting the result were:

Net fee and commission income (-$69 million or -6%)

- $33 million decrease driven by higher customer remediation.
- $26 million decrease in the Australia Retail and Commercial division driven by seasonality of unsecured portfolio rebates and incentives, partially offset by increased customer activity.
- $12 million decrease in the Institutional division driven by lower trade-related fees and loan syndication fees.

Markets income (-$450 million or -30%)

Markets income decreased $450 million (-30%) driven by a $482 million (-43%) decrease in Other operating income, partially offset by a $32 million (+9%) increase in Net interest income. This was primarily attributable to the following business activities:

- $210 million decrease in Rates income driven by lower customer hedging demands and excess market liquidity.
- $109 million decrease in Credit and Capital Markets income from the normalization of trading and issuance levels from elevated conditions in the September 2020 half.
- $110 million decrease in Derivative valuation adjustments driven by a non-repeat of credit valuation adjustment gains in the September 2020 half.
- $66 million decrease in Balance Sheet income driven by gains recognized in the September 2020 half from yield curve movements.
- $54 million increase in Foreign Exchange income primarily driven by lower customer remediation.

Share of associates' profit/(loss) (-$262 million)

- $212 million decrease driven by the Group's share of AmBank 1MDB settlement in the March 2021 half.
- $135 million decrease driven by the Group's share of AmBank goodwill impairment in the March 2021 half.
- $68 million increase driven by the PT Panin AASB 9 adjustment in the September 2020 half.
- $16 million increase in profits from associates relating to PT Panin.

Economic hedges (+$576 million)

- For the March 2021 half, the majority of the $73 million loss on economic hedges relates to funding related swaps, principally from the strengthening of the AUD and NZD against the USD and narrowing of basis spreads on the EUR/USD currency pair.
- For the September 2020 half, the majority of the $649 million loss on economic hedges relates to funding related swaps, principally from the narrowing of basis spreads on the AUD/USD and NZD/USD currency pairs and from the strengthening of the AUD against the USD.

Revenue and expense hedges (-$203 million)

- For the March 2021 half, the gain of $17 million on revenue and expense hedges was mainly due to the strengthening of the AUD against the USD and NZD.
- For the September 2020 half, the gain of $220 million on revenue and expense hedges was mainly due to strengthening of the AUD against the USD.

Other (-$96 million or -76%)

- $238 million decrease driven by loss on reclassification of ANZ Share Investing to held for sale ($251 million) in the Australia Retail and Commercial division, partially offset by gain from the sale of a legacy insurance portfolio to Tower ($13 million) in the New Zealand division.
- $38 million increase driven by a loss on sale of UDC in the September 2020 half comprising a loss on disposal of $29 million, a $31 million loss on reversal of the life-to-date profit adjustment on the economic hedges of assets sold (offset balance included in the economic hedge movement above), partially offset by a $22 million release from the foreign currency translation reserve.
- $35 million increase in the TSO and Group Centre division primarily due to realized gains from rebalancing the liquidity portfolio in Treasury ($31 million), and higher realized gains on economic hedges against foreign currency denominated revenue streams ($23 million) which offset net unfavorable foreign currency translations elsewhere in the Group, partially offset by a $26 million decrease driven by dividend income from Bank of Tianjin in the September 2020 half.
- $40 million increase in the Australia Retail and Commercial division due to the gain on disposal of the offsite ATM network, reduction in insurance claims due to lower arrears and higher transaction rebates in the March 2021 half.

Operating expenses - continuing operations

	Half Year		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Personnel[1]	**2,449**	2,413	2,465
Premises	**350**	384	405
Technology[1]	**785**	985	839
Restructuring	**105**	56	105
Other[1]	**793**	940	791
Total operating expenses from continuing operations[1]	**4,482**	4,778	4,605
Full time equivalent staff ("FTE") from continuing operations	**37,844**	37,506	37,834
Average full time equivalent staff ("FTE") from continuing operations	**37,594**	37,695	37,759

1. *Includes customer remediation expenses of $92 million for the March 2021 half (Sep 2020 half: $138 million; Mar 20 half: $71 million).*

Comparison of March 2021 with March 2020

Operating expenses decreased by $123 million (-3%):

- Personnel expenses decreased $16 million (-1%) resulting from investment in digital capabilities and process automation which contributed to lower average FTE in the current period, and the impact of favorable foreign currency translation movements. This was partially offset by wage inflation and higher employee leave expenses from granting all employees ‘thank-you’ leave to recognize their support during COVID-19.
- Premises expenses decreased $55 million (-14%) driven by ongoing optimization of the Group’s property footprint.
- Technology expenses decreased $54 million (-6%) resulting from lease-related items in the March 2020 half.
- Restructuring expenses were flat, with lower business and distribution channel changes in the Australia Retail and Commercial division, offset by operational changes in the TSO and Group Centre division in the March 2021 half.
- Other expenses increased $2 million (flat) as a litigation settlement ($69 million) and higher customer remediation ($17 million) offset lower marketing and travel expenses.

Comparison of March 2021 with September 2020

Operating expenses decreased by $296 million (-6%):

- Personnel expenses increased $36 million (+1%) driven by higher employee leave expenses, partially from granting all employees ‘thank-you’ leave to recognize their support during COVID-19, wage inflation and additional resourcing needed to provide COVID-19 hardship support. This was partially offset by investment in digital capabilities and process automation which contributed to lower average FTE in the current period, favorable foreign currency translation movements and lower customer remediation costs ($16 million).
- Premises expenses decreased $34 million (-9%) driven by ongoing optimization of the Group’s property footprint.
- Technology expenses decreased $200 million (-20%) largely as a result of accelerated amortization of $197 million due to a change in application of the software capitalization policy in the September 2020 half.
- Restructuring expenses increased $49 million (+88%) relating to business and property changes in the Australia Retail and Commercial division, and operational changes in the TSO and Group Centre division.
- Other expenses decreased $147 million (-16%) driven by goodwill write-offs in the Pacific and New Zealand divisions in the September 2020 half ($77 million), lower customer remediation ($22 million), lower marketing expenses and lower business as usual expenses. This was partially offset by a litigation settlement recognized in the March 2021 half ($69 million).

Credit risk - continuing operations

The impact and duration of COVID-19 on the global economy and how governments, businesses and consumers respond remains uncertain. This uncertainty is reflected in the Group's assessment of ECL from its credit portfolio which are subject to a number of management judgments and estimates. The judgments and estimates made by management were based on a variety of internal and external information, as well as the Group's experience with respect to 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 the Annex) for further information.

Loan Deferral and Relief Packages (Support Packages)

From March 2020 the Group offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates.

These support packages were phased out during the March 2021 half. In the case of home loan support packages, 94% of all loans in Australia and New Zealand where customers took advantage of a support package have reverted back to loan repayments, with the remaining 6% having been either restructured or transferred to hardship. For business loan support packages in Australia, 90% of loans have returned to loan payments, with the remaining 10% having been restructured or transferred to hardship. For those customers who took up loan support packages, it is considered that the packages, as well as government support measures, may have obscured repayment delinquencies that might otherwise have occurred over the loan deferral period and those that may still occur in the future. Thus the Group has provided a component of ECL for expected delinquencies and increases in significant increase in credit risk ("SICR").

Facilities which transitioned to interest-only or took up term extensions offered as a result of COVID-19, are now subsumed within the normal loan population and are managed accordingly.

Credit impairment charge/(release)

	Half Year		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Collectively assessed			
Australia Retail and Commercial	**(515)**	526	525
Institutional	**(110)**	4	369
New Zealand	**(53)**	104	144
Pacific	**-**	35	10
Total collectively assessed	**(678)**	669	1,048
Individually assessed			
Australia Retail and Commercial	**134**	278	318
Institutional	**55**	49	272
New Zealand	**(5)**	62	35
Pacific	**3**	6	1
Total individually assessed	**187**	395	626
Total credit impairment charge/(release)			
Australia Retail and Commercial	**(381)**	804	843
Institutional	**(55)**	53	641
New Zealand	**(58)**	166	179
Pacific	**3**	41	11
Total credit impairment charge/(release)	**(491)**	1,064	1,674

Credit impairment charge/(release), cont'd

	Collectively assessed				Individually assessed			
March 2021 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 and Commercial	(136)	(357)	(22)	**(515)**	326	(192)	**134**	**(381)**
Institutional	(89)	(8)	(13)	**(110)**	88	(33)	**55**	**(55)**
New Zealand	(6)	(30)	(17)	**(53)**	34	(39)	**(5)**	**(58)**
Pacific	(2)	(1)	3	**-**	7	(4)	**3**	**3**
Total	(233)	(396)	(49)	**(678)**	455	(268)	**187**	**(491)**
September 2020 Half Year								
Australia Retail and Commercial	123	410	(7)	**526**	454	(176)	**278**	**804**
Institutional	-	1	3	**4**	124	(75)	**49**	**53**
New Zealand	(19)	104	19	**104**	88	(26)	**62**	**166**
Pacific	(3)	34	4	**35**	9	(3)	**6**	**41**
Total	101	549	19	**669**	675	(280)	**395**	**1,064**
March 2020 Half Year								
Australia Retail and Commercial	105	395	25	**525**	511	(193)	**318**	**843**
Institutional	203	177	(11)	**369**	327	(55)	**272**	**641**
New Zealand	39	86	19	**144**	59	(24)	**35**	**179**
Pacific	7	3	-	**10**	3	(2)	**1**	**11**
Total	354	661	33	**1,048**	900	(274)	**626**	**1,674**

Comparison of March 2021 with March 2020

- The collectively assessed credit impairment charge decreased $1,726 million driven by decreases across the Australia Retail and Commercial (-$1,040 million), Institutional (-$479 million) and New Zealand (-$197 million) divisions. Collectively assessed credit impairment provision increased substantially in the March 2020 half driven by the forward-looking impacts of the COVID-19 pandemic. Improvement in the economic outlook together with a reduction in volumes, and improvements in portfolio mix and risk resulted in collectively assessed credit impairment provision releases in the March 2021 half.
- The individually assessed credit impairment charge decreased by $439 million (-70%) driven by decreases across the Institutional (-$217 million), Australia Retail and Commercial (-$184 million), and New Zealand (-$40 million) divisions. The individually assessed credit impairment charges remained subdued due to the impact of COVID-19 support packages.

Comparison of March 2021 with September 2020

- The collectively assessed credit impairment charge decreased $1,347 million driven by decreases across the Australia Retail and Commercial (-$1,041 million), Institutional (-$114 million) and New Zealand (-$157 million) divisions. Collectively assessed credit impairment provision increased substantially in the September 2020 half driven by the forward-looking impacts of the COVID-19 pandemic. Improvement in the economic outlook together with a reduction in volumes, and improvements in portfolio mix and risk resulted in collectively assessed credit impairment provision releases in the March 2021 half.
- The individually assessed credit impairment charge decreased by $208 million (-53%) driven by decreases across the Australia Retail and Commercial (-$144 million), and New Zealand (-$67 million) divisions. The individually assessed credit impairment charges remained subdued due to the impact of COVID-19 support packages.

Allowance for expected credit losses[1]

	As of		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Collectively assessed			
Australia Retail and Commercial	**2,331**	2,845	2,320
Institutional	**1,364**	1,513	1,590
New Zealand	**513**	570	541
Pacific	**77**	80	50
Total collectively assessed	**4,285**	5,008	4,501
Individually assessed			
Australia Retail and Commercial	**520**	610	582
Institutional	**191**	158	406
New Zealand	**79**	102	79
Pacific	**19**	21	26
Total individually assessed	**809**	891	1,093
Allowance for ECL			
Australia Retail and Commercial	**2,851**	3,455	2,902
Institutional	**1,555**	1,671	1,996
New Zealand	**592**	672	620
Pacific	**96**	101	76
Total allowance for ECL	**5,094**	5,899	5,594

	Collectively assessed				Individually assessed	
As of March 2021	**Stage 1 $M**	**Stage 2 $M**	**Stage 3 $M**	**Total $M**	**Stage 3 $M**	**Total $M**
Australia Retail and Commercial	462	1,530	339	**2,331**	520	**2,851**
Institutional	940	407	17	**1,364**	191	**1,555**
New Zealand	141	313	59	**513**	79	**592**
Pacific	18	42	17	**77**	19	**96**
Total	1,561	2,292	432	**4,285**	809	**5,094**
As of September 2020						
Australia Retail and Commercial	597	1,886	362	2,845	610	3,455
Institutional	1,056	426	31	1,513	158	1,671
New Zealand	147	346	77	570	102	672
Pacific	20	46	14	80	21	101
Total	1,820	2,704	484	5,008	891	5,899
As of March 2020						
Australia Retail and Commercial	474	1,477	369	2,320	582	2,902
Institutional	1,115	444	31	1,590	406	1,996
New Zealand	200	279	62	541	79	620
Pacific	26	13	11	50	26	76
Total	1,815	2,213	473	4,501	1,093	5,594

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

Gross impaired assets

	As of		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Gross impaired assets			
Impaired loans[1]	**1,941**	2,001	2,209
Restructured items[2]	**300**	254	226
Non-performing commitments and contingencies[1]	**232**	204	164
Gross impaired assets	**2,473**	2,459	2,599
Individually assessed provisions			
Impaired loans	**(778)**	(851)	(1,055)
Non-performing commitments and contingencies	**(31)**	(40)	(38)
Net impaired assets	**1,664**	1,568	1,506
Gross impaired assets by division			
Australia Retail and Commercial	**1,228**	1,634	1,544
Institutional	**892**	434	742
New Zealand	**310**	347	264
Pacific	**43**	44	49
Gross impaired assets	**2,473**	2,459	2,599
Gross impaired assets by size of exposure			
Less than $10 million	**1,474**	1,713	1,680
$10 million to $100 million	**267**	339	349
Greater than $100 million	**732**	407	570
Gross impaired assets	**2,473**	2,459	2,599

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. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered for new facilities with similar risk.*

Comparison of March 2021 with March 2020

- Gross impaired assets decreased $126 million (-5%) driven by a decrease in the Australia Retail and Commercial division (-$316 million), partially offset by increases in the Institutional ($150 million) and New Zealand ($46 million) divisions. The decrease in the Australia Retail and Commercial division was driven by the repayment of a single name restructured exposure and decreases in the retail portfolio as underlying delinquency flows remained subdued due to COVID-19 support packages. The increases in the Institutional and New Zealand divisions were driven by impairments of a small number of well secured single name exposures.

Comparison of March 2021 with September 2020

- Gross impaired assets increased $14 million (1%) driven by an increase in the Institutional division ($458 million), partially offset by decreases in the Australia Retail and Commercial (-$406 million), and New Zealand (-$37 million) divisions. The increase in the Institutional division was driven by impairments on a small number of well secured single name exposures. The decrease in the Australia Retail and Commercial division was driven by the repayment of a single name restructured exposure and decrease in the retail portfolio as underlying delinquency flows remained subdued due to COVID-19 support packages. The decrease in the New Zealand division was driven by the underlying delinquency flows that remained subdued due to COVID-19 support package.

The Group's individually assessed provision coverage ratio on impaired assets was 32.7% at March 31, 2021 (Sep 20: 36.2%; Mar 20: 42.1%).

New impaired assets

	Half Year		
	Mar 21 $M	Sep 20 $M	Mar 20 $M
New impaired assets			
Impaired loans[1]	**798**	1,081	1,407
Restructured items[2]	**239**	47	23
Non-performing commitments and contingencies[1]	**84**	91	140
Total new impaired assets	**1,121**	1,219	1,570
New impaired assets by division			
Australia Retail and Commercial	**421**	775	870
Institutional	**602**	197	571
New Zealand	**69**	236	125
Pacific	**29**	11	4
Total new impaired assets	**1,121**	**1,219**	**1,570**

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. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered for new facilities with similar risk.*

Comparison of March 2021 with March 2020

- New impaired assets decreased $449 million (-29%) driven by the Australia Retail and Commercial (-$449 million), and New Zealand (-$56 million) divisions due to continued COVID-19 support programs which were in place over the March 2021 half.

Comparison of March 2021 with September 2020

- New impaired assets decreased by $98 million (-8%) driven by the Australia Retail and Commercial (-$354 million), and New Zealand (-$167 million) divisions, partially offset by an increase in the Institutional division ($405 million). The decrease in the Australia Retail and Commercial, and New Zealand divisions were due to continued COVID-19 support programs which were in place over the March 2021 half. The increase in the Institutional division was driven by impairments of a small number of well secured single name exposures.

Other potential problem loans

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

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

Set out below are loans 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 accrual loans that are past due 90 days or more and that are well secured, 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 for up to 180 days.

	As of		
	Mar 21 $M	Sep 20 $M	Mar 20 $M
Australia Retail and Commercial	**2,837**	3,307	3,212
Institutional	**18**	9	4
New Zealand	**358**	486	376
Pacific	**75**	40	24
TSO and Group Centre	**2**	2	5
Total accruing loans - past due 90 days or more	**3,290**	3,844	3,621

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

Comparison of March 2021 with March 2020

- The accruing loans - past due 90 days or more decreased by $331 million (-9%) primarily driven by decreases in the Australia Retail and Commercial, and New Zealand divisions home loans portfolio due to the customer uptake of COVID-19 support packages from March 2020.

Comparison of March 2021 with September 2020

- The accruing loans - past due 90 days or more decreased by $554 million (-14%) primarily driven by reduced flow of accounts entering delinquency in prior periods driven by COVID-19 support packages.

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 16 of the 2020 Financial Report (attached as part of Annex A to the 2020 Annual U.S. Disclosure Document).

Income tax expense - continuing operations

	Half Year		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Income tax expense charged to the income statement	**1,425**	862	978
Effective tax rate	**32.6%**	29.7%	37.4%
Australian corporate tax rate	**30.0%**	30.0%	30.0%

Comparison of March 2021 with March 2020

- The effective tax rate decreased from 37.4% to 32.6%. The decrease of 480 bps was primarily driven by the non-tax deductible impairment of investments in AmBank and PT Panin in the March 2020 half (-937 bps), partially offset by the non-tax deductible impacts of the reclassification of ANZ Share Investing to held for sale in the March 2021 half (+171 bps) and lower equity accounted earnings due to the AmBank 1MBD settlement and goodwill impairment (+238 bps) and lower other equity accounted earnings (+84 bps).

Comparison of March 2021 with September 2020

- The effective tax rate has increased from 29.7% to 32.6%. The increase of 290 bps was primarily driven by the non-tax deductible impacts of the reclassification of ANZ Share Investing to held for sale in the March 2021 half (+171 bps) and lower equity accounted earnings due to the AmBank 1MBD settlement and goodwill impairment (+238 bps), partially offset by higher other equity accounted earnings primarily from PT Panin (-52 bps).

CONDENSED BALANCE SHEET - INCLUDING DISCONTINUED OPERATIONS

	As of		
	Mar 21 $B	**Sep 20 $B**	**Mar 20 $B**
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**146.3**	129.7	166.8
Trading and investment securities	**138.3**	144.3	135.0
Derivative financial instruments	**104.7**	135.3	173.7
Net loans and advances	**614.4**	617.1	656.6
Other	**14.6**	15.9	17.9
Total assets	**1,018.3**	1,042.3	1,150.0
Liabilities			
Settlement balances owed by ANZ / Collateral received	**26.7**	31.5	39.8
Deposits and other borrowings	**706.6**	682.3	726.9
Derivative financial instruments	**102.9**	134.7	167.4
Debt issuances	**107.6**	119.7	140.2
Other	**11.9**	12.8	14.3
Total liabilities	**955.7**	981.0	1,088.6
Total equity	**62.6**	61.3	61.4

Comparison of March 2021 with March 2020

- Cash / Settlement balances owed to ANZ / Collateral paid decreased $20.5 billion (-12%) driven by the impact of foreign currency translation movements and decreases in reverse repurchase agreements and collateral paid, partially offset by increases in balances with central banks and settlement balances owed to ANZ.
- Derivative financial assets and liabilities decreased $69.0 billion (-40%) and $64.5 billion (-39%) respectively driven by market rate movements, primarily due to strengthening of the AUD against the USD and increase in AUD and NZD swap rates.
- Net loans and advances decreased $42.2 billion (-6%) driven by the impact of foreign currency translation movements and lower lending volumes in the Institutional division (-$38.0 billion) as customers repaid COVID-19 lending. This was partially offset by an increase in the Australia Retail and Commercial division (+$14.5 billion) driven by home loan growth, partially offset by a decrease in unsecured personal lending and commercial lending, and an increase in the New Zealand division (+$2.5 billion) driven by home loan growth, partially offset by the reduction in net loans and advances which were part of the UDC sale.
- Settlement balances owed by ANZ / Collateral received decreased by $13.1 billion (-33%) driven by the impact of foreign currency translation movements and decreases in collateral received and cash clearing account balances.
- Deposits and other borrowings decreased $20.3 billion (-3%) driven by the impact of foreign currency translation movements, decreases in deposits from banks and repurchase agreements (-$25.1 billion) and a decrease in customer deposits in the Institutional division (-$6.4 billion). This was partially offset by customer deposit growth in the Australia Retail and Commercial (+$28.3 billion), and New Zealand (+$7.3 billion) divisions, the drawdown of the TFF (+$12.0 billion), and increases in commercial paper (+$4.6 billion) and certificates of deposit (+$2.5 billion).
- Debt issuances decreased $32.6 billion (-23%) driven by the impact of foreign currency translation movements and lower senior debt issuances which were partially replaced by the drawdown of the TFF, classified in Deposits and other borrowings.

Comparison of March 2021 with September 2020

- Cash / Settlement balances owed to ANZ / Collateral paid increased $16.6 billion (+13%) driven by increases in balances with central banks and settlement balances owed to ANZ, partially offset by the impact of foreign currency translation movements and decreases in reverse repurchase agreements and collateral paid.
- Derivative financial assets and liabilities decreased $30.6 billion (-23%) and $31.8 billion (-24%) respectively, driven by market rate movements, primarily due to the strengthening of the AUD against the USD and NZD and the increase in AUD and NZD swap rates.
- Net loans and advances decreased $2.7 billion (flat) with the impact of foreign currency translation movements and lower lending volumes in the Institutional division (-$6.8 billion) reflecting reduced economic activities and excess liquidity being offset by increases driven by home loan growth in the Australia Retail and Commercial (+$4.9 billion), and New Zealand (+$4.8 billion) divisions.
- Deposits and other borrowings increased $24.3 billion (+4%) driven by increases in customer deposits in the Australia Retail and Commercial (+$6.7 billion), New Zealand (+$3.0 billion) and Institutional (+$8.3 billion) divisions, an increase in commercial paper (+$17.0 billion), and an increase in certificates of deposit (+$7.7 billion). This was partially offset by the impact of foreign currency translation movements and decreases in deposits from banks and repurchase agreements (-$7.5 billion).
- Debt issuances decreased $12.1 billion (-10%) driven by the impact of foreign currency translation movements and lower senior debt issuances.

RESULTS BY DIVISION - CONTINUING OPERATIONS

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

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

The presentation of divisional results has been impacted by the following structural changes during the period. Prior period comparatives have been restated:

- Australia Retail and Commercial division - the Advice business was transferred from Retail to Commercial and Private Bank business within the division;
- Institutional division - a number of small operations were transferred from Corporate Finance to Central Functions within the division;
- the New Zealand Technology operations was transferred from the TSO and Group Centre division to the New Zealand division. As these costs were previously recharged, there is no change to previously reported divisional profit, however divisional balance sheet and full time equivalent employees ("FTEs") have been restated to reflect this change.

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 2021 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre[1] $M	Group $M
Net interest income	3,974	1,519	1,393	49	51	**6,986**
Other operating income	302	1,014	238	33	(206)	**1,381**
Operating income	4,276	2,533	1,631	82	(155)	**8,367**
Operating expenses	(2,000)	(1,274)	(623)	(71)	(514)	**(4,482)**
Profit/(Loss) before credit impairment and income tax	2,276	1,259	1,008	11	(669)	**3,885**
Credit impairment (charge)/release	381	55	58	(3)	-	**491**
Profit/(Loss) before income tax	2,657	1,314	1,066	8	(669)	**4,376**
Income tax (expense)/benefit and non-controlling interests	(875)	(366)	(295)	(1)	112	**(1,425)**
Profit/(Loss) after income tax from continuing operations	1,782	948	771	7	(557)	**2,951**
Balance Sheet						
Net loans and advances	344,269	147,446	120,482	1,713	449	**614,359**
Other external assets	3,510	344,994	3,812	1,609	50,055	**403,980**
External assets	347,779	492,440	124,294	3,322	50,504	**1,018,339**
Customer deposits	241,315	223,666	93,201	3,394	(53)	**561,523**
Other external liabilities	9,328	209,631	21,175	132	153,974	**394,240**
External liabilities	250,643	433,297	114,376	3,526	153,921	**955,763**

September 2020 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre[1] $M	Group $M
Net interest income	3,868	1,558	1,321	44	36	**6,827**
Other operating income	566	1,482	226	34	(391)	**1,917**
Operating income	4,434	3,040	1,547	78	(355)	**8,744**
Operating expenses	(2,026)	(1,268)	(745)	(129)	(610)	**(4,778)**
Profit/(Loss) before credit impairment and income tax	2,408	1,772	802	(51)	(965)	**3,966**
Credit impairment (charge)/release	(804)	(53)	(166)	(41)	-	**(1,064)**
Profit/(Loss) before income tax	1,604	1,719	636	(92)	(965)	**2,902**
Income tax expense and non-controlling interests	(481)	(475)	(186)	10	270	**(862)**
Profit/(loss) after income tax from continuing operations	1,123	1,244	450	(82)	(695)	**2,040**
Balance Sheet						
Net loans and advances	339,381	157,634	116,625	1,866	1,587	**617,093**
Other external assets	3,663	391,862	4,186	1,533	23,949	**425,193**
External assets	343,044	549,496	120,811	3,399	25,536	**1,042,286**
Customer deposits	234,594	223,288	91,004	3,534	(57)	**552,363**
Other external liabilities	9,220	256,745	23,266	140	139,255	**428,626**
External liabilities	243,814	480,033	114,270	3,674	139,198	**980,989**

March 2020 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre[1] $M	Group $M
Net interest income	4,048	1,624	1,410	65	75	**7,222**
Other operating income	595	1,167	247	50	(388)	**1,671**
Operating income	4,643	2,791	1,657	115	(313)	**8,893**
Operating expenses	(2,065)	(1,290)	(690)	(76)	(484)	**(4,605)**
Profit/(Loss) before credit impairment and income tax	2,578	1,501	967	39	(797)	**4,288**
Credit impairment (charge)/release	(843)	(641)	(179)	(11)	-	**(1,674)**
Profit/(Loss) before income tax	1,735	860	788	28	(797)	**2,614**
Income tax expense and non-controlling interests	(521)	(250)	(221)	(8)	21	**(979)**
Profit/(loss) after income tax from continuing operations	1,214	610	567	20	(776)	**1,635**
Balance Sheet						
Net loans and advances	329,812	199,410	125,195	2,176	16	**656,609**
Other external assets	3,836	461,548	4,679	1,630	21,653	**493,346**
External assets	333,648	660,958	129,874	3,806	21,669	**1,149,955**
Customer deposits	212,990	258,517	91,175	3,845	(32)	**566,495**
Other external liabilities	9,478	326,250	31,699	166	154,492	**522,085**
External liabilities	222,468	584,767	122,874	4,011	154,460	**1,088,580**

1. *Includes divisional results of TSO and Group Centre, and other items that are not considered integral to the ongoing performance of the Australia Retail and Commercial, Institutional, New Zealand and Pacific divisions. These other items comprise unrealized gains and losses on economic hedges, revenue and expense hedges and structured credit intermediation trades. Refer to Note 7 of the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as the Annex) for further information.*

Australia Retail and Commercial - continuing operations

	Half Year		
Australia Retail and Commercial	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Net interest income	**3,974**	3,868	4,048
Other operating income	**302**	566	595
Operating income	**4,276**	4,434	4,643
Operating expenses	**(2,000)**	(2,026)	(2,065)
Profit before credit impairment and income tax	**2,276**	2,408	2,578
Credit impairment (charge)/release	**381**	(804)	(843)
Profit before income tax	**2,657**	1,604	1,735
Income tax expense and non-controlling interests	**(875)**	(481)	(521)
Profit after income tax	**1,782**	1,123	1,214
Consisting of:			
Retail	**1,220**	934	946
Commercial and Private Bank	**562**	189	268
Profit after income tax	**1,782**	1,123	1,214
Balance Sheet			
Net loans and advances	**344,269**	339,381	329,812
Other external assets	**3,510**	3,663	3,836
External assets	**347,779**	343,044	333,648
Customer deposits	**241,315**	234,594	212,990
Other external liabilities	**9,328**	9,220	9,478
External liabilities	**250,643**	243,814	222,468
Risk weighted assets	**163,006**	166,662	161,758
Average gross loans and advances[1]	**346,168**	336,314	333,617
Average deposits and other borrowings[1]	**240,094**	222,191	210,214
Ratios			
Return on average assets	**1.03%**	0.67%	0.72%
Net interest margin	**2.56%**	2.53%	2.65%
Operating expenses to operating income	**46.8%**	45.7%	44.5%
Operating expenses to average assets	**1.16%**	1.20%	1.23%
Individually assessed credit impairment charge/(release)	**134**	278	318
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**0.08%**	0.17%	0.19%
Collectively assessed credit impairment charge/(release)	**(515)**	526	525
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.30%)**	0.31%	0.31%
Gross impaired assets	**1,228**	1,634	1,544
Gross impaired assets as a % of GLA	**0.35%**	0.48%	0.46%
Total full time equivalent staff	**14,118**	14,078	14,061

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

Comparison of March 2021 with March 2020

Profit after income tax increased by $568 million (+47%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth, partially offset by lower unsecured lending due to lower consumer demand, increased customer repayments following fiscal and regulatory stimulus and a lower interest rate environment, and a decrease in commercial lending.
- Net interest margin decreased driven by unfavorable lending mix from proportionately more growth in lower margin fixed rate home loans compared to higher margin unsecured lending, deposit margin compression and lower earnings on capital. This was partially offset by lower funding costs, favorable funding deposit mix and asset and deposit repricing benefits.
- Other operating income decreased driven by the loss on reclassification of ANZ Share Investing to held for sale and lower credit card and international transaction volumes due to COVID-19 impacts.
- Operating expenses decreased driven by productivity benefits and lower restructuring expenses, partially offset by higher customer remediation and investment spend.
- Credit impairment charges decreased driven by a collectively assessed credit impairment release reflecting an improved economic outlook and lower individually assessed credit impairment charge due to the impact of COVID-19 support packages.

Comparison of March 2021 with September 2020

Profit after income tax increased by $659 million (+59%).

Key factors affecting the result were:

- Lending volumes increased largely driven by home loan growth, partially offset by a decrease in commercial lending.
- Net interest margin increased driven by asset and deposit repricing benefits, favorable funding deposit mix impact and lower funding costs, partially offset by unfavorable lending mix from proportionately more growth in lower margin fixed rate home loans compared to higher margin unsecured lending, headwinds from official cash rate decrease on low customer rate deposits and earnings on capital.
- Other operating income decreased driven by the loss on reclassification of ANZ Share Investing to held for sale, seasonality of unsecured portfolio rebates and incentives, partially offset by the gain on disposal of offsite ATM network and reduction in insurance claims due to lower arrears.
- Operating expenses decreased driven by productivity benefits, lower investment spend and non-recurring charges for accelerated software amortization in the September 2020 half, partially offset by higher restructuring expenses and higher customer remediation.
- Credit impairment charges decreased driven by collectively assessed credit impairment release reflecting an improved economic outlook and lower individually assessed credit impairment charge due to the impact of COVID-19 support packages.

Institutional - continuing operations

	Half Year		
Institutional	Mar 21 $M	Sep 20 $M	Mar 20 $M
Net interest income	**1,519**	1,558	1,624
Other operating income	**1,014**	1,482	1,167
Operating income	**2,533**	3,040	2,791
Operating expenses	**(1,274)**	(1,268)	(1,290)
Profit before credit impairment and income tax	**1,259**	1,772	1,501
Credit impairment (charge)/release	**55**	(53)	(641)
Profit before income tax	**1,314**	1,719	860
Income tax expense and non-controlling interests	**(366)**	(475)	(250)
Profit after income tax	**948**	1,244	610
Consisting of:			
Transaction Banking	**199**	224	61
Corporate Finance	**409**	327	92
Markets	**353**	703	465
Central Functions	**(13)**	(10)	(8)
Profit after income tax	**948**	1,244	610
Balance Sheet			
Net loans and advances	**147,446**	157,634	199,410
Other external assets	**344,994**	391,862	461,548
External assets	**492,440**	549,496	660,958
Customer deposits	**223,666**	223,288	258,517
Other external liabilities	**209,631**	256,745	326,250
External liabilities	**433,297**	480,033	584,767
Risk weighted assets	**169,960**	186,502	207,028
Average gross loans and advances[1]	**151,897**	179,138	175,366
Average deposits and other borrowings[1]	**292,475**	321,745	305,506
Ratios			
Return on average assets	**0.35%**	0.42%	0.23%
Net interest margin	**0.77%**	0.73%	0.78%
Net interest margin (excluding Markets)[2]	**1.85%**	1.75%	1.81%
Operating expenses to operating income	**50.3%**	41.7%	46.2%
Operating expenses to average assets	**0.47%**	0.42%	0.48%
Individually assessed credit impairment charge/(release)	**55**	49	272
Individually assessed credit impairment charge/(release) as a % of average GLA[3]	**0.07%**	0.05%	0.31%
Collectively assessed credit impairment charge/(release)	**(110)**	4	369
Collectively assessed credit impairment charge/(release) as a % of average GLA[3]	**(0.15%)**	0.00%	0.42%
Gross impaired assets	**892**	434	742
Gross impaired assets as a % of GLA	**0.60%**	0.27%	0.37%
Total full time equivalent staff	**5,215**	5,291	5,350

1. *Averages are calculated using predominantly daily averages.*
2. *Institutional (ex-Markets) net interest margin has been aligned to how it is reported internally by removing the impact of surplus funding within this segment. Comparative information has been restated accordingly.*
3. *Credit impairment charge used in the ratio relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

Comparison of March 2021 with March 2020

Profit after income tax increased by $338 million (+55%).

Key factors affecting the result were:

- Lending volumes decreased across all businesses. Customer deposits reduced in Markets and Transaction Banking.
- Net interest margin ex-Markets increased driven by improved lending margins.
- Other operating income decreased driven by lower Markets revenue as financial market conditions normalized and lower fee income in Corporate Finance and Transaction Banking, partially offset by lower customer remediation.
- Other operating expenses decreased driven by lower personnel costs and discretionary spend, partially offset by a litigation settlement.
- Credit impairment charges decreased driven by a collectively assessed credit impairment release in the March 2021 half reflecting an improved economic outlook and lower individually assessed credit impairment charges in Transaction Banking.

Comparison of March 2021 with September 2020

Profit after income tax decreased by $296 million (-24%).

Key factors affecting the result were:

- Lending volumes decreased across Corporate Finance and Markets.
- Net interest margin ex-Markets increased driven by improved lending margins.
- Other operating income decreased primarily driven by lower Markets revenue as financial market conditions normalized.
- Credit impairment charges decreased driven by a collectively assessed credit impairment release in the March 2021 half reflecting an improved economic outlook.

New Zealand - continuing operations

Table reflects NZD for New Zealand.

AUD results shown on page 73.

	Half Year		
New Zealand	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Net interest income	**1,490**	1,416	1,479
Other operating income	**255**	242	259
Operating income	**1,745**	1,658	1,738
Operating expenses	**(668)**	(796)	(724)
Profit before credit impairment and income tax	**1,077**	862	1,014
Credit impairment (charge)/release	**63**	(178)	(188)
Profit before income tax	**1,140**	684	826
Income tax expense and non-controlling interests	**(315)**	(199)	(232)
Profit after income tax	**825**	485	594
Consisting of:			
Retail	**521**	299	374
Commercial	**303**	185	217
Central Functions	**1**	1	3
Profit after income tax	**825**	485	594
Balance Sheet			
Net loans and advances	**131,250**	125,981	128,560
Other external assets	**4,153**	4,522	4,805
External assets	**135,403**	130,503	133,365
Customer deposits	**101,530**	98,304	93,626
Other external liabilities	**23,069**	25,133	32,551
External liabilities	**124,599**	123,437	126,177
Risk weighted assets	**71,220**	71,348	72,502
Average gross loans and advances[1]	**129,047**	128,748	127,968
Average deposits and other borrowings[1]	**102,546**	99,324	94,740
Net funds management income	**109**	106	113
Funds under management	**36,489**	35,223	32,504
Average funds under management	**35,468**	34,816	34,472
Ratios			
Return on average assets	**1.25%**	0.73%	0.90%
Net interest margin	**2.32%**	2.20%	2.31%
Operating expenses to operating income	**38.3%**	48.0%	41.7%
Operating expenses to average assets	**1.01%**	1.20%	1.10%
Individual credit impairment charge/(release)	**(6)**	66	37
Individual credit impairment charge/(release) as a % of average GLA[2]	**(0.01%)**	0.10%	0.06%
Collective credit impairment charge/(release)	**(57)**	112	151
Collective credit impairment charge/(release) as a % of average GLA[2]	**(0.09%)**	0.17%	0.24%
Gross impaired assets	**338**	374	271
Gross impaired assets as a % of GLA	**0.26%**	0.30%	0.21%
Total full time equivalent staff	**6,691**	6,679	7,009

1. *Averages are calculated using predominantly daily averages.*
2. *Credit impairment charge 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 73.

Comparison of March 2021 with March 2020

Profit after income tax increased by NZD 231 million (+39%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth, partially offset by decrease in commercial lending and the impact of the sale of UDC, which was completed in the September 2020 half.
- Net interest margin was broadly flat as favorable deposit mix and loan and deposit repricing were offset by headwinds from unfavorable lending mix, a low interest rate environment and lower net interest income following UDC post-sale completion in the September 2020 half.
- Operating expenses decreased driven by FTE reduction, lower discretionary costs and lower expenses following UDC post-sale completion in the September 2020 half.
- Credit impairment charges decreased driven by collectively assessed credit impairment release reflecting an improved economic outlook and lower individually assessed credit impairment charge due to the impact of COVID-19 support packages and higher write-backs.

Comparison of March 2021 with September 2020

Profit after income tax increased by NZD 340 million (+70%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth.
- Net interest margin increased driven by favorable deposit mix impact and deposit repricing benefits, partially offset by lower net interest income following UDC post-sale completion in the September 2020 half and unfavorable home loan mix impact.
- Other operating income increased driven by gain on disposal of legacy insurance portfolio to Tower.
- Operating expenses decreased driven by lower customer remediation, lower restructuring expenses and one-off items in the September 2020 half including goodwill write-off related to Bonus Bonds, accelerated amortization due to changes in application of the software policy and lower expenses following UDC post-transaction sale completion in the September 2020 half.
- Credit impairment charges decreased driven by collectively assessed credit impairment release reflecting an improved economic outlook and lower individually assessed credit impairment charge due to the impact of COVID-19 support packages and higher write backs.

New Zealand - continuing operations

Table reflects AUD for New Zealand.

NZD results shown on page 71.

	Half Year		
New Zealand	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Net interest income	**1,393**	1,321	1,410
Other operating income	**238**	226	247
Operating income	**1,631**	1,547	1,657
Operating expenses	**(623)**	(745)	(690)
Profit before credit impairment and income tax	**1,008**	802	967
Credit impairment (charge)/release	**58**	(166)	(179)
Profit before income tax	**1,066**	636	788
Income tax expense and non-controlling interests	**(295)**	(186)	(221)
Profit after income tax	**771**	450	567
Consisting of:			
Retail	**486**	278	357
Commercial	**284**	171	207
Central Functions	**1**	1	3
Profit after income tax	**771**	450	567
Balance Sheet			
Net loans and advances	**120,482**	116,625	125,195
Other external assets	**3,812**	4,186	4,679
External assets	**124,294**	120,811	129,874
Customer deposits	**93,201**	91,004	91,175
Other external liabilities	**21,175**	23,266	31,699
External liabilities	**114,376**	114,270	122,874
Risk weighted assets	**65,376**	66,049	70,604
Average gross loans and advances[1]	**120,639**	120,182	122,011
Average deposits and other borrowings[1]	**95,864**	92,756	90,329
Net funds management income	**102**	100	107
Funds under management	**33,495**	32,608	31,653
Average funds under management	**33,157**	32,499	32,868
Ratios			
Return on average assets	**1.25%**	0.73%	0.90%
Net interest margin	**2.32%**	2.20%	2.31%
Operating expenses to operating income	**38.3%**	48.0%	41.7%
Operating expenses to average assets	**1.01%**	1.20%	1.10%
Individual credit impairment charge/(release)	**(5)**	62	35
Individual credit impairment charge/(release) as a % of average GLA[2]	**(0.01%)**	0.10%	0.06%
Collective credit impairment charge/(release)	**(53)**	104	144
Collective credit impairment charge/(release) as a % of average GLA[2]	**(0.09%)**	0.17%	0.24%
Gross impaired assets	**310**	347	264
Gross impaired assets as a % of GLA	**0.26%**	0.30%	0.21%
Total full time equivalent staff	**6,691**	6,679	7,009

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

LIQUIDITY AND CAPITAL RESOURCES - INCLUDING DISCONTINUED OPERATIONS

Liquidity risk - including discontinued operations

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 Board.

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

- **Scenario modelling of funding sources**

  ANZ's liquidity risk appetite is defined by the ability to meet a range of regulatory requirements and internal liquidity metrics mandated by the 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. As part of meeting LCR requirements, ANZ has a CLF with the RBA. The CLF has been established to offset the shortage of available HQLA in Australia and provides an alternative form of contingent liquidity. The CLF is collateralized 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. From January 1, 2021, ANZ's CLF is $10.7 billion (2020 calendar year end: $35.7 billion). The 2021 CLF reduction was driven by the increase in government securities outstanding in Australia that are available for ADIs to hold. APRA has indicated that if this increase continues, the CLF may no longer be required in the foreseeable future.

- **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. HQLA 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.

  In March 2020, in response to the economic impact of COVID-19, the RBA implemented the TFF. Under the TFF, the RBA has offered three-year funding to ADI's secured by RBA eligible collateral. ADIs can include the undrawn but available TFF as a liquid asset for the LCR, representing a committed central bank facility that can be drawn at the ADI's discretion. ANZ's undrawn but available TFF is represented below by the assets that are eligible to be pledged as security with the RBA.

  In November 2020, in response to the economic impact of COVID-19, the RBNZ implemented the FLP. Under the FLP, the RBNZ has offered three-year funding to eligible counterparties secured by approved eligible collateral. APRA has advised that the undrawn but available FLP can be included as a cash inflow for the LCR. As the Level 2 LCR excludes liquid assets held above the NZ dollar LCR of 100%, the undrawn but available FLP has also reduced the reported Level 2 liquid assets.

  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 Board.

	Half Year Average		
	Mar 21 $B	**Sep 20 $B**	**Mar 20 $B**
Market Values Post Discount[1]			
HQLA1	**186.2**	164.6	159.3
HQLA2	**10.4**	9.9	9.6
Internal Residential Mortgage Backed Securities	**18.5**	35.3	27.7
Other ALA[2]	**7.9**	8.6	12.8
Total liquid assets	**223.0**	218.4	209.4
Cash flows modeled under stress scenario			
Cash outflows	**203.2**	203.0	191.9
Cash inflows	**41.3**	45.4	41.2
Net cash outflows	**161.9**	157.6	150.7
Liquidity Coverage Ratio[3]	**138%**	139%	139%

1. *Half year average basis, calculated as prescribed per APRA Prudential Regulatory Standard (APS210 Liquidity) and consistent with APS330 requirements.*
2. *Comprised of assets qualifying as collateral for the CLF and TFF up to approved facility limit; 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.*

Funding - including discontinued operations

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

$3.8 billion of term wholesale debt (all of which was subordinated) with a remaining term greater than one year as of March 31, 2021 was issued during the fiscal half year ended March 31, 2021.

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

	As of		
	Mar 21 $B	**Sep 20 $B**	**Mar 20 $B**
Customer deposits and other liabilities			
Australia Retail and Commercial	**241.3**	234.6	213.0
Institutional	**223.6**	223.3	258.5
New Zealand	**93.2**	91.0	91.2
Pacific	**3.4**	3.5	3.8
Customer deposits	**561.5**	552.4	566.5
Other funding liabilities[1,2]	**8.9**	8.9	11.1
Total customer liabilities (funding)	**570.4**	561.3	577.6
Wholesale funding			
Debt issuances and Term Funding Facility	**96.0**	110.6	119.1
Subordinated debt	**23.7**	21.1	21.1
Certificates of deposit	**40.0**	32.5	37.9
Commercial paper	**26.1**	9.1	21.8
Other wholesale borrowings[3,4]	**87.9**	104.2	130.0
Total wholesale funding	**273.7**	277.5	329.9
Shareholders' equity	**62.6**	61.3	61.4
Total funding	**906.7**	900.1	968.9

1. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions.*
2. *Excludes liability for acceptances as they do not provide net funding.*
3. *Includes borrowings from banks, securities sold under repurchase agreements, net derivative balances, special purpose vehicles and other borrowings.*
4. *Includes RBA open repurchase arrangement 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 ("NSFR") composition:

	As of		
	Mar 21 $B	**Sep 20 $B**	**Mar 20 $B**
Required Stable Funding[1]			
Retail & small and medium enterprises, corporate loans <35% risk weight[2]	**196.0**	188.1	187.4
Retail & small and medium enterprises, corporate loans >35% risk weight[2]	**179.0**	174.7	193.2
Other lending[3]	**29.7**	28.6	26.9
Liquid assets	**12.1**	15.3	16.0
Other assets[4]	**37.2**	38.6	45.3
Total Required Stable Funding	**454.0**	445.3	468.8
Available Stable Funding[1]			
Retail & small and medium enterprise customer deposits	**275.7**	271.7	257.3
Corporate, public sector entities & operational deposits	**105.9**	104.3	110.0
Central bank & other financial institution deposits	**4.7**	5.1	5.5
Term funding[5]	**70.7**	87.9	95.8
Short term funding & other liabilities	**5.6**	1.4	1.4
Capital	**85.0**	80.9	82.1
Total Available Stable Funding	**547.6**	551.3	552.1
Net Stable Funding Ratio	**121%**	124%	118%

1. *NSFR factored balance as per APRA Prudential Regulatory Standard APS210 Liquidity.*
2. *Risk weighting as per APRA Prudential Regulatory Standard APS112 Capital Adequacy: Standardized Approach to Credit Risk.*
3. *Includes financial institution, central bank and non-performing loans.*
4. *Includes off-balance sheet items, net derivatives and other assets.*
5. *Includes balances from the drawdown of the RBA Term Funding Facility.*

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 on or before March 31, 2021. The TFF provides eligible ADIs with fixed rate funding at 0.25 percent. For the avoidance of doubt, this excludes commercial paper issuance and short dated issuance off ANZ'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 of March 31, 2021.

Contractual maturity ($M)[1]	FY21	FY22	FY23	FY24	FY25	After 2025	Total
Debt issuances and Term Funding Facility[2]	15,252	20,174	29,852	15,156	4,453	9,188	94,075
Subordinated debt[3]	819	688	119	2,803	3,186	8,001	15,616
Total	**16,071**	**20,862**	**29,971**	**17,959**	**7,639**	**17,189**	**109,691**

1. *The maturity profile is presented as the total amount of term debt scheduled to mature in the relevant fiscal year ending September 30. Maturities for the fiscal year ending September 30, 2021 ("FY21") relate to term debt maturing in the period April 1, 2021 to September 30, 2021.*
2. *Debt issuances include transferable certificate of deposits and drawdowns of the Reserve Bank of Australia's Term Funding Facility 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 of March 31, 2021		
Credit Ratings of ANZBGL	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investor Services	P-1	Aa3	Stable
Standard & Poor's	A-1+	AA-	Negative
Fitch Ratings[1]	F1	A+	Negative

1. *On April 12, 2021 Fitch Ratings revised its outlook on the long-term Issuer Default Rating for ANZBGL, and its wholly-owned subsidiary ANZ New Zealand from Negative to Stable. The long-term and short-term ratings remain unchanged.*

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 - including discontinued operations

	APRA Basel 3 As of		
Qualifying Capital	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Tier 1			
Shareholders' equity and non-controlling interests	**62,576**	61,297	61,375
Prudential adjustments to shareholders' equity[1]	**110**	189	227
Gross Common Equity Tier 1 capital	**62,686**	61,486	61,602
Deductions[1]	**(11,900)**	(12,784)	(13,271)
Common Equity Tier 1 capital	**50,786**	48,702	48,331
Additional Tier 1 capital	**7,645**	7,779	7,964
Tier 1 capital	**58,431**	56,481	56,295
Tier 2 capital	**16,464**	13,957	13,112
Total qualifying capital	**74,895**	70,438	69,407
Capital adequacy ratios (Level 2)			
Common Equity Tier 1	**12.4%**	11.3%	10.8%
Tier 1	**14.3%**	13.2%	12.5%
Tier 2	**4.0%**	3.3%	2.9%
Total capital ratio	**18.3%**	16.4%	15.5%
Risk weighted assets	**408,166**	429,384	449,012

1. *In the March 2021 half, deferred expenses previously netted within Prudential adjustments to shareholders' equity were reclassified to Deductions to better align with the nature of the balances. Comparatives have been restated accordingly (Sep 20 half: $394 million; Mar 20 half: $293 million).*

APRA implementation of Basel 3 capital reforms

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

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

Deductions

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

RWA

- Mortgages RWA - APRA imposes a floor of 20% on the downturn loss given default ("LGD") used in credit RWA calculations for residential mortgages. The Internationally Comparable Basel 3 framework requires a downturn LGD floor of 10%. Additionally, from July 2016, APRA also requires a higher correlation factor than the Basel framework.
- IRRBB RWA - APRA requires inclusion of Interest Rate Risk in the Banking Book ("IRRBB") within the RWA base for the CET1 ratio calculation. This is not required on an Internationally Comparable basis.
- Specialized Lending - APRA requires the supervisory slotting approach be used in determining credit RWA for specialized lending exposures. The Internationally Comparable basis allows for the advanced internal ratings based approach to be used when calculating RWA for these exposures.
- Unsecured Corporate Lending LGD - an adjustment to align ANZ's unsecured corporate lending LGD to 45% to be consistent with banks in other jurisdictions. The 45% LGD rate is also used in the Foundation Internal Ratings-Based approach ("FIRB").
- Undrawn Corporate Lending exposure at default ("EAD") - an adjustment to ANZ's credit conversion factors for undrawn corporate loan commitments to 75% (used in FIRB approach) to align with banks in other jurisdictions.

Comparison of March 2021 with September 2020

ANZ's CET1 ratio increased 110 bps to 12.4% during the March 2021 half. Key drivers of the movement in the CET1 ratio were:

- Statutory profit (excluding credit impairment impact, and large/notable items which are included in 'Other impacts' with the exception of the Asian associate items and the loss on reclassification of ANZ Share Investing to held for sale which had nil impact to capital as it resulted in an equivalent reduction in capital deductions) increased the CET1 ratio by +79 bps.
- Benefits from credit impairment release including the associated DTA impacts, along with RWA risk migration benefits mainly from Australian mortgages portfolio associated with lower RWA intensity in part due to changes in household saving and spending patterns through the COVID-19 period, increased the CET1 ratio by +35 bps.
- Lower business RWA usage (excluding foreign currency translation movements, regulatory changes, risk migration and other one-offs) increased CET1 ratio by +32 bps. This was mainly driven by a reduction in underlying CRWA in the Institutional division and an overall reduction in non-CRWA from movements mainly in IRRBB.
- Capital deduction of -7 bps was driven by the movements in retained earnings in deconsolidated entities, expected losses in excess of eligible provision shortfall and other intangible movements in the period.
- Payment of the 2020 final dividend (net of Bonus Option Plan and Dividend Reinvestment Plan issuance) reduced the CET1 ratio by -20 bps.
- Net RWA imposts decreased the CET1 ratio by -6 bps.
- Other impacts totaling -3 bps including large/notable adjustments from customer remediation, restructuring and litigation costs (-6 bps) offset by other minor impacts of +3 bps.

Leverage ratio - including discontinued operations

At March 31, 2021, the Group's APRA Leverage Ratio was 5.5% which is above the 3.5% APRA proposed minimum for internal ratings-based approach ADIs (IRB ADIs) which includes ANZ. The following table summarizes the Group's Leverage Ratio calculation:

	As of		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Tier 1 Capital (net of capital deductions)	**58,431**	56,481	56,295
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**878,187**	841,830	899,411
Derivative exposures	**33,933**	32,296	42,868
Securities financing transaction exposures	**26,947**	58,416	67,443
Other off-balance sheet exposures	**114,125**	114,128	114,677
Total exposure measure	**1,053,192**	1,046,670	1,124,399
APRA Leverage Ratio	**5.5%**	5.4%	5.0%

Comparison of March 2021 with September 2020

ANZ's leverage ratio increased 15 bps during the March 2021 half. Key drivers of the movement were:

- Net organic capital generation (largely from statutory profit excluding large/notable and one-off items) less dividends paid (+25 bps).
- On-balance sheet exposure growth in liquids and loan growth in the Australia Retail and Commercial, and New Zealand divisions (-10 bps).

Summary

Refer to "Section 4: Directors, Senior Management/Executives and Employees" on pages 89 to 93 of ANZ's 2020 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 2020 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

There have been no further director appointments or resignations since the 2020 Annual U.S. Disclosure Document.

Changes to Senior Management and Executives

Effective February 8, 2021, Mr. Shane Buggle was appointed Acting Chief Financial Officer following the decision of Ms. Michelle Jablko, Chief Financial Officer, to take up a senior role at another organization outside of financial services. Mr. Buggle has spent more than 20 years at ANZ in senior finance roles and was Deputy Chief Financial Officer from 2012 until 2018 prior to his most recent role as Group General Manager Internal Audit.

On April 1, 2021, ANZ announced that Ms. Alexis George, Deputy Chief Executive Officer will leave ANZ following her appointment as Group Chief Executive Officer of AMP Limited. Ms. George's current responsibilities will be split across the Executive Committee.

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 December 29, 2015. The agreement was approved by the Fair Work Commission following an employee ballot in which a majority of 89% voted to endorse it. The agreement replaced the *ANZ Enterprise Agreement 2013-2014 (Australia)* and set the minimum terms and conditions of employment for ANZ's Australian Group 4, 5 and 6 employees (i.e. junior management and non-management employees). The agreement also governed the pay increase arrangements for eligible 'non-market rated' Australian Group 5 and 6 employees (i.e. non-management employees) in respect of the 2015 and 2016 performance and remuneration reviews and contains the salary ranges applicable to these employees.

On September 19, 2017, a 94% majority of employees voted to endorse a proposed variation to the agreement which would extend its operation for another year and provide pay increases for eligible 'non-market rated' Australian Group 5 and 6 employees (i.e. non-management 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 October 31, 2017. As of the date of this U.S Disclosure Document, the agreement continues to apply and will do so indefinitely - although in 2018, 2019 and 2020 the pay increases for eligible 'non-market rated' Australian Group 5 and 6 employees (i.e. non-management employees) were managed outside of the agreement given that the agreement's pay increase provisions have now expired.

In Australia, there are no significant disputes between management and labor unions.

New Zealand

The large majority of New Zealand employees are covered by individual employment agreements. ANZ's collective employment agreement with FIRST Union, which covers approximately 12% of New Zealand employees, was renewed effective as of August 1, 2020, expiring on July 31, 2022.

In New Zealand, there are no significant disputes between management and labor unions.

Asia Pacific, Europe & America

There are no significant disputes between management and labor unions in any of the countries located in the Asia Pacific, Europe or America geographies and currently there are also no material expected changes to existing employment arrangements in any of these countries.

Major Shareholders

We are not directly or indirectly controlled by another corporation, any government or any other natural or legal person(s), separately or jointly.

As of May 7, 2021, we are aware of two entities which are the beneficial owners of 5% or more of our ordinary shares.

We were made aware on May 12, 2017 that BlackRock Group became a substantial shareholder, with an interest in 148,984,864 ordinary shares (5.07%) in the Company, and on December 2, 2019, BlackRock Group's interest increased to 172,225,527 ordinary shares (6.07%) in the Company.

We were made aware on July 3, 2018, that The Vanguard Group, Inc. became a substantial shareholder, with an interest in 144,730,016 ordinary shares (5.001%) in the Company, and on March 17, 2020, The Vanguard Group, Inc's interest increased to 170,502,797 ordinary shares (6.012%) in the Company.

Refer to the 2020 Remuneration Report (attached as part of Annex A to the 2020 Annual U.S. Disclosure Document) for further information (as of the relevant dates referred to therein) regarding share and option holdings by key management personnel (including directors).

Refer to "Section 6: Additional Information - Limitations affecting security holders" for details of the Australian law limitations on the right of non-residents or non-citizens of Australia to hold, own or vote on shares in the Company.

Description of Ordinary Shares and Constituent Documents

Constitution

A copy of the Company's Constitution, as adopted by shareholders on December 18, 2007 and incorporating amendments approved by shareholders on December 17, 2010 and December 19, 2018 is available on the Company's website at: *https://www.anz.com/shareholder/centre/reporting/supplementary-disclosures/usdebtinvestors-files/*. There have been no changes to the Constitution subsequently. The Company's Constitution does not contain a limit on how many shares the Company may have on issue at any time.

Dividend rights

Holders of ordinary shares are entitled to receive such dividends as may be determined by the directors from time to time in accordance with the Company's Constitution. Dividends that are not claimed are required to be dealt with in accordance with laws relating to unclaimed monies.

The Company must not pay a dividend unless:

- the Company'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 the Company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

Payment of a dividend on ordinary shares may also be restricted by the terms of preference shares and other hybrid securities carrying a prior right to the payment of a dividend or distribution. Before paying any dividend, directors must ensure that they are in compliance with APRA prudential standards. See "Information on the Group - Supervision and Regulation" for more information on APRA prudential standards.

Voting rights

Subject to any applicable laws, as described further below in "Section 6: Additional Information - Limitations affecting security holders" and agreements to the contrary, each ordinary shareholder present at a general meeting (whether in person or by proxy, attorney or representative) is entitled to one vote on a show of hands (unless the shareholder has appointed two proxies in which case neither can vote) or, on a poll, one vote for each fully paid ordinary share held.

Right to share in surplus assets

In the event of a winding-up of the Company, ordinary shareholders rank after creditors and preference shareholders and are fully entitled to any surplus proceeds on liquidation.

Rights to redemption

Ordinary shareholders have no right to redeem their shares.

Further calls

Holders of fully paid ordinary shares have no liability for further capital calls by the Company. There are no partly paid ordinary shares.

There is no provision of the Company's Constitution that discriminates against any existing or prospective holder of ordinary shares as a result of such shareholder owning a substantial number of shares on issue.

Preference shares

The Company's Constitution authorizes the Board of Directors to issue preference shares with any rights attaching to them that the Board of Directors determines prior to their issue. These include rights to dividends that are cumulative or non-cumulative and that are in priority to the rights of ordinary shareholders, and rights to a return of capital and to participate in surplus assets in a winding up in priority to the rights of ordinary shareholders. Preference shareholders have rights to vote only in limited circumstances unless the Board of Directors otherwise determines prior to issue of the preference shares. There is no limit on the amount of preference shares which the Company may issue.

Changes to the rights of shareholders

The Company's Constitution has effect as a contract between the Company and each shareholder, and between each shareholder, under which each person agrees to observe and perform the Company's Constitution as it applies to that person. In accordance with the Corporations Act, the Company may modify or repeal its Constitution, or a provision of its Constitution, by a special resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

A Banking Act statutory manager appointed by APRA has power under the Banking Act to, among other things, cancel shares or rights to acquire shares in the Company or vary or cancel rights or restrictions attached to shares, notwithstanding the Constitution, the Corporations Act, the terms of any contract or arrangement to which the Company is party or the listing rules of any financial market in whose official list the Company is included.

Share rights - American Depositary Shares ("ADSs")

Each ADS confers an interest in 1 fully paid ordinary share in the Company which has been deposited with a depositary or custodian. The rights attaching to each fully paid ordinary share represented by an ADS are the same as the rights attaching to fully paid ordinary shares as described above. These rights are legally vested in the custodian or depositary as the holder of the fully paid ordinary shares, although holders of American Depositary Receipts ("ADRs"), which evidence ADSs, have certain rights against the depositary or custodian under the terms governing the issue of the ADRs.

Convening of and admission to general meetings

The Board of Directors may call a meeting of the Company's shareholders. The directors must call and arrange to hold a general meeting of the Company if requested to do so by shareholders who hold at least 5% of the votes that may be cast at the general meeting. Shareholders who hold at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting of the Company at their own expense.

At least 28 days' notice must be given of a meeting of the Company's shareholders. Written notice must be given to all shareholders entitled to attend and vote at a meeting. All ordinary shareholders except for holders of partly paid ordinary shares (if any) who have failed to pay a call in respect of such shares are entitled to attend to vote at general meetings of the Company. Voting rights attaching to other classes of shares in the Company may differ.

The directors may, in accordance with the Constitution and the Corporations Act, determine a time before a meeting at which membership in the Company (for the purposes of the meeting) is to be ascertained in respect of holding of shares that are quoted on the stock market of the ASX.

Transfer

A holder of a share may transfer it by any means permitted by the Corporations Act, subject to limited restrictions in the Constitution and applicable law. See further "Limitations Affecting Security Holders" below.

Limitations on ownership and changes in control

The Constitution contains certain limitations on the rights to own securities in the Company. However, there are detailed Australian laws and regulations which govern the acquisition of interests in the Company, and a summary of those is set out in "Section 6: Limitations affecting security holders".

The Constitution requires any sale or disposal of the Company's main undertaking to be subject to ratification by the Company in a general meeting. The ASX Listing Rules may also require ANZ to obtain shareholder approval to effect any such sale or disposal. Except for that provision, there are no provisions in the Constitution which would have the effect of delaying, deferring or preventing a change in control of the Company which would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or its controlled entities.

If the Company issues partly paid shares to a person and that person fails to pay a call on those shares when required, the Board of Directors may give that person a notice which requires the member to pay the called amount and provides information in respect of how and when the called amount is to be paid. If the requirements of the notice are not satisfied, the Board of Directors, via resolution, may forfeit the partly paid share (and all dividends, interest and other money payable in respect of that share and not actually paid before the forfeiture) by resolution before the called amount is paid.

In addition, unless the terms of issue provide otherwise, under the Constitution the Company has a first and paramount lien on each share for all money called or payable at a fixed time in respect of that share that is due and unpaid, and certain amounts paid by the Company for which the Company is indemnified under the terms of the Constitution. If the Company has a lien on a share, and an amount secured by the lien is due and payable, the Company may give notice to the person registered as the holder of the share requiring payment of the amount and specifying how and when the payment must be made. If the requirements of that notice are not fulfilled, the Company may sell the share as if it had been forfeited.

The Board of Directors may also direct the sale of a share that is part of a "non-marketable parcel". For these purposes, a "non-marketable parcel" is a parcel of shares of a single class registered in the same name or same joint names which is less than the number that constitutes a marketable parcel of shares of that class under the ASX Listing Rules, or, subject to applicable law as specified in the Constitution, any other number determined by the Board of Directors from time to time.

Constitution provisions governing disclosure of shareholdings

There are no provisions of the Constitution which provide an ownership threshold above which share ownership must be disclosed. However, the Corporations Act requires a person to disclose certain prescribed information to the Company and the ASX if the person has or ceases to have a "substantial holding" in the Company. The term 'substantial holding' is defined in the Corporations Act as broadly, a relevant interest in 5% or more of the total number of votes attaching to voting shares and is not limited to direct shareholdings.

The Corporations Act also permits the Company or ASIC to direct any member of the Company to make certain disclosures in respect of their interest in the Company's shares and the interest held by any other person in those shares.

Changes in capital

The Constitution does not make any provision governing changes in the capital of the Company that is more stringent than is required by Australian law.

Change in Control

There are no arrangements known to ANZ, the operation of which may at a subsequent date result in a change in control of ANZ.

Related Party Transactions

Key management personnel loan transactions

Loans made to directors of the Company 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 favorable than those given to other employees or customers, including: the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provision raised in respect of these balances.

Other transactions of key management personnel and their related parties

All other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favorable than those given to other employees or customers.

There have been no transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since March 31, 2021.

Associates

Transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

For further information on related party transactions, refer to Note 32 of the 2020 Financial Report (attached as part of Annex A to the 2020 Annual U.S. Disclosure Document).

CHESS

CHESS stands for the "Clearing House Electronic Subregister System" and is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. ASX Settlement Pty Limited authorizes certain participants such as brokers, custodians, institutional investors and settlement agents to access CHESS and settle trades made by themselves or on behalf of clients. Following consultation on a replacement for CHESS, ASX confirmed in October 2020 a go-live date of April 2023 for the replacement system. In October 2020, ASIC and the RBA also outlined their expectations of ASX as it replaces CHESS.

Any public documents referred to in this U.S. Disclosure Document may be inspected by contacting the Company Secretary on +61 3 8654 7597 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

LEGAL PROCEEDINGS

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 12 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document)) 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.

Contingent Liabilities

Refer to Note 33 of ANZ's 2020 Annual Financial Report (attached as part of Annex A to ANZ's 2020 Annual U.S. Disclosure Document) for a description of contingent liabilities and contingent assets as of September 30, 2020. Refer to Note 21 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 of March 31, 2021.

A summary of some of those contingent liabilities, and new contingent liabilities that have arisen in the current reporting period, is set out below.

- **Regulatory and customer exposures**

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

- **Benchmark/rate actions**

  In July and August 2016, class action complaints were brought in the U.S. District Court against local and international banks, including the Company - one action relating to the bank bill swap rate ("BBSW"), and one action relating to the Singapore Interbank Offered Rate ("SIBOR") and the Singapore Swap Offer Rate ("SOR"). The class actions are expressed to apply to persons and entities that engaged in U.S.-based transactions in financial instruments that were priced, benchmarked, and/or settled based on BBSW or SIBOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including the Company, violated U.S. anti-trust laws and (in the BBSW case only) anti-racketeering laws, the Commodity Exchange Act, and unjust enrichment principles. In March 2021, the Company reached an agreement to settle the BBSW class action. The settlement is without admission of liability and remains subject to negotiation and execution of complete settlement terms as well as court approval. The financial impact of the settlement is not material and has been fully provided at March 31, 2021. The separate class action in relation to SIBOR is ongoing and is being defended.

  In February 2017, the South African Competition Commission commenced proceedings against local and international banks including the Company alleging breaches of the cartel provisions of the South African Competition Act in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain.

- **Capital raising actions**

  In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against the Company and a senior employee alleging that they were involved in cartel conduct by the joint lead managers of the Company's August 2015 underwritten institutional equity placement of approximately 80.8 million ordinary shares. The Company and its senior employee are defending the allegations. The trial is currently scheduled to start in April 2022.

  In September 2018, ASIC commenced civil penalty proceedings against the Company alleging failure to comply with continuous disclosure obligations in connection with the Company's August 2015 underwritten institutional equity placement. ASIC alleges the Company should have advised the market that the joint lead managers took up approximately 25.5 million ordinary shares of the placement. The Company is defending the allegations.

- **Consumer credit insurance litigation**

  In February 2020, a class action was brought against the Company alleging breaches of financial advice obligations, misleading or deceptive conduct and unconscionable conduct in relation to the distribution of consumer credit insurance products. The issuers of the insurance products, QBE and OnePath Life, are also defendants to the claim. The Company is defending the allegations.

- **Esanda dealer car loan litigation**

  In August 2020, a class action was brought against the Company alleging unfair conduct, misleading or deceptive conduct and equitable mistake in relation to the use of flex commissions in dealer arranged Esanda car loans. The Company is defending the allegations.

- **OnePath superannuation litigation**

  In December 2020, a class action was brought against OnePath Custodians, OnePath Life and the Company alleging that OnePath Custodians breached its obligations under superannuation legislation, and its duties as trustee, in respect of superannuation investments and fees. The claim also alleges that the Company was involved in some of OnePath Custodians' investment breaches. The Company is defending the allegations.

- **Royal Commission**

  The Royal Commission released its final report on February 4, 2019. The findings and recommendations of the Royal Commission are resulting in additional costs and may lead to 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. See also "*Section 2: Information on the Group - Supervision and Regulation - Australia - Australian Regulatory Developments - Royal Commission*".

- **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 favor 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.

DIVIDEND DISTRIBUTION POLICY

The Board of Directors of ANZ will determine the amount and timing of dividend distributions to holders of ordinary shares based on the financial performance and financial position of the Group.

ANZ has a Dividend Reinvestment Plan ("DRP") and a Bonus Option Plan ("BOP") that will operate in respect of the proposed 2021 interim dividend. For the 2021 interim dividend, ANZ intends to provide shares under the DRP through an on-market purchase and BOP through the issue of new shares. The "Acquisition Price" to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZ ordinary shares sold in the ordinary course of trading on the ASX and Chi-X during the ten trading days commencing on May 14, 2021, and then rounded to the nearest whole cent. Shares provided under the DRP and BOP will rank equally in all respects with existing fully paid ANZ ordinary shares. Eligibility criteria applies to the participation in the DRP and BOP. In particular, until the Board otherwise determines, participation in the DRP and BOP is not available directly or indirectly to any entity or person, including any legal or beneficial owner of the ordinary shares of ANZBGL, who is (or who is acting on behalf of or for the account or benefit of an entity or person who is) in or resident in the U.S. or its possessions or territories, or in Canada.

EXCHANGE CONTROLS

There are currently no general Australian exchange control regulations in force that restrict the payment of dividends, interest or other remittances to holders of our securities. Economic and trade sanctions are, however, implemented in Australia from time to time to reflect Australian public policy, and operate to prohibit the entry into certain transactions with specified persons or entities without the consent of the applicable Australian regulatory body. These include the following:

1. The Autonomous Sanctions Act 2011 of Australia and Autonomous Sanctions Regulations 2011 of Australia prohibit dealing with certain "sanctioned" vessels, "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; and

   (h) persons or entities responsible for, or complicit in, the threat to the sovereignty and territorial integrity of Ukraine.

   The Minister for Foreign Affairs also has the ability to designate a person or entity that contributes to the proliferation of weapons of mass destruction for the purposes of the Autonomous Sanctions Regulations 2011 of Australia.

2. 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 and the Taliban (see the Charter of the United Nations (Sanctions – 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).

3. 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. The Australian Government previously introduced a bill to prohibit individuals and entities from making or accepting cash payments of $10,000 or more (or the foreign equivalent). Such payments would have included those made offshore by certain types of entities with sufficient connection to Australia and where the cash payment is made or accepted for a supply that is wholly or partly supplied in Australia. Although the bill had been passed by the Australian House of Representatives and the Senate Economics Legislation Committee had recommended that it be passed, the Senate abandoned debate on passage of the bill in December 2020. Accordingly, as at the date of this document, the bill is not currently proceeding through the legislative process and it is not anticipated that it will be enacted into law.

LIMITATIONS AFFECTING SECURITY HOLDERS

The following Australian laws impose limitations on the right of persons to hold, own or vote on shares in our company.

- Foreign Acquisitions and Takeovers Act 1975 of Australia

  The acquisition of shares in Australian companies by foreign interests is regulated by the Foreign Acquisitions and Takeovers Act 1975 of Australia. The Foreign Acquisitions and Takeovers Act 1975 of Australia applies (subject to certain monetary thresholds) to, among other things, any acquisition or issue of shares which results in either:

  - a foreign person or foreign-controlled corporation alone or together with any associates being in a position to control 20% or more of the voting power or potential voting power or hold any legal or equitable interest in 20% or more of the issued shares or rights to issued shares in a corporation carrying on an Australian business; or
  - two or more foreign persons or foreign-controlled corporations, together with any associates of any of those foreign persons or foreign-controlled corporations being in a position to control 40% or more of the voting power or potential voting power or hold any legal or equitable interest in 40% or more of the issues shares or rights to issued shares in a corporation carrying on an Australian business.

  In either of these cases, and in certain other circumstances, the Federal Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

- Financial Sector (Shareholdings) Act 1998 of Australia

  The Financial Sector (Shareholdings) Act 1998 of Australia prohibits a person (together with their associates, if any), or two or more persons under an arrangement, from acquiring shares in a financial sector company if the acquisition would result in a person, together with their associates, holding a stake in the company of more than 20%. However, the Federal Treasurer may grant approval to a person to hold a stake of greater than 20% but only if satisfied that it is in the Australian national interest. No such approvals have been granted in respect of our shares.

- Corporations Act and ASX Listing Rules

  Shareholding restrictions

  Any person acquiring voting shares in a listed company or an unlisted company with more than 50 members is subject to the provisions contained in Chapter 6 of the Corporations Act relating to the acquisition of relevant interests in voting shares. Subject to certain exceptions (and among other prohibitions), section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in such a company if, because of the acquisition, the person’s or someone else’s voting power in the company increases:

  - from 20% or below to more than 20%; or
  - from a starting point that is above 20% and below 90%.

  One of the exceptions to section 606 allows a person to acquire voting power of an additional 3% in a company if:

  - throughout the six months before the acquisition that person, or any other person, has had voting power in the company of at least 19%; and

- as a result of the acquisition, neither that person, nor any other person who has had voting power of at least 19% in the preceding six months, would have voting power in the company more than 3% higher than they had six months before the acquisition.

For the purposes of the Corporations Act, a person's voting power in a company is the total number of votes attached to voting shares in respect of which the person and its associates (which are broadly defined) have a 'relevant interest' as a proportion of the total number of votes attached to all voting shares in the company. Broadly speaking, subject to certain qualifications, a person has a 'relevant interest' in securities if the person is the holder of the securities; has the power to exercise, or control the exercise of, a right to vote attached to the securities; or has the power to dispose of, or control the exercise of a power to dispose of, a security.

In addition, under the Corporations Act, any person who begins to have or ceases to have, a substantial holding in us, or who already has a substantial holding and there is a movement of at least 1% in their holding, or who makes a takeover bid for our securities, is required to give a notice to the Company and to ASX Limited providing certain prescribed information, including their name and address and details or their relevant interests in our voting shares. Generally, such notice must be provided within two business days after the person becomes aware of the information.

The sale of shares may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of shares to investors within 12 months of their issue (except where certain exemptions apply) on account of the shares, or the securities which convert into those shares, being issued without disclosure as required by the Corporations Act.

Divestment of shares in relation to control transactions

The Corporations Act also enables persons to compulsorily acquire shares in a company in certain circumstances, including where they obtain a relevant interest in 90% or more of the issued voting shares of a company through a takeover bid or other means. A person may also compulsorily acquire shares pursuant to a court order in connection with a scheme of arrangement under the Corporations Act, following approval of the scheme of arrangement by the requisite number of shareholders at a prior vote.

The Australian Takeovers Panel also has the ability to make orders requiring persons to divest interests in shares, or to seize shares from persons, or restrict voting rights, where the Takeovers Panel finds (on an application by an interested party) where they make a decision that unacceptable circumstances exist in relation to the affairs of a company that warrant the granting of such an order.

Restrictions on voting under the Corporations Act and ASX Listing Rules

The Corporations Act and ASX Listing Rules impose restrictions on certain persons and their associated or related entities from voting at general meetings of the Company in certain circumstances. These restrictions include, to the extent applicable to a shareholder, voting on: related party transactions involving the shareholder; change of control transactions involving the shareholder; capital actions involving the shareholder (including issues of shares requiring shareholder approval, share consolidations, splits and buy-backs); remuneration related resolutions presented to shareholders for approval, and other similar corporate actions.

Other restrictions relating to shares

Australian securities laws impose prohibitions of general application on misconduct in financial markets and dealings relating to financial products in Australia. These laws may prevent a person from acquiring or selling shares in the Company in certain circumstances (for example, where such conduct would constitute "insider trading").

- Competition and Consumer Act 2010 of Australia

  The Competition and Consumer Act 2010 of Australia regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia.

WITHHOLDING TAXES

Australia imposes withholding taxes on certain payments to recipients outside Australia including certain dividend payments (to the extent such dividends are unfranked) and certain interest payments.

CONSTITUTION

The Company's Constitution was most recently amended on December 19, 2018. There have been no changes to the Constitution subsequently.

MATERIAL CONTRACTS

There have been no material contracts entered into by the Group in the past two years, other than in the ordinary course of its business, upon which it is substantially dependent.

AASB - Australian Accounting Standards Board. The term "AASB" is commonly used when identifying Australian Accounting Standards issued by the AASB.

ADI - Authorized Deposit-taking Institution.

APRA - Australian Prudential Regulation Authority.

APRA Leverage Ratio compares Tier 1 Capital to the "exposure measure" (expressed as a percentage) as defined by APS110. It is a designed as a non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

APS - ADI Prudential Standard.

Cash and cash equivalents comprise coins, notes, money at call, balances held with central banks, liquid settlement balances (readily convertible to known amounts of cash which are subject to insignificant risk of changes in value) and securities purchased under agreements to resell (reverse repos) in less than three months.

Collectively assessed allowance for expected credit loss represents the Expected Credit Loss ("ECL"). This incorporates forward-looking information and does not require an actual loss event to have occurred for an impairment provision to be recognized.

Coronavirus ("COVID-19") is a respiratory illness caused by a new virus and declared a Public Health Emergency of International Concern. COVID-19 was characterized as a pandemic by the World Health Organization on March 11, 2020.

Covered bonds are bonds issued by an ADI to external investors secured against a pool of the ADI's assets (the cover pool) assigned to a bankruptcy remote special purpose entity. The primary assets forming the cover pool are mortgage loans. The mortgages remain on the issuer's balance sheet. The covered bond holders have dual recourse to the issuer and the cover pool assets. The mortgages included in the cover pool cannot be otherwise pledged or disposed of but may be repurchased and substituted in order to maintain the credit quality of the pool. The Group issues covered bonds as part of its funding activities.

Credit risk is the risk of financial loss resulting from the failure of ANZ's customers and counterparties to honor 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 APS112/113.

Customer deposits represent term deposits, other deposits bearing interest, deposits not bearing interest and borrowing corporations' debt excluding securitization 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, ANZ uses a model to adjust fair value to take into account the impact of counterparty credit quality. The methodology calculates the present value of expected losses over the life of the financial instrument as a function of probability of default, loss given default, expected credit risk exposure and an asset correlation factor. Impaired derivatives are also subject to a CVA.

Dividend payout ratio is the total ordinary dividend payment divided by profit attributable to shareholders of the Company.

FX means foreign exchange.

Gross loans and advances ("GLA") is made up of loans and advances, capitalized brokerage and other origination costs less unearned income.

Group's Position refers to the business, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition of the Group.

Impaired assets - facilities are classified as impaired when there is doubt as to whether the contractual amounts due, including interest and other payments, will be met in a timely manner. Impaired assets include impaired facilities, and impaired derivatives. Impaired derivatives have a credit valuation adjustment ("CVA"), which is a market assessment of the credit risk of the relevant counterparties.

Impaired loans comprise of drawn facilities where the customer's status is defined as impaired.

Individually assessed allowance for expected credit loss is assessed on a case-by-case basis for all individually managed impaired assets taking into consideration factors such as the realizable 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 ANZ'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.

JobKeeper payment is a wage subsidy program introduced by the Australian Government in 2020 to support employees and businesses as a result of the COVID-19 pandemic. It is designed to help businesses affected by COVID-19 to cover the costs of their employees' wages so that more employees can retain their job and continue to earn an income. The program finished on March 28, 2021.

Level 1 in the context of APRA supervision, Australia and New Zealand Banking Group Limited consolidated with certain approved subsidiaries.

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

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 credit losses.

Net Stable Funding Ratio ("NSFR") is the ratio of the amount of available stable funding ("ASF") to the amount of required stable funding ("RSF") defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADIs must maintain an NSFR of at least 100%.

Net tangible assets equal share capital and reserves attributable to shareholders of the Company less unamortized intangible assets (including goodwill and software).

Regulatory deposits are mandatory reserve deposits lodged with local central banks in accordance with statutory requirements.

Restructured items comprise facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.

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

Return on average ordinary shareholders' equity is the profit attributable to shareholders of the Company, divided by average ordinary shareholders' equity.

Risk weighted assets ("RWA") are risk weighted according to each asset's inherent potential for default and what the likely losses would be in the case of default. In the case of non-asset backed risks (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.

Settlement balances owed to/by ANZ represent financial assets and/or liabilities which are in the course of being settled. These may include trade dated assets and liabilities, vostro accounts and securities settlement accounts.

Term Funding Facility ("TFF") refers to three-year funding announced by the Reserve Bank of Australia on March 19, 2020 and offered to ADIs in order to support lending to Australian businesses at low cost.

Annex: Condensed Consolidated Financial Statements for the half year ended March 31, 2021 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 March 31, 2021

CONTENTS **Page**

The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2021.

Directors

The names of the Directors of the Company 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
Mr DM Gonski, AC	Director, retired on 28 October 2020
Ms IR Atlas, AO	Director
Ms PJ Dwyer	Director
Ms SJ Halton, AO PSM	Director
Mr GR Liebelt	Director
Rt Hon Sir JP Key, GNZM AC	Director
Mr JT MacFarlane	Director

Result

The consolidated profit attributable to shareholders of the Company was $2,943 million, and consolidated profit attributable to shareholders of the Company from continuing operations was $2,951 million. Further details are contained in Group Results on pages 19 to 46 which forms part of this report, and in the Condensed Consolidated Financial Statements.

Review of operations

A review of the operations of the Group during the half year and the results of those operations are contained in the Group Results on pages 19 to 46 which forms part of this report.

Lead auditor's independence declaration

The lead auditor's independence declaration given under section 307C of the *Corporations Act 2001* (as amended) is set out on page 120 which forms part of this report.

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 *ASIC Corporations Instrument 2016/191*.

Significant events since balance date

On 26 April 2021, the Group posted notice that it will exercise its option to redeem wholesale A$700,000,000 floating rate subordinated notes due May 2026. The notes will be redeemed on 17 May 2021 for their par value of $700 million.

Other than the matter above, there have been no other significant events from 31 March 2021 to the date of signing this report that have not been adjusted or disclosed.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

Shayne C Elliott
Managing Director

4 May 2021

Australia and New Zealand Banking Group Limited

	Note	Half Year Mar 21 $M	Half Year Sep 20 $M	Half Year Mar 20 $M	Movement Mar 21 v. Sep 20	Movement Mar 21 v. Mar 20
Interest income		**9,879**	10,626	13,800	-7%	-28%
Interest expense		**(2,893)**	(3,799)	(6,578)	-24%	-56%
Net interest income	2	**6,986**	6,827	7,222	2%	-3%
Other operating income	2	**1,571**	1,866	1,489	-16%	6%
Net income from insurance business	2	**52**	31	47	68%	11%
Share of associates' profit/(loss)	2, 19	**(242)**	20	135	large	large
Operating income		**8,367**	8,744	8,893	-4%	-6%
Operating expenses	3	**(4,482)**	(4,778)	(4,605)	-6%	-3%
Profit before credit impairment and income tax		**3,885**	3,966	4,288	-2%	-9%
Credit impairment (charge)/release	10	**491**	(1,064)	(1,674)	large	large
Profit before income tax		**4,376**	2,902	2,614	51%	67%
Income tax expense	4	**(1,425)**	(862)	(978)	65%	46%
Profit after tax from continuing operations		**2,951**	2,040	1,636	45%	80%
Profit/(Loss) after tax from discontinued operations	13	**(8)**	(8)	(90)	0%	-91%
Profit for the period		**2,943**	2,032	1,546	45%	90%
Comprising:						
Profit attributable to shareholders of the Company		**2,943**	2,032	1,545	45%	90%
Profit attributable to non-controlling interests		**-**	-	1	n/a	-100%
Earnings per ordinary share (cents) including discontinued operations						
Basic	6	**103.7**	71.8	54.6	44%	90%
Diluted	6	**98.4**	66.3	51.5	48%	91%
Earnings per ordinary share (cents) from continuing operations						
Basic	6	**104.0**	72.1	57.8	44%	80%
Diluted	6	**98.7**	66.5	54.3	48%	82%
Dividend per ordinary share (cents)	5	**70**	35	25	n/a	n/a

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Profit for the period from continuing operations	**2,951**	2,040	1,636	45%	80%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Investment securities - equity securities at FVOCI	**124**	(42)	(115)	large	large
Other reserve movements	**(20)**	(223)	236	-91%	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve[1]	**(658)**	(1,831)	1,281	-64%	large
Other reserve movements	**(319)**	629	83	large	large
Income tax attributable to the above items	**82**	(104)	(76)	large	large
Share of associates' other comprehensive income[2]	**41**	41	10	0%	large
Other comprehensive income after tax from continuing operations	**(750)**	(1,530)	1,419	-51%	large
Profit/(Loss) after tax from discontinued operations	**(8)**	(8)	(90)	0%	-91%
Other comprehensive income after tax from discontinued operations	**-**	-	-	n/a	n/a
Total comprehensive income for the period	**2,193**	502	2,965	large	-26%
Comprising total comprehensive income attributable to:					
Shareholders of the Company	**2,193**	502	2,965	large	-26%
Non-controlling interests	**-**	-	-	n/a	n/a

1. *Includes foreign currency translation differences attributable to non-controlling interests of nil (Sep 20 half: nil; Mar 20 half: $1 million loss).*
2. *Share of associates' other comprehensive income includes:*

	Mar 21 half $M	*Sep 20 half $M*	*Mar 20 half $M*
FVOCI reserve gain/(loss)	*47*	*41*	*7*
Defined benefits gain/(loss)	*(5)*	*-*	*3*
Cash flow hedge reserve gain/(loss)	*1*	*(1)*	*-*
Foreign currency translation reserve gain/(loss)	*(2)*	*1*	*-*
Total	***41***	***41***	***10***

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As At			Movement	
Assets	**Note**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Cash and cash equivalents[1]		**124,460**	107,923	143,093	15%	-13%
Settlement balances owed to ANZ		**9,778**	7,541	6,961	30%	40%
Collateral paid		**12,059**	14,308	16,762	-16%	-28%
Trading securities		**46,331**	50,913	49,068	-9%	-6%
Derivative financial instruments	8	**104,666**	135,331	173,677	-23%	-40%
Investment securities		**91,990**	93,391	85,923	-2%	7%
Net loans and advances	9	**614,359**	617,093	656,609	0%	-6%
Regulatory deposits		**859**	801	804	7%	7%
Investments in associates		**1,854**	2,164	2,313	-14%	-20%
Current tax assets		**170**	161	452	6%	-62%
Deferred tax assets		**2,105**	2,124	1,816	-1%	16%
Goodwill and other intangible assets		**4,024**	4,379	4,957	-8%	-19%
Premises and equipment		**2,792**	3,013	3,211	-7%	-13%
Other assets		**2,892**	3,144	4,309	-8%	-33%
Total assets		**1,018,339**	1,042,286	1,149,955	-2%	-11%
Liabilities						
Settlement balances owed by ANZ		**19,188**	22,241	22,314	-14%	-14%
Collateral received		**7,552**	9,304	17,463	-19%	-57%
Deposits and other borrowings	11	**706,623**	682,333	726,909	4%	-3%
Derivative financial instruments	8	**102,926**	134,711	167,364	-24%	-39%
Current tax liabilities		**203**	349	244	-42%	-17%
Deferred tax liabilities		**73**	80	94	-9%	-22%
Payables and other liabilities		**8,558**	9,128	10,536	-6%	-19%
Employee entitlements		**600**	596	635	1%	-6%
Other provisions	12	**2,417**	2,579	2,773	-6%	-13%
Debt issuances	14	**107,623**	119,668	140,248	-10%	-23%
Total liabilities		**955,763**	980,989	1,088,580	-3%	-12%
Net assets		**62,576**	61,297	61,375	2%	2%
Shareholders' equity						
Ordinary share capital	17	**26,615**	26,531	26,440	0%	1%
Reserves	17	**741**	1,501	2,851	-51%	-74%
Retained earnings	17	**35,210**	33,255	32,073	6%	10%
Share capital and reserves attributable to shareholders of the Company		**62,566**	61,287	61,364	2%	2%
Non-controlling interests	17	**10**	10	11	0%	-9%
Total shareholders' equity		**62,576**	61,297	61,375	2%	2%

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

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

The Condensed Consolidated Cash Flow Statement includes discontinued operations. Please refer to Note 13 of the Condensed Consolidated Financial Statements for cash flows associated with discontinued operations.

	Half Year		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Profit after income tax	**2,943**	2,032	1,546
Adjustments to reconcile to net cash flow from operating activities:			
Credit impairment charge/(release)	**(491)**	1,064	1,674
Impairment of investment in associates	**-**	-	815
Depreciation and amortisation[1]	**563**	778	613
Goodwill write-off	**-**	77	-
(Profit)/loss on sale of premises and equipment	**(11)**	(4)	(4)
Net derivatives/foreign exchange adjustment	**(6,556)**	(4,905)	1,859
(Gain)/loss on sale from divestments	**238**	14	11
Other non-cash movements	**74**	19	(99)
Net (increase)/decrease in operating assets:			
Collateral paid	**1,730**	1,187	(904)
Trading securities	**(3,660)**	(3,564)	1,761
Loans and advances	**(1,372)**	23,273	(30,392)
Other assets	**47**	611	(687)
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**35,594**	(15,628)	67,503
Settlement balances owed by ANZ	**(2,929)**	274	11,202
Collateral received	**(1,313)**	(6,640)	8,379
Other liabilities	**4,964**	(951)	(8,630)
Total adjustments	**26,878**	(4,395)	53,101
Net cash (used in)/provided by operating activities[2]	**29,821**	(2,363)	54,647
Cash flows from investing activities			
Investment securities:			
Purchases	**(12,863)**	(22,660)	(17,369)
Proceeds from sale or maturity	**12,323**	9,645	18,997
Proceeds from divestments, net of cash disposed	**13**	618	691
Repayment of IOOF secured notes	**-**	-	(800)
Other assets	**(366)**	(554)	(33)
Net cash (used in)/provided by investing activities	**(893)**	(12,951)	1,486
Cash flows from financing activities			
Debt issuances:[3]			
Issue proceeds	**4,648**	327	11,933
Redemptions	**(11,366)**	(11,003)	(10,427)
Dividends paid[4]	**(879)**	(633)	(2,228)
On market purchase of treasury shares	**(79)**	-	(122)
Repayment of lease liabilities	**(158)**	(133)	(148)
Net cash (used in)/provided by financing activities	**(7,834)**	(11,442)	(992)
Net increase/(decrease) in cash and cash equivalents	**21,094**	(26,756)	55,141
Cash and cash equivalents at beginning of period	**107,923**	143,093	81,621
Effects of exchange rate changes on cash and cash equivalents	**(4,557)**	(8,414)	6,331
Cash and cash equivalents at end of period	**124,460**	107,923	143,093

1. *Includes accelerated amortisation of $197 million in the September 2020 half following the Group's change in the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements.*
2. *Net cash (used in)/provided by operating activities includes interest received of $9,907 million (Sep 20 half: $10,916 million; Mar 20 half: $13,875 million), interest paid of $3,226 million (Sep 20 half: $4,354 million; Mar 20 half: $6,802 million) and income taxes paid of $1,424 million (Sep 20 half: $868 million; Mar 20 half: $1,480 million).*
3. *Non-cash changes in debt issuances includes fair value hedging loss of $1,311 million (Sep 20 half: $24 million loss; Mar 20 half: $1,103 million loss) and foreign exchange gains of $4,077 million (Sep 20 half: $10,159 million gain; Mar 20 half: $8,536 million loss).*
4. *Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.*

The notes appearing on pages 82 to 117 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 2019	26,490	1,629	32,664	**60,783**	11	**60,794**
Impact on transition to AASB 16	-	-	(88)	**(88)**	-	**(88)**
Profit or loss from continuing operations	-	-	1,635	**1,635**	1	**1,636**
Profit or loss from discontinued operations	-	-	(90)	**(90)**	-	**(90)**
Other comprehensive income for the period from continuing operations	-	1,249	171	**1,420**	(1)	**1,419**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	1,249	1,716	**2,965**	-	**2,965**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,228)	**(2,228)**	-	**(2,228)**
Other equity movements:						
Group employee share acquisition scheme	(50)	-	-	**(50)**	-	**(50)**
Other items	-	(27)	9	**(18)**	-	**(18)**
As at 31 March 2020	26,440	2,851	32,073	**61,364**	11	**61,375**
Profit or loss from continuing operations	-	-	2,040	**2,040**	-	**2,040**
Profit or loss from discontinued operations	-	-	(8)	**(8)**	-	**(8)**
Other comprehensive income for the period from continuing operations	-	(1,373)	(157)	**(1,530)**	-	**(1,530)**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	(1,373)	1,875	**502**	-	**502**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(694)	**(694)**	-	**(694)**
Dividend Reinvestment Plan[1]	61	-	-	**61**	-	**61**
Other equity movements:						
Group employee share acquisition scheme	30	-	-	**30**	-	**30**
Other items	-	23	1	**24**	(1)	**23**
As at 30 September 2020	26,531	1,501	33,255	**61,287**	10	**61,297**
Profit or loss from continuing operations	-	-	2,951	**2,951**	-	**2,951**
Profit or loss from discontinued operations	-	-	(8)	**(8)**	-	**(8)**
Other comprehensive income for the period from continuing operations	-	(731)	(19)	**(750)**	-	**(750)**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	(731)	2,924	**2,193**	-	**2,193**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(973)	**(973)**	-	**(973)**
Dividend Reinvestment Plan[1]	94	-	-	**94**	-	**94**
Other equity movements:						
Group employee share acquisition scheme	(10)	-	-	**(10)**	-	**(10)**
Other items	-	(29)	4	**(25)**	-	**(25)**
As at 31 March 2021	26,615	741	35,210	**62,566**	10	**62,576**

1. *4.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend).*

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

1. 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 Statements for the year ended 30 September 2020 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2021 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 ANZ's Annual Financial Report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 4 May 2021.

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

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

- 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;
- financial assets at fair value through other comprehensive income; and
- assets and liabilities held for sale (except those at carrying value as per Note 13).

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

iv) Use of estimates, assumptions and judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments are provided in the 2020 ANZ Annual Financial Report. Such estimates and judgements are reviewed on an ongoing basis.

A brief explanation of the key estimates, assumptions and judgements for the half year ended 31 March 2021 follows.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Group performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and at varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the impact, extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes disruption to capital markets, and the impacts on credit quality, liquidity, unemployment, consumer spending, as well as specific sector impacts and other restructuring activities; and
- the efficacy, extent and pace of roll-out of vaccines, as well as the effectiveness of government and central bank measures that have been and will be put in place to support businesses and consumers through this disruption.

The Group has made various accounting estimates in these Condensed Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, carrying values of goodwill, fair value measurement, and recoverable amounts of non-financial assets.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below and/or in the relevant note in the 2020 ANZ Annual Financial Report. Readers should consider these disclosures in light of the inherent uncertainty described above.

1. Basis of preparation, cont'd

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 accounting policy for the recognition and measurement of the allowance for expected credit losses is described at Note 13 to ANZ's Annual Financial Statements for the year ended 30 September 2020.

The continuing impact of COVID-19 on the global economy, including the roll-out of vaccines, and how governments, businesses and consumers respond remains uncertain. This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates.

The table below shows the Group's allowance for expected credit losses (refer to Note 10 and Note 15 for further information).

	As at		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Collectively assessed	**4,285**	5,008	4,501
Individually assessed	**809**	891	1,093
Total[1]	**5,094**	5,899	5,594

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 2021 half, there was a net decrease in the individually assessed allowance for expected credit losses of $82 million.

In estimating individually assessed ECL for Stage 3 exposures, 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 the ongoing and potential impact of COVID-19.

Collectively assessed allowance for expected credit losses

During the March 2021 half, the collectively assessed allowance for expected credit losses decreased by $723 million attributable to: a reduction of $417 million due to the improving economic outlook offset by changes to scenario weightings and an allowance for model uncertainty due to the continuing pandemic and recent wind-back of government support programs (such as JobKeeper); a reduction of $199 million due to lower lending volumes and changes in portfolio composition; a reduction of $112 million attributable to changes in credit risk; and a reduction of $45 million from foreign currency translation offset by an increase of $50 million in management adjustments.

In estimating collectively assessed ECL, the Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology, noting that the modelling of the Group's ECL estimates are complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made in the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2021
Determining when a significant increase in credit risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'stage 1' to 'stage 2'. This is a key area of judgement since transition from stage 1 to stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from stage 2 to stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	The support packages offered to customers in response to COVID-19 in 2020 are no longer being offered, and the majority of customers who took up the support packages have reverted back to their normal loan repayments. The support packages, as well as government support measures, may have obscured repayment delinquencies that might otherwise have occurred and those that may still occur in the future. Thus the Group has provided a component of ECL for expected delinquencies and increases in SICR.

1. Basis of preparation, cont'd

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2021
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. In the March 2021 half, an adjustment was made to the modelled outcome to account for continuing model uncertainties as a result of COVID-19.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies during the half year ended 31 March 2021.
Base case economic forecast	The Group derives a forward-looking "base case" economic scenario which reflects ANZ Research – Economics' (ANZ Economics) view of future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current period. As at 31 March 2021, the base case assumptions have been updated to reflect the current phase of COVID-19, including containment in key geographies, government stimulus measures and roll-out of vaccines. In determining the expected path and timing out of the current economic downturn, assessments of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals) were considered. The expected outcomes of key economic drivers for the base case scenario as at 31 March 2021 are described below under the heading "Base case economic forecast assumptions".
Probability weighting of each economic scenario (base case, upside[1], downside[1] and severe downside[2] scenarios)	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the extent and timing of recovery from the economic downturn caused by COVID-19. The Group considers these weightings in each geography to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Group's credit portfolios in determining them. As at 31 March 2021, a reduced weighting was applied to the base case forecast which reflects a significantly improved and largely optimistic view of base case economic conditions by ANZ Economics. Greater weighting has been applied to the downside scenario given the Group's assessment of downside risks. The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

1. Basis of preparation, cont'd

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2021
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the COVID-19 pandemic, including the roll-out of vaccines, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models which are based on historical underlying data. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing COVID-19 impacts. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to retail including home loans, small business and commercial banking in Australia, for retail, commercial and agri banking in New Zealand, and for tourism in the 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.*

[2] *The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.*

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic increases the risk to the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- The extent and duration of measures, including the roll-out of vaccines, to contain the spread of COVID-19;
- The extent and duration of the economic down-turn, along with the speed and timing required for economies to recover; and
- The effectiveness of government stimulus measures, in particular their impact on the magnitude of economic downturn and the extent and duration of the recovery.

The economic drivers of the base case economic forecasts at 31 March 2021 are set out below. These reflect ANZ Economics' view of future macro-economic conditions at 31 March 2021. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Actual calendar year	Forecast calendar year	
	2020	**2021**	**2022**
Australia			
GDP	-2.4%	4.8%	3.3%
Unemployment	6.5%	6.2%	5.3%
Residential property prices	1.9%	17.4%	6.5%
Consumer price index	0.8	2.4	1.7
New Zealand			
GDP	-3.0%	3.6%	3.7%
Unemployment	4.6%	5.4%	4.6%
Residential property prices	15.6%	17.4%	4.1%
Consumer price index	1.7	1.9	1.6
Rest of world			
GDP	-3.5%	6.0%	3.2%
Consumer price index	1.2	2.5	2.0

The base case economic forecasts as at 31 March 2021 indicate a significant improvement in current and expected economic conditions from the forecasts as at 30 September 2020 reflecting the ongoing progress and actions in responding to the COVID-19 pandemic.

Probability weightings

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the effectiveness of actions taken in response to COVID-19 and the ability of vaccines to limit the impact of the virus.

The base case scenario represents a significant improvement in the forecasts since September 2020. Given the uncertainties associated with a potential recovery in the economy, the average base case weighting across geographies has been reduced to 41.4% (Sep 20: 50.0%) and the downside scenario increased to 46.7% (Sep 20: 33.3%).

1. Basis of preparation, cont'd

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 the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Group's credit portfolios in determining them. The average weightings applied across the Group are set out below:

	31 March 2021	30 September 2020	31 March 2020
Group			
Base	41.4%	50.0%	50.0%
Upside	5.5%	10.4%	12.7%
Downside	46.7%	33.3%	27.3%
Severe Downside	6.4%	6.3%	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 collectively assessed ECL to key factors used in determining it as at 31 March 2021:

	Total $M	Impact $M
If 1% of stage 1 facilities were included in stage 2	4,342	57
If 1% of stage 2 facilities were included in stage 1	4,278	(7)
100% upside scenario	1,815	(2,470)
100% base scenario	2,487	(1,798)
100% downside scenario	4,412	127
100% severe downside scenario	5,508	1,223

Fair value measurement of financial instruments

The majority of valuation models the Group uses to value financial instruments employ only observable market data as inputs.

For certain financial instruments, we may use data that is not readily observable in current markets where we need to exercise more management judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

At 31 March 2021, the Group had $1,224 million of assets and $25 million of liabilities where the valuation was primarily derived using unobservable inputs (Sep 20: $1,183 million assets and $55 million liabilities; Mar 20: $1,296 million assets and $67 million liabilities). The financial instruments which are valued using unobservable inputs are predominantly equity investment securities where quoted prices in active markets are not available.

The Group has an investment in the Bank of Tianjin (BoT), which at 31 March 2021 has a carrying value of $1,019 million (Sep 20: $934 million; Mar 20: $1,053 million). As a result of illiquidity of the quoted share price, the Group determines the fair value based on a valuation model using comparable bank pricing multiples as determined by management. Judgement is required in both the selection of the model and inputs used. Although the comparator group entities operate in the same industry, the nature of their business and local economic conditions may be different from the Group's investment. Thus where local conditions change, which impact the price-to-book ratio of the comparator group, the fair value of the asset will change proportionately. That is, if the price-to-book ratio changed by 10%, the fair value would change by 10%. Since the asset is classified as fair value through other comprehensive income, changes in the fair value are recorded directly in equity.

Investments in associates

The Group assesses the carrying value of its associate investments for impairment indicators semi-annually.

At 31 March 2021, the impairment assessment of non-lending assets identified that two of the Group's associate investments AMMB Holdings Berhad (AmBank) and PT Bank Pan Indonesia (PT Panin) had indicators of impairment. Although their market value (based on share price) was below their carrying value, no impairment was recognised as their carrying values are supported by their value in use (VIU) calculations.

1. Basis of preparation, cont'd

The ongoing impact of COVID-19 on the valuation of AmBank and PT Panin remains uncertain. Significant management judgement is required to determine the key assumptions underpinning the VIU calculations. Factors may change in subsequent periods and lead to potential future impairments or reversals of prior period impairments. This includes forecast earnings levels in the near term and/or changes in the long term growth forecasts, required levels of regulatory capital and the post-tax discount rate. The key assumptions used in the VIU calculations are outlined below:

	AmBank			PT Panin		
	Mar 21	Sep 20	Mar 20	Mar 21	Sep 20	Mar 20
Carrying Value ($m)	685	1,056	1,161	1,140	1,084	1,130
Post-tax discount rate	11.2%	11.3%	12.4%	14.1%	15.2%	13.9%
Terminal growth rate	5.0%	4.8%	4.9%	5.1%	5.3%	5.3%
Expected earnings growth (compound annual growth rate - 5 years)[1]	large	2.8%	1.0%	6.9%	4.2%	2.6%
Common Equity Tier 1 ratio (5 year average)	13.0%	12.9%	11.5%	12.8%	12.8%	12.3%

1. *For AmBank the expected earnings growth is noted as large due to the large loss arising in the current forecast year due to the impact of the 1MDB settlement and the impairment of goodwill. The expected earnings growth for years 2-5 for AmBank is 7.3%.*

The VIU calculations are sensitive to changes in the underlying assumptions with reasonably possible changes in key assumptions having a positive or negative impact on the VIU outcome, and as such the recoverable amount of the investment.

- A change in the March 2021 post-tax discount rate by +/- 50bps would impact the VIU outcome for PT Panin by ($58 million) / $66 million, and ($71 million) / $84 million for AmBank.
- A change in the March 2021 terminal growth rate by +/- 25bps would impact the VIU outcome for PT Panin by $15 million / ($16 million) and $5 million / ($6 million) for AmBank.

Neither investment would be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

Goodwill

On the reclassification of ANZ Share Investing as held for sale as at 31 March 2021, the relevant assets and liabilities were remeasured at the lower of their carrying value and the fair value less costs to sell resulting in $251 million of goodwill attributable to this business been written down. After the write down, the Group's goodwill balance was $2,989 million.

The Group conducted an assessment as to whether the carrying value of the goodwill was impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the related business combination. These CGUs are the Group's reportable segments. CGUs with goodwill assets as at 31 March 2021 were the Australia Retail and Commercial division ($153 million), the New Zealand division ($1,777 million) and the Institutional division ($1,059 million).

Goodwill is considered to be impaired if the carrying amount of the relevant Cash Generating Unit (CGU) exceeds its recoverable amount. We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a VIU assessment performed where the FVLCOD approach indicates an impairment.

Management's approach used to determine the FVLCOD of each CGU was consistent with the prior period. The assessment of the recoverable amount of each CGU has been made in consideration of the impacts of COVID-19 and subsequent economic recovery on both earnings and asset prices, and reflects expectations of future events that are believed to be reasonable under the circumstances. The key inputs used to determine FVLCOD of each CGU containing goodwill are noted below:

- Future maintainable earnings for each of the CGU's used for the March 2021 half year assessment are similar or slightly above those used for the 2020 full year.
- Price/Earnings (P/E) multiples applied (including 30% control premium) - the P/E multiples derived from the valuations of comparator entities improved for all three CGUs:

	Price/Earnings Multiples	
Division	Mar 21 Half Year	Sep 20 Full Year
Australia Retail and Commercial	19.6	16.0
New Zealand	15.7	12.7
Institutional	16.8	13.4

Based on this assessment, no impairment was identified.

Customer remediation provisions

At 31 March 2021, the Group has recognised customer remediation provisions of $1,003 million (Sep 20: $1,109 million; Mar 20: $1,094 million) which includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation 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.

1. Basis of preparation, cont'd

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.

v) 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 2020 ANZ Annual Financial Report.

Discontinued operations are 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. Notes to the Condensed Consolidated Income Statement have been presented on a continuing basis.

Accounting standards adopted during the period

On 1 October 2020, the Group adopted the revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The adoption of the revised conceptual framework did not have a material impact on the Group.

In addition to the above, several amendments to existing accounting standards apply for the first time in 2021, but do not have a material impact on the Group.

vi) Future accounting developments

Interest Rate Benchmark Reform

In September 2020, the AASB issued AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2. This standard addresses issues that may affect the Group at the point of transition from an existing Interbank Offer Rate (IBOR rate) to a Risk Free Rate (RFR), including the effects of changes to contractual cash flows or hedging relationships. The standard includes amendments that provide practical expedients in respect of:

- accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.
- Permitting changes to hedge documentation and hedge designation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

The standard applies to the Group in the 2022 financial year and earlier application is permitted. The Group is in the process of assessing the impact of the new standard on its financial statements and timing of adoption.

The Group has exposure to IBOR rates that are subject to reform through its issuance of debt, the structural interest rate risk position, holdings of investment securities; products denominated in foreign currencies and associated hedging. The Group's hedging relationships are exposed to various IBOR rates subject to reform including USD, GBP, CHF and JPY LIBOR and Euro Interbank Offered Rate (EURIBOR).

To manage the impact of IBOR reform, the Group has established an enterprise-wide Benchmark Transition Program and is continuing to monitor market developments in relation to the transition and their impact on the Group's financial assets and liabilities to ensure that no unexpected consequences or disruption arises.

AASB 9 General hedge accounting

AASB 9 introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging financial and non-financial risks.

AASB 9 provides the Group with an accounting policy choice to continue to apply AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting requirements until the International Accounting Standard Board's ongoing project on macro hedge accounting is completed. The Group currently applies the hedge accounting requirements of AASB 139.

2. Income

	Half Year			Movement	
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Interest income	**9,879**	10,626	13,800	-7%	-28%
Interest expense	**(2,704)**	(3,589)	(6,382)	-25%	-58%
Major bank levy	**(189)**	(210)	(196)	-10%	-4%
Net interest income	**6,986**	6,827	7,222	2%	-3%
Other operating income					
i) Fee and commission income					
Lending fees[1]	**244**	276	303	-12%	-19%
Non-lending fees	**1,266**	1,246	1,441	2%	-12%
Commissions	**46**	75	46	-39%	0%
Funds management income	**140**	136	139	3%	1%
Fee and commission income	**1,696**	1,733	1,929	-2%	-12%
Fee and commission expense	**(646)**	(585)	(752)	10%	-14%
Net fee and commission income	**1,050**	1,148	1,177	-9%	-11%
ii) Other income					
Net foreign exchange earnings and other financial instruments income[2]	**729**	710	1,099	3%	-34%
Impairment of AmBank	**-**	-	(595)	n/a	-100%
Impairment of PT Panin	**-**	-	(220)	n/a	-100%
Reclassification of ANZ Share Investing to held for sale[3]	**(251)**	-	-	n/a	n/a
Sale of New Zealand legacy insurance portfolio	**13**	-	-	n/a	n/a
Sale of UDC	**-**	(7)	-	-100%	n/a
Dividend income on equity securities	**-**	26	-	-100%	n/a
Other	**30**	(11)	28	large	7%
Other income	**521**	718	312	-27%	67%
Other operating income	**1,571**	1,866	1,489	-16%	6%
Net income from insurance business	**52**	31	47	68%	11%
Share of associates' profit/(loss)	**(242)**	20	135	large	large
Operating income[4]	**8,367**	8,744	8,893	-4%	-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 on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.*
3. *The loss on reclassification of ANZ Share Investing to held for sale is included within Other operating income to align with the classification of loss on sale that would have applied if the sale had completed in the March 2021 half.*
4. *Includes charges associated with customer remediation of $74 million for the March 2021 half (Sep 20 half: $116 million; Mar 20 half: $58 million).*

3. Operating expenses

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
i) Personnel					
Salaries and related costs	**2,196**	2,133	2,177	3%	1%
Superannuation costs	**164**	160	169	3%	-3%
Other	**89**	120	119	-26%	-25%
Personnel[1]	**2,449**	2,413	2,465	1%	-1%
ii) Premises					
Rent	**42**	41	43	2%	-2%
Depreciation	**225**	254	263	-11%	-14%
Other	**83**	89	99	-7%	-16%
Premises	**350**	384	405	-9%	-14%
iii) Technology					
Depreciation and amortisation[2]	**334**	517	341	-35%	-2%
Subscription licences and outsourced services	**372**	375	405	-1%	-8%
Other	**79**	93	93	-15%	-15%
Technology[1,2]	**785**	985	839	-20%	-6%
iv) Restructuring	**105**	56	105	88%	0%
v) Other					
Advertising and public relations	**71**	88	89	-19%	-20%
Professional fees	**329**	374	293	-12%	12%
Freight, stationery, postage and communication	**95**	101	104	-6%	-9%
Other[3]	**298**	377	305	-21%	-2%
Other[1,3]	**793**	940	791	-16%	0%
Operating expenses[1,2,3]	**4,482**	4,778	4,605	-6%	-3%

1. *Includes customer remediation expenses of $92 million for the March 2021 half (Sep 20 half: $138 million; Mar 20 half: $71 million) across Personnel, Technology and Other expenses.*
2. *Includes accelerated amortisation of $197 million for the September 2020 half.*
3. *Includes litigation settlement expenses of $69 million for the March 2021 half and goodwill write-off of $77 million for the September 2020 half.*

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 21 $M	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Profit before income tax from continuing operations	**4,376**	2,902	2,614	51%	67%
Prima facie income tax expense at 30%	**1,313**	871	784	51%	67%
Tax effect of permanent differences:					
Gains or losses on sale from divestments	**(4)**	2	-	large	n/a
Impairment of investment in AmBank and PT Panin	**-**	-	245	n/a	-100%
Share of associates' (profit)/loss	**72**	(6)	(41)	large	large
Reclassification of ANZ Share Investing to held for sale	**75**	-	-	n/a	n/a
Interest on convertible instruments	**22**	23	29	-4%	-24%
Overseas tax rate differential	**(50)**	(51)	(35)	-2%	43%
Provision for foreign tax on dividend repatriation	**26**	6	14	large	86%
Other	**(20)**	20	5	large	large
Subtotal	**1,434**	865	1,001	66%	43%
Income tax (over)/under provided in previous years	**(9)**	(3)	(23)	large	-61%
Income tax expense	**1,425**	862	978	65%	46%
Australia	**1,013**	535	580	89%	75%
Overseas	**412**	327	398	26%	4%
Income tax expense	**1,425**	862	978	65%	46%
Effective tax rate	**32.6%**	29.7%	37.4%		

5. Dividends

Dividend per ordinary share (cents)[1]	Half Year			Movement	
	Mar 21	Sep 20	Mar 20	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Interim	**70**	-	25		
Final	**-**	35	-		
Total	**70**	35	25	100%	large
Ordinary share dividend ($M)[2]					
Interim dividend	**-**	709	-		
Final dividend	**994**	-	2,268		
Bonus option plan adjustment	**(21)**	(15)	(40)	40%	-48%
Total	**973**	694	2,228	40%	-56%
Ordinary share dividend payout ratio (%)[3]	**67.7%**	48.9%	45.9%		

1. *Fully franked for Australian tax purposes (30% tax rate) and carry New Zealand imputation credits of NZD 8 cents for the proposed 2021 interim dividend (2020 final dividend: NZD 4 cents; 2020 interim dividend: NZD 3 cents).*
2. *Dividends paid to ordinary equity holders of the Company. Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders (Mar 21 half: nil; Sep 20 half: nil; Mar 20 half: nil).*
3. *The dividend payout ratio for the March 2021 half is calculated using the proposed 2021 interim dividend of $1,992 million, based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2020 half and March 2020 half were calculated using actual dividend paid of $994 million and $709 million respectively.*

Ordinary Shares

The Directors propose an interim dividend of 70 cents be paid on each eligible fully paid ANZ ordinary share on 1 July 2021. The proposed 2021 interim dividend will be fully franked for Australian tax purposes. New Zealand imputation credits of NZD 8 cents per ordinary share will also be attached.

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2021 interim dividend.

6. Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (after eliminating ANZ shares held within the Group known as treasury shares). Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares used in the basic EPS calculation for the effect of dilutive potential ordinary shares.

	Half Year			Movement	
	Mar 21	Sep 20	Mar 20	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Earnings Per Share (EPS) - Basic					
Earnings Per Share (cents)	**103.7**	71.8	54.6	44%	90%
Earnings Per Share (cents) from continuing operations	**104.0**	72.1	57.8	44%	80%
Earnings Per Share (cents) from discontinued operations	**(0.3)**	(0.3)	(3.2)	0%	-91%
Earnings Per Share (EPS) - Diluted					
Earnings Per Share (cents)	**98.4**	66.3	51.5	48%	91%
Earnings Per Share (cents) from continuing operations	**98.7**	66.5	54.3	48%	82%
Earnings Per Share (cents) from discontinued operations	**(0.3)**	(0.2)	(2.8)	50%	-89%

	Half Year			Movement	
	Mar 21	Sep 20	Mar 20	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Reconciliation of earnings used in earnings per share calculations					
Basic:					
Profit for the period ($M)	**2,943**	2,032	1,546	45%	90%
Less: Profit attributable to non-controlling interests ($M)	**-**	-	1	n/a	-100%
Earnings used in calculating basic earnings per share ($M)	**2,943**	2,032	1,545	45%	90%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(8)**	(8)	(90)	0%	-91%
Earnings used in calculating basic earnings per share from continuing operations ($M)	**2,951**	2,040	1,635	45%	80%
Diluted:					
Earnings used in calculating basic earnings per share ($M)	**2,943**	2,032	1,545	45%	90%
Add: Interest on convertible subordinated debt ($M)	**92**	90	124	2%	-26%
Earnings used in calculating diluted earnings per share ($M)	**3,035**	2,122	1,669	43%	82%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(8)**	(8)	(90)	0%	-91%
Earnings used in calculating diluted earnings per share from continuing operations ($M)	**3,043**	2,130	1,759	43%	73%
Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1]					
WANOS used in calculating basic earnings per share (M)	**2,838.7**	2,831.2	2,830.6	0%	0%
Add: Weighted average dilutive potential ordinary shares (M)					
Convertible subordinated debt (M)	**238.7**	362.2	401.4	-34%	-41%
Share based payments (options, rights and deferred shares) (M)	**7.0**	7.3	6.6	-4%	6%
WANOS used in calculating diluted earnings per share (M)	**3,084.4**	3,200.7	3,238.6	-4%	-5%

1. *Weighted average number of ordinary shares for the March 2021 half excludes 4.7 million weighted average number of treasury shares held in ANZEST Pty Ltd (Sep 20 half: 5.0 million; Mar 20 half: 4.9 million).*

7. Segment analysis

i) Description of segments

The Group operates on a divisional structure with five continuing divisions: Australia Retail and Commercial, Institutional, New Zealand, Pacific, and TSO and Group Centre. For further information on the composition of divisions refer to the Definitions on page 133.

The presentation of divisional results has not been impacted by methodology or structural changes during the period.

The divisions reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

ii) Operating segments

ANZ measures the performance of continuing segments on a cash profit basis. To calculate cash profit, certain non-core items are removed from statutory profit. Details of these items are included in the 'Other items' section of this note.

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.

For information on discontinued operations please refer to Note 13 of the Condensed Consolidated Financial Statements.

March 2021 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
Net interest income	3,974	1,519	1,393	49	51	-	**6,986**
Net fee and commission income							
- Lending fees	111	123	6	4	-	-	**244**
- Non-lending fees	618	348	293	10	(3)	-	**1,266**
- Commissions	29	1	16	-	-	-	**46**
- Funds management income	17	1	122	-	-	-	**140**
- Fee and commission expense	(286)	(144)	(215)	(1)	-	-	**(646)**
Net income from insurance business	52	-	-	-	-	-	**52**
Other income	(240)	685	16	20	96	(56)	**521**
Share of associates' profit/(loss)	1	-	-	-	(243)	-	**(242)**
Operating income	4,276	2,533	1,631	82	(99)	(56)	**8,367**
Profit/(Loss) after tax from continuing operations	1,782	948	771	7	(518)	(39)	**2,951**
Profit/(Loss) after tax from discontinued operations							**(8)**
Profit after tax attributable to shareholders							**2,943**

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment. These items are presented in section (iii) below.*

7. Segment analysis, cont'd

September 2020 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
Net interest income	3,868	1,558	1,321	44	36	-	**6,827**
Net fee and commission income							
- Lending fees	134	132	6	4	-	-	**276**
- Non-lending fees	616	370	255	11	(6)	-	**1,246**
- Commissions	42	-	33	-	-	-	**75**
- Funds management income	18	1	117	-	-	-	**136**
- Fee and commission expense	(266)	(130)	(188)	(1)	-	-	**(585)**
Net income from insurance business	30	-	-	-	1	-	**31**
Other income	(7)	1,109	3	20	22	(429)	**718**
Share of associates' profit/(loss)	(1)	-	-	-	21	-	**20**
Operating income	4,434	3,040	1,547	78	74	(429)	**8,744**
Profit/(Loss) after tax from continuing operations	1,123	1,244	450	(82)	(390)	(305)	**2,040**
Profit/(Loss) after tax from discontinued operations							**(8)**
Profit after tax attributable to shareholders							**2,032**
March 2020 Half Year							
Net interest income	4,048	1,624	1,410	65	75	-	**7,222**
Net fee and commission income							
- Lending fees	133	156	8	6	-	-	**303**
- Non-lending fees	694	406	331	18	(8)	-	**1,441**
- Commissions	25	-	21	-	-	-	**46**
- Funds management income	12	1	126	-	-	-	**139**
- Fee and commission expense	(322)	(178)	(248)	(4)	-	-	**(752)**
Net income from insurance business	47	-	-	-	-	-	**47**
Other income	6	782	9	30	(829)	314	**312**
Share of associates' profit	-	-	-	-	135	-	**135**
Operating income	4,643	2,791	1,657	115	(627)	314	**8,893**
Profit/(Loss) after tax from continuing operations	1,214	610	567	20	(998)	222	**1,635**
Profit/(Loss) after tax from discontinued operations							**(90)**
Profit after tax attributable to shareholders							**1,545**

1. In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment. These items are presented in section (iii) below.

iii) Other items

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

		Half Year			Movement	
Item gains/(losses)	**Related segment**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Economic hedges	Institutional, New Zealand, TSO and Group Centre	**(51)**	(461)	340	-89%	large
Revenue and expense hedges	TSO and Group Centre	**12**	156	(120)	-92%	large
Structured credit intermediation trades	Institutional	**-**	-	2	n/a	-100%
Total from continuing operations		**(39)**	(305)	222	-87%	large

8. Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying variables or indices defined in the contract, require little or no initial net investment and are settled at a future date. Derivatives include contracts traded on registered exchanges and contracts agreed between counterparties. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading and sales activities. Derivatives are also used to manage the Group's own exposure to fluctuations in foreign exchange and interest rates as part of its asset and liability management activities.

The following table provides an overview of the Group's interest rate, foreign exchange, commodity and credit derivatives. They include all trading and balance sheet risk management contracts. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to the terms of the derivative.

Fair Values	Assets Mar 21 $M	Liabilities Mar 21 $M	Assets Sep 20 $M	Liabilities Sep 20 $M	Assets Mar 20 $M	Liabilities Mar 20 $M
Interest rate contracts						
Forward rate agreements	**10**	**(12)**	86	(86)	255	(250)
Futures contracts	**45**	**(74)**	31	(231)	78	(160)
Swap agreements	**73,125**	**(71,523)**	109,918	(105,578)	112,934	(108,736)
Options purchased	**1,192**	**-**	1,676	-	2,436	-
Options sold	**-**	**(1,162)**	-	(2,609)	-	(3,865)
Total	**74,372**	**(72,771)**	111,711	(108,504)	115,703	(113,011)
Foreign exchange contracts						
Spot and forward contracts	**15,858**	**(14,389)**	11,882	(11,461)	26,038	(23,964)
Swap agreements	**12,683**	**(13,833)**	8,766	(12,388)	27,624	(27,138)
Options purchased	**311**	**-**	372	-	837	-
Options sold	**-**	**(587)**	-	(502)	-	(937)
Total	**28,852**	**(28,809)**	21,020	(24,351)	54,499	(52,039)
Commodity contracts	**1,439**	**(1,345)**	2,577	(1,834)	3,449	(2,288)
Credit default swaps						
Structured credit derivatives purchased	**-**	**-**	18	-	16	-
Other credit derivatives purchased	**1**	**(1)**	4	(3)	4	(6)
Credit derivatives purchased	**1**	**(1)**	22	(3)	20	(6)
Structured credit derivatives sold	**-**	**-**	-	(18)	-	(17)
Other credit derivatives sold	**2**	**-**	1	(1)	6	(3)
Credit derivatives sold	**2**	**-**	1	(19)	6	(20)
Total	**3**	**(1)**	23	(22)	26	(26)
Derivative financial instruments	**104,666**	**(102,926)**	135,331	(134,711)	173,677	(167,364)

9. Net loans and advances

	As at			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Australia					
Overdrafts	**4,070**	4,189	4,997	-3%	-19%
Credit cards outstanding	**6,119**	5,984	7,383	2%	-17%
Commercial bills outstanding	**6,152**	6,383	6,414	-4%	-4%
Term loans - housing	**280,545**	274,967	263,596	2%	6%
Term loans - non-housing	**138,771**	150,272	164,346	-8%	-16%
Lease receivables	**958**	991	1,066	-3%	-10%
Hire purchase contracts	**339**	364	452	-7%	-25%
Total Australia	**436,954**	443,150	448,254	-1%	-3%
Asia, Pacific, Europe & America					
Overdrafts	**516**	415	476	24%	8%
Credit cards outstanding	**5**	6	7	-17%	-29%
Term loans - housing	**472**	489	531	-3%	-11%
Term loans - non-housing	**51,867**	52,682	78,803	-2%	-34%
Lease receivables	**1,108**	1,031	29	7%	large
Other	**15**	20	28	-25%	-46%
Total Asia, Pacific, Europe & America	**53,983**	54,643	79,874	-1%	-32%
New Zealand					
Overdrafts	**599**	610	795	-2%	-25%
Credit cards outstanding	**1,181**	1,204	1,389	-2%	-15%
Term loans - housing	**87,561**	82,894	85,301	6%	3%
Term loans - non-housing	**37,390**	38,771	43,373	-4%	-14%
Lease receivables	**-**	-	138	n/a	-100%
Hire purchase contracts	**-**	-	1,657	n/a	-100%
Total New Zealand	**126,731**	123,479	132,653	3%	-4%
Sub-total	**617,668**	621,272	660,781	-1%	-7%
Unearned income[1,2]	**(437)**	(460)	(661)	-5%	-34%
Capitalised brokerage and other origination costs[1,2]	**1,378**	1,262	1,158	9%	19%
Gross loans and advances	**618,609**	622,074	661,278	-1%	-6%
Allowance for expected credit losses (refer to Note 10)	**(4,250)**	(4,981)	(4,669)	-15%	-9%
Net loans and advances	**614,359**	617,093	656,609	0%	-6%

1. *In the March 2021 half, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (Sep 20 half: $394 million; Mar 20 half: $293 million).*
2. *Amortised over the expected life of the loan.*

10. Allowance for expected credit losses

	As at								
	Mar 21			Sep 20			Mar 20		
	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	**3,472**	**778**	**4,250**	4,130	851	4,981	3,614	1,055	4,669
Off-balance sheet commitments	**795**	**31**	**826**	858	40	898	872	38	910
Investment securities - debt securities at amortised cost	**18**	**-**	**18**	20	-	20	15	-	15
Total	**4,285**	**809**	**5,094**	5,008	891	5,899	4,501	1,093	5,594
Other Comprehensive Income									
Investment securities - debt securities at FVOCI[1]	**11**	**-**	**11**	10	-	10	9	-	9

1. For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

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

Net loans and advances at amortised cost

Allowance for ECL is included in Net loans and advances.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2019	**927**	**1,378**	**413**	**791**	**3,509**
Transfer between stages	204	(270)	(95)	161	**-**
New and increased provisions (net of releases)	30	840	132	718	**1,720**
Write-backs	-	-	-	(164)	**(164)**
Bad debts written off (excluding recoveries)	-	-	-	(469)	**(469)**
Foreign currency translation and other movements[1]	30	20	5	18	**73**
As at 31 March 2020	**1,191**	**1,968**	**455**	**1,055**	**4,669**
Transfer between stages	187	(291)	(106)	210	**-**
New and increased provisions (net of releases)	(112)	841	119	455	**1,303**
Write-backs	-	-	-	(157)	**(157)**
Bad debts written off (excluding recoveries)	-	-	-	(640)	**(640)**
Foreign currency translation and other movements[1]	(62)	(53)	(7)	(72)	**(194)**
As at 30 September 2020	**1,204**	**2,465**	**461**	**851**	**4,981**
Transfer between stages	345	(369)	(98)	122	**-**
New and increased provisions (net of releases)	(563)	3	52	333	**(175)**
Write-backs	-	-	-	(171)	**(171)**
Bad debts written off (excluding recoveries)	-	-	-	(340)	**(340)**
Foreign currency translation and other movements[1]	(11)	(14)	(3)	(17)	**(45)**
As at 31 March 2021	**975**	**2,085**	**412**	**778**	**4,250**

1. Other movements include the impact of discount unwind on individually assessed allowances for ECL and the impact of divestments completed during the September 2020 half and the March 2020 half.

10. 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 2019	**473**	**151**	**21**	**23**	**668**
Transfer between stages	20	(24)	(2)	6	**-**
New and increased provisions (net of releases)	98	115	(2)	15	**226**
Write-backs	-	-	-	(6)	**(6)**
Foreign currency translation	19	2	1	-	**22**
As at 31 March 2020	**610**	**244**	**18**	**38**	**910**
Transfer between stages	14	(20)	-	6	**-**
New and increased provisions (net of releases)	1	20	6	4	**31**
Write-backs	-	-	-	(8)	**(8)**
Foreign currency translation and other movements[1]	(29)	(5)	(1)	-	(35)
As at 30 September 2020	**596**	**239**	**23**	**40**	**898**
Transfer between stages	36	(34)	(3)	1	**-**
New and increased provisions (net of releases)	(52)	4	-	(1)	**(49)**
Write-backs	-	-	-	(9)	**(9)**
Foreign currency translation	(12)	(2)	-	-	**(14)**
As at 31 March 2021	**568**	**207**	**20**	**31**	**826**

[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 2020	14	1	-	-	15
As at 30 September 2020	20	-	-	-	20
As at 31 March 2021	**18**	**-**	**-**	**-**	**18**

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 (OCI) 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 2020	9	-	-	-	9
As at 30 September 2020	10	-	-	-	10
As at 31 March 2021	**11**	**-**	**-**	**-**	**11**

10. Allowance for expected credit losses, cont'd

Credit impairment charge/(release) analysis

	Half Year			Movement	
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
New and increased provisions (net of releases)[1,2]					
- Collectively assessed	**(678)**	669	1,048	large	large
- Individually assessed	**455**	675	900	-33%	-49%
Write-backs[3]	**(180)**	(165)	(170)	9%	6%
Recoveries of amounts previously written off	**(88)**	(115)	(104)	-23%	-15%
Total credit impairment charge/(release)	**(491)**	1,064	1,674	large	large

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

	Mar 21 half		*Sep 20 half*		*Mar 20 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	*(630)*	*455*	*638*	*665*	*841*	*879*
Off-balance sheet commitments	*(49)*	*-*	*21*	*10*	*205*	*21*
Investment securities - debt securities at amortised cost	*-*	*-*	*8*	*-*	*1*	*-*
Investment securities - debt securities at FVOCI	*1*	*-*	*2*	*-*	*1*	*-*
Total	***(678)***	***455***	***669***	***675***	***1,048***	***900***

3. *Consists of write-backs in Net loans and advances at amortised cost of $171 million (Sep 20 half: $157 million; Mar 20 half: $164 million), and Off-balance sheet commitment of $9 million (Sep 20 half: $8 million; Mar 20 half: $6 million).*

Loan Deferral and Relief Packages (Support Packages)

From March 2020 the Group offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. The loan repayment deferral package is considered to be a loan modification under AASB 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification).

These support packages were phased out during the March 2021 half. In the case of home loan support packages, 94% of all loans in Australia and New Zealand where customers took advantage of a support package have reverted back to loan repayments, with the remaining 6% having been either restructured or transferred to hardship. For business loan support packages in Australia, 90% of loans have returned to loan payments, with the remaining 10% having been restructured or transferred to hardship. For those customers who took up loan support packages, it is considered that the packages, as well as government support measures, may have obscured repayment delinquencies that might otherwise have occurred over the loan deferral period and those that may still occur in the future. Thus the Group has provided a component of ECL for expected delinquencies and increases in SICR.

Facilities which transitioned to interest-only or took up term extensions offered as a result of COVID-19, are now subsumed within the normal loan population and are managed accordingly.

11. Deposits and other borrowings

	As at			Movement	
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Australia					
Certificates of deposit	**34,176**	28,258	34,733	21%	-2%
Term deposits	**61,503**	64,187	69,056	-4%	-11%
On demand and short term deposits	**247,730**	240,945	220,135	3%	13%
Deposits not bearing interest	**20,850**	18,771	14,410	11%	45%
Deposits from banks and securities sold under repurchase agreements[1]	**42,651**	58,762	52,942	-27%	-19%
Commercial paper	**22,829**	7,524	17,435	large	31%
Total Australia	**429,739**	418,447	408,711	3%	5%
Asia, Pacific, Europe & America					
Certificates of deposit	**4,532**	2,583	1,494	75%	large
Term deposits	**84,950**	86,735	121,141	-2%	-30%
On demand and short term deposits	**27,332**	24,366	24,211	12%	13%
Deposits not bearing interest	**6,448**	5,473	7,101	18%	-9%
Deposits from banks and securities sold under repurchase agreements	**35,456**	29,127	46,397	22%	-24%
Total Asia, Pacific, Europe & America	**158,718**	148,284	200,344	7%	-21%
New Zealand					
Certificates of deposit	**1,292**	1,650	1,651	-22%	-22%
Term deposits	**39,715**	46,351	50,414	-14%	-21%
On demand and short term deposits	**54,379**	49,905	45,978	9%	18%
Deposits not bearing interest	**18,618**	15,630	14,050	19%	33%
Deposits from banks and securities sold under repurchase agreements	**910**	448	1,422	large	-36%
Commercial paper and other borrowings	**3,252**	1,618	4,339	large	-25%
Total New Zealand	**118,166**	115,602	117,854	2%	0%
Total deposits and other borrowings	**706,623**	682,333	726,909	4%	-3%

1. *In March 2020, the Reserve Bank of Australia announced a Term Funding Facility (TFF) which is a three-year funding facility to ADIs at a fixed rate of 0.25%. ADIs are able to obtain initial funding of up to 3% of their existing outstanding credit with access to additional funding if they increase lending to small and medium-sized businesses. As at 31 March 2021, ANZ had drawn $12 billion (Sep 20: $12 billion) from its initial TFF allowance of $12 billion and it had drawn $0 billion (Sep 20: $0 billion) from its additional TFF allowance of $8 billion.*

12. Other provisions

	As at			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
ECL allowance on undrawn facilities (refer to Note 10)	**826**	898	910	-8%	-9%
Customer remediation	**1,003**	1,109	1,094	-10%	-8%
Restructuring costs	**122**	105	128	16%	-5%
Non-lending losses, frauds and forgeries	**77**	79	82	-3%	-6%
Other	**389**	388	559	0%	-30%
Total other provisions	**2,417**	2,579	2,773	-6%	-13%

Customer remediation

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

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Non-lending losses, frauds and forgeries

Non-lending losses include losses arising from certain legal actions not directly related to amounts of principal outstanding for loans and advances and losses arising from forgeries, frauds and the correction of operational issues. The amounts recognised are the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

Other

Other provisions comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.

13. Discontinued operations and assets and liabilities held for sale

i) Discontinued operations

The sale of the Group's Aligned Dealer Groups (ADGs) business completed on 1 October 2018, the sale of OnePath pensions and investments (OnePath P&I) business completed on 31 January 2020, and the sale of the Group's life insurance business completed on 31 May 2019.

As a result of the sale transactions outlined above, the financial results of the businesses were treated as discontinued operations from a reporting perspective.

Details of the financial performance and cash flows of discontinued operations are presented below.

Income Statement

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Net interest income	**-**	-	(5)	n/a	-100%
Other operating income	**27**	63	(109)	-57%	large
Operating income	**27**	63	(114)	-57%	large
Operating expenses	**(38)**	(80)	(120)	-53%	-68%
Profit/(Loss) before credit impairment and income tax	**(11)**	(17)	(234)	-35%	-95%
Credit impairment (charge)/release	**-**	-	-	n/a	n/a
Profit/(Loss) before income tax	**(11)**	(17)	(234)	-35%	-95%
Income tax (expense)/benefit	**3**	9	144	-67%	-98%
Profit/(Loss) for the period attributable to shareholders of the Company[1]	**(8)**	(8)	(90)	0%	-91%

1. *Includes the results of the OnePath P&I business up to sale completion in January 2020.*

Income Statement impact relating to discontinued operations

During the March 2021 half, the Group recognised the following impacts in relation to discontinued operations:

- $1 million of customer remediation charges ($1 million loss after tax) recorded in operating expenses.

During the September 2020 half, the Group recognised the following impacts in relation to discontinued operations:

- $2 million loss on disposal ($2 million loss after tax) recorded in operating income attributable to sale completion costs.
- $2 million of customer remediation charges ($2 million loss after tax) recorded in operating expenses.

During the March 2020 half, the Group recognised the following impacts in relation to discontinued operations:

- $16 million loss on disposal ($11 million loss after tax) recorded in operating income attributable to sale completion costs.
- $124 million of customer remediation charges ($128 million recorded in operating income and a release of $4 million recorded in operating expenses) and an associated $30 million tax benefit.
- $101 million charge was recorded in operating income offset by a $101 million tax benefit within income tax expense relating to the finalisation of the policyholder tax position associated with the sale of the life insurance business to Zurich.

Cash Flow Statement

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Net cash provided by/(used in) operating activities	**-**	-	(25)	n/a	-100%
Net cash provided by/(used in) investing activities	**-**	-	-	n/a	n/a
Net cash provided by/(used in) financing activities	**-**	-	25	n/a	-100%
Net increase/(decrease) in cash and cash equivalents	**-**	-	-	n/a	n/a

13. Discontinued operations and assets and liabilities held for sale, cont'd

ii) Assets and liabilities held for sale

As at 31 March 2021, the following divestments met the criteria to be classified as held for sale under accounting standards but based on materiality have not been presented separately as assets and liabilities held for sale on the Balance Sheet. There were no assets and liabilities held for sale in the September and March 2020 halves.

- **Worldline Joint Venture**

  In December 2020, the Group announced it had entered into a joint-venture with European-based payments company Worldline. The joint venture arrangement involves ANZ and Worldline forming a newly created merchant acquiring group, with ANZ and Worldline holding a 49% and 51% interest respectively. The transaction is expected to complete in the 2022 financial year and is subject to regulatory and other approvals and card scheme arrangements. At 31 March 2021, the net assets associated with this business were $8 million primarily relating to equipment of $30 million, various other assets of $5 million and payables and other liabilities of $27 million.

- **ANZ Share Investing**

  During the March 2021 half, the Group reclassified its ANZ Share Investing business as held for sale reflecting a continuation of the Group's simplification strategy. As a consequence of remeasuring the net assets at fair value less costs to sell the Group recognised a loss of $251 million in Other operating income relating to the write-down of goodwill attributable to the business. At 31 March 2021, the net assets associated with this business were $12 million primarily relating to goodwill.

14. Debt issuances

	As at			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Total unsubordinated debt	**83,963**	98,607	119,136	-15%	-30%
Additional Tier 1 Capital (perpetual subordinated securities)[1]					
ANZ Capital Notes (ANZ CN)[2]					
ANZ CN1	**1,120**	1,119	1,119	0%	0%
ANZ CN2	**1,609**	1,608	1,607	0%	0%
ANZ CN3	**968**	967	966	0%	0%
ANZ CN4	**1,615**	1,614	1,613	0%	0%
ANZ CN5	**927**	926	926	0%	0%
ANZ Capital Securities[3]	**1,347**	1,499	1,712	-10%	-21%
ANZ New Zealand Capital Notes[4]	**459**	463	487	-1%	-6%
Tier 2 Capital					
Perpetual subordinated notes[5]	**395**	422	485	-6%	-19%
Term subordinated notes[6]	**15,220**	12,443	12,197	22%	25%
Total subordinated debt	**23,660**	21,061	21,112	12%	12%
Total debt issuances	**107,623**	119,668	140,248	-10%	-23%

1. *ANZ Capital Notes, ANZ Capital Securities and the ANZ New Zealand Capital Notes are Basel 3 compliant instruments.*
2. *Each of the ANZ Capital Notes will convert into a variable number of ANZ ordinary shares 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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, the notes are redeemable or convertible into ANZ ordinary shares (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*
CN1	*ANZ*	*7 Aug 2013*	*1,120*	*1 Sep 2021*	*1 Sep 2023*
CN2	*ANZ*	*31 Mar 2014*	*1,610*	*24 Mar 2022*	*24 Mar 2024*
CN3	*ANZ, acting through its New Zealand branch*	*5 Mar 2015*	*970*	*24 Mar 2023*	*24 Mar 2025*
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*

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. *On 31 March 2015, ANZ Bank New Zealand Limited (ANZ New Zealand) issued NZ$500 million convertible notes (ANZ New Zealand Capital Notes). If ANZ or ANZ New Zealand's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, ANZ receives a notice of non-viability from APRA, ANZ New Zealand receives a direction from RBNZ or a statutory manager is appointed to ANZ New Zealand and makes a determination, then the ANZ New Zealand Capital Notes will immediately convert into a variable number of ANZ ordinary shares at a 1% discount subject to a maximum conversion number. In April 2020, the RBNZ informed New Zealand-incorporated registered banks (including ANZ New Zealand) that they should not redeem capital instruments at that time. Accordingly, ANZ New Zealand was not permitted to redeem the ANZ New Zealand Capital Notes on the optional exchange date (25 May 2020), although it can continue making coupon payments on those notes. As ANZ New Zealand did not exercise its option to convert the notes in May 2020, the terms of the ANZ New Zealand Capital Notes provide for their conversion into a variable number of ANZ ordinary shares on 25 May 2022 at a 1% discount (subject to certain conditions being satisfied).*
5. *The USD 300 million perpetual subordinated notes have been granted Basel 3 transitional capital treatment until the end of the transition period in December 2021.*
6. *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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number.*

15. 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 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Net loans and advances	**614,359**	617,093	656,609	**-**	-	-	**614,359**	617,093	656,609
Investment securities									
- debt securities at amortised cost	**7,028**	6,816	7,231	**-**	-	-	**7,028**	6,816	7,231
- debt securities at FVOCI	**83,715**	85,460	77,476	**-**	-	-	**83,715**	85,460	77,476
- equity securities at FVOCI	**1,184**	1,062	1,166	**1,184**	1,062	1,166	**-**	-	-
- debt securities at FVTPL	**63**	53	50	**-**	-	-	**63**	53	50
Other financial assets	**300,339**	319,224	393,862	**15,829**	14,753	14,305	**284,510**	304,471	379,557
Total on-balance sheet positions	**1,006,688**	1,029,708	1,136,394	**17,013**	15,815	15,471	**989,675**	1,013,893	1,120,923
Off-balance sheet commitments									
Undrawn and contingent facilities[2]	**252,392**	266,716	269,417	**-**	-	-	**252,392**	266,716	269,417
Total	**1,259,080**	1,296,424	1,405,811	**17,013**	15,815	15,471	**1,242,067**	1,280,609	1,390,340

1. *Excluded comprises bank notes and coins and cash at bank within liquid assets, and equity securities within 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	CCR8- 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

15. Credit risk, cont'd

Net loans and advances

As at March 2021	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
Strong	390,928	12,204	-	-	**403,132**
Satisfactory	149,462	33,317	-	-	**182,779**
Weak	8,493	14,150	-	-	**22,643**
Defaulted	-	-	4,160	1,941	**6,101**
Gross loans and advances at amortised cost	**548,883**	**59,671**	**4,160**	**1,941**	**614,655**
Allowance for ECL	(975)	(2,085)	(412)	(778)	**(4,250)**
Net loans and advances at amortised cost	**547,908**	**57,586**	**3,748**	**1,163**	**610,405**
Coverage ratio	**0.18%**	**3.49%**	**9.90%**	**40.08%**	**0.69%**
Loans and advances at fair value through profit or loss					3,013
Unearned income[1]					(437)
Capitalised brokerage and other origination costs[1]					1,378
Net carrying amount					**614,359**
As at September 2020					
Strong	395,608	18,262	-	-	413,870
Satisfactory	133,558	37,577	-	-	171,135
Weak	8,461	16,850	-	-	25,311
Defaulted	-	-	4,762	2,256	7,018
Gross loans and advances at amortised cost	**537,627**	**72,689**	**4,762**	**2,256**	**617,334**
Allowance for ECL	(1,204)	(2,465)	(461)	(851)	(4,981)
Net loans and advances at amortised cost	**536,423**	**70,224**	**4,301**	**1,405**	**612,353**
Coverage ratio	**0.22%**	**3.39%**	**9.68%**	**37.72%**	**0.81%**
Loans and advances at fair value through profit or loss					3,938
Unearned income[1]					(460)
Capitalised brokerage and other origination costs[1]					1,262
Net carrying amount					**617,093**
As at March 2020					
Strong	465,601	14,009	-	-	479,610
Satisfactory	114,178	39,137	-	-	153,315
Weak	5,959	11,692	-	-	17,651
Defaulted	-	-	4,837	2,435	7,272
Gross loans and advances at amortised cost	**585,738**	**64,838**	**4,837**	**2,435**	**657,848**
Allowance for ECL	(1,191)	(1,968)	(455)	(1,055)	(4,669)
Net loans and advances at amortised cost	**584,547**	**62,870**	**4,382**	**1,380**	**653,179**
Coverage ratio	**0.20%**	**3.04%**	**9.41%**	**43.33%**	**0.71%**
Loans and advances at fair value through profit or loss					2,932
Unearned income[1]					(661)
Capitalised brokerage and other origination costs[1]					1,158
Net carrying amount					**656,609**

1. *In the March 2021 half, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (Sep 20 half: $394 million; Mar 20 half: $293 million).*

15. Credit risk, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	168,628	1,829	-	-	**170,457**
Satisfactory	23,398	4,148	-	-	**27,546**
Weak	950	938	-	-	**1,888**
Defaulted	-	-	135	232	**367**
Gross undrawn and contingent facilities subject to ECL	**192,976**	**6,915**	**135**	**232**	**200,258**
Allowance for ECL included in Provisions	(568)	(207)	(20)	(31)	**(826)**
Net undrawn and contingent facilities subject to ECL	**192,408**	**6,708**	**115**	**201**	**199,432**
Coverage ratio	**0.29%**	**2.99%**	**14.81%**	**13.36%**	**0.41%**
Undrawn and contingent facilities not subject to ECL[1]					52,960
Net undrawn and contingent facilities					**252,392**
As at September 2020					
Strong	171,979	3,045	-	-	**175,024**
Satisfactory	22,983	3,972	-	-	**26,955**
Weak	1,123	1,132	-	-	**2,255**
Defaulted	-	-	144	203	**347**
Gross undrawn and contingent facilities subject to ECL	**196,085**	**8,149**	**144**	**203**	**204,581**
Allowance for ECL included in Provisions	(596)	(239)	(23)	(40)	**(898)**
Net undrawn and contingent facilities subject to ECL	**195,489**	**7,910**	**121**	**163**	**203,683**
Coverage ratio	**0.30%**	**2.93%**	**15.97%**	**19.70%**	**0.44%**
Undrawn and contingent facilities not subject to ECL[1]					63,033
Net undrawn and contingent facilities					**266,716**
As at March 2020					
Strong	172,684	1,617	-	-	**174,301**
Satisfactory	24,433	4,832	-	-	**29,265**
Weak	284	1,156	-	-	**1,440**
Defaulted	-	-	149	164	**313**
Gross undrawn and contingent facilities subject to ECL	**197,401**	**7,605**	**149**	**164**	**205,319**
Allowance for ECL included in Provisions	(610)	(244)	(18)	(38)	**(910)**
Net undrawn and contingent facilities subject to ECL	**196,791**	**7,361**	**131**	**126**	**204,409**
Coverage ratio	**0.31%**	**3.21%**	**12.08%**	**23.17%**	**0.44%**
Undrawn and contingent facilities not subject to ECL[1]					65,008
Net undrawn and contingent facilities					**269,417**

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

15. Credit risk, cont'd

Investment securities - debt securities at amortised cost

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	5,657	-	-	-	**5,657**
Satisfactory	1,389	-	-	-	**1,389**
Gross investment securities - debt securities at amortised cost	**7,046**	**-**	**-**	**-**	**7,046**
Allowance for ECL	(18)	-	-	-	**(18)**
Net investment securities - debt securities at amortised cost	**7,028**	**-**	**-**	**-**	**7,028**
Coverage ratio	**0.26%**	**-**	**-**	**-**	**0.26%**
As at September 2020					
Strong	5,594	-	-	-	5,594
Satisfactory	1,067	175	-	-	1,242
Gross investment securities - debt securities at amortised cost	**6,661**	**175**	**-**	**-**	**6,836**
Allowance for ECL	(20)	-	-	-	**(20)**
Net investment securities - debt securities at amortised cost	**6,641**	**175**	**-**	**-**	**6,816**
Coverage ratio	**0.30%**	**0.00%**	-	-	**0.29%**
As at March 2020					
Strong	5,733	-	-	-	5,733
Satisfactory	888	625	-	-	1,513
Gross investment securities - debt securities at amortised cost	**6,621**	**625**	-	-	**7,246**
Allowance for ECL	(14)	(1)	-	-	**(15)**
Net investment securities - debt securities at amortised cost	**6,607**	**624**	-	-	**7,231**
Coverage ratio	**0.21%**	**0.16%**	-	-	**0.21%**

Investment securities - debt securities at FVOCI

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	83,494	-	-	-	**83,494**
Satisfactory	221	-	-	-	**221**
Investment securities - debt securities at FVOCI	**83,715**	**-**	**-**	**-**	**83,715**
Allowance for ECL recognised in other comprehensive income	(11)	-	-	-	**(11)**
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**
As at September 2020					
Strong	85,287	-	-	-	**85,287**
Satisfactory	173	-	-	-	**173**
Investment securities - debt securities at FVOCI	**85,460**	**-**	**-**	**-**	**85,460**
Allowance for ECL recognised in other comprehensive income	(10)	-	-	-	**(10)**
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**
As at March 2020					
Strong	77,213	-	-	-	**77,213**
Satisfactory	263	-	-	-	**263**
Investment securities - debt securities at FVOCI	**77,476**	-	-	-	**77,476**
Allowance for ECL recognised in other comprehensive income	(9)	-	-	-	**(9)**
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**

15. Credit risk, cont'd

Investment securities - debt securities at FVTPL

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Satisfactory	63	-	-	-	**63**
Investment securities - debt securities at FVTPL	**63**	**-**	**-**	**-**	**63**
Allowance for ECL	-	-	-	-	**-**
Coverage ratio	**0.00%**	**-**	**-**	**-**	**0.00%**
As at September 2020					
Satisfactory	53	-	-	-	**53**
Investment securities - debt securities at FVTPL	**53**	**-**	**-**	**-**	**53**
Allowance for ECL	-	-	-	-	**-**
Coverage ratio	**0.00%**	**-**	**-**	**-**	**0.00%**
As at March 2020					
Satisfactory	50	-	-	-	**50**
Investment securities - debt securities at FVTPL	**50**	**-**	**-**	**-**	**50**
Allowance for ECL	-	-	-	-	**-**
Coverage ratio	**0.00%**	**-**	**-**	**-**	**0.00%**

Other financial assets

	As at		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Strong	**280,105**	293,171	369,909
Satisfactory	**3,846**	10,671	9,033
Weak	**556**	628	615
Defaulted	**3**	1	-
Other financial assets	**284,510**	304,471	379,557

16. Fair value measurement

The Group carries 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.

i) Assets and liabilities measured at fair value on the balance sheet

a) Valuation

The Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- when using quoted prices to value an instrument, these are independently verified from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Group holds offsetting risk positions, then the Group uses the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

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 classified as: - trading securities - securities sold short - derivative financial assets and liabilities - investment securities - other assets	Valuation techniques are used that incorporate observable market inputs for securities with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - net loans and advances - deposits and other borrowings - debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.

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

c) Fair value hierarchy

The Group categorises financial assets and liabilities carried at fair value into a fair value hierarchy as required by 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 halves.

16. Fair value measurement, cont'd

d) Fair value hierarchy disclosure

The following table presents assets and liabilities carried at fair value:

	Fair value measurements			
As at March 2021	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Trading securities[1]	41,424	4,907	-	**46,331**
Derivative financial instruments	648	103,984	34	**104,666**
Investment securities[1]	83,573	209	1,180	**84,962**
Net loans and advances (measured at fair value)	-	3,003	10	**3,013**
Total	**125,645**	**112,103**	**1,224**	**238,972**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	3,598	-	**3,598**
Derivative financial instruments	947	101,954	25	**102,926**
Payables and other liabilities[2]	3,925	12	-	**3,937**
Debt issuances (designated at fair value)	-	1,926	-	**1,926**
Total	**4,872**	**107,490**	**25**	**112,387**
As at September 2020				
Assets				
Trading securities	44,004	6,909	-	50,913
Derivative financial instruments	681	134,588	62	135,331
Investment securities	85,330	137	1,108	86,575
Net loans and advances (measured at fair value)	-	3,925	13	3,938
Total	130,015	145,559	1,183	276,757
Liabilities				
Deposits and other borrowings (designated at fair value)	-	3,078	-	3,078
Derivative financial instruments	1,120	133,536	55	134,711
Payables and other liabilities[2]	3,830	13	-	3,843
Debt issuances (designated at fair value)	-	2,159	-	2,159
Total	**4,950**	**138,786**	**55**	**143,791**
As at March 2020				
Assets				
Trading securities	39,000	10,068	-	49,068
Derivative financial instruments	1,565	172,039	73	173,677
Available-for-sale assets	76,932	550	1,210	78,692
Net loans and advances (measured at fair value)	-	2,919	13	2,932
Total	117,497	185,576	1,296	304,369
Liabilities				
Deposits and other borrowings (designated at fair value)	-	5,461	-	5,461
Derivative financial instruments	1,778	165,519	67	167,364
Payables and other liabilities[2]	4,113	21	-	4,134
Debt issuances (designated at fair value)	-	2,681	-	2,681
Total	**5,891**	**173,682**	**67**	**179,640**

1. *Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred. Transfers from Level 1 to Level 2 and Level 2 to Level 1 for March 2021 and March 2020 halves are immaterial. In the September 2020 half, $100 million of bond securities assets were transferred from Level 2 to Level 1 following increased trading activity to support quoted prices.*
2. *Payables and other liabilities relates to securities sold short which are classified as held for trading and measured at fair value through profit or loss.*

16. Fair value measurement, cont'd

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

a) Level 3 fair value measurements

The net balance of Level 3 financial instruments is an asset of $1,199 million (Sep 20: $1,128 million; Mar 20: $1,229 million). The assets and liabilities which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed; and
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Bank of Tianjin (BoT)

Movements in the Level 3 balance are due to the revaluation of the Group's investment in Bank of Tianjin.

The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived are non-observable inputs which have resulted in the Level 3 classification.

Other

During the March 2021 half, the Group transferred $35 million of investment security assets and $5 million of derivative liabilities from Level 3 to Level 2, where valuation parameters for these financial instruments became observable during the period. There were no other transfers in or out of Level 3 in the current or prior halves.

b) Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used in deriving the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $102 million increase or decrease to the fair value of the investment (Sep 20: $93 million; Mar 20: $105 million), which would be recognised in shareholders' equity.

Other

The remaining Level 3 balance is immaterial and changes in the Level 3 inputs have a minimal impact on net profit and net assets of the Group.

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 we determine based on the valuation technique (referred to as the day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount 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.

16. Fair value measurement, cont'd

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, presenting the fair value of the entire class of financial assets and financial liabilities.

	Carrying amount in the balance sheet			Fair value
As at March 2021	At amortised cost $M	At fair value $M	Total $M	$M
Financial assets				
Net loans and advances	611,346	3,013	614,359	615,139
Investment securities	7,028	84,962	91,990	91,945
Total	**618,374**	**87,975**	**706,349**	**707,084**
Financial liabilities				
Deposits and other borrowings	703,025	3,598	706,623	706,813
Debt issuances	105,697	1,926	107,623	109,580
Total	**808,722**	**5,524**	**814,246**	**816,393**
As at September 2020				
Financial assets				
Net loans and advances	613,155	3,938	617,093	618,095
Investment securities	6,816	86,575	93,391	93,391
Total	**619,971**	**90,513**	**710,484**	**711,486**
Financial liabilities				
Deposits and other borrowings	679,255	3,078	682,333	682,623
Debt issuances	117,509	2,159	119,668	121,453
Total	**796,764**	**5,237**	**802,001**	**804,076**
As at March 2020				
Financial assets				
Net loans and advances	653,677	2,932	656,609	658,091
Investment securities	7,231	78,692	85,923	85,944
Total	**660,908**	**81,624**	**742,532**	**744,035**
Financial liabilities				
Deposits and other borrowings	721,448	5,461	726,909	727,326
Debt issuances	137,567	2,681	140,248	138,454
Total	**859,015**	**8,142**	**867,157**	**865,780**

17. Shareholders' equity

Issued and quoted securities	As at		
Ordinary shares	**Mar 21 No.**	**Sep 20 No.**	**Mar 20 No.**
Opening balance	**2,840,370,225**	2,836,177,422	2,834,584,923
Bonus Option Plan	**929,207**	819,781	1,592,499
Dividend reinvestment plan issues[1]	**4,242,368**	3,373,022	-
Closing balance	**2,845,541,800**	2,840,370,225	2,836,177,422
Less: Treasury Shares	**(4,484,712)**	(4,927,878)	(5,011,537)
Closing balance	**2,841,057,088**	2,835,442,347	2,831,165,885
Issued/(Repurchased) during the period	**5,171,575**	4,192,803	1,592,499

1. *The DRP in respect to the 2020 final dividend was satisfied in full through the issue of 4,242,368 shares at $22.19 to participating shareholders. The DRP in respect to the 2020 interim dividend was satisfied through the issue of 3,373,022 shares at $18.06 to participating shareholders.*

	As at			Movement	
Shareholders' equity	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Ordinary share capital	**26,615**	26,531	26,440	0%	1%
Reserves					
Foreign currency translation reserve	**(503)**	155	1,988	large	large
Share option reserve	**56**	85	62	-34%	-10%
FVOCI reserve	**567**	245	(51)	large	large
Cash flow hedge reserve	**643**	1,038	874	-38%	-26%
Transactions with non-controlling interests reserve	**(22)**	(22)	(22)	0%	0%
Total reserves	**741**	1,501	2,851	-51%	-74%
Retained earnings	**35,210**	33,255	32,073	6%	10%
Share capital and reserves attributable to shareholders of the Company	**62,566**	61,287	61,364	2%	2%
Non-controlling interests	**10**	10	11	0%	-9%
Total shareholders' equity	**62,576**	61,297	61,375	2%	2%

18. Changes in composition of the Group

There were no acquisitions or disposals of material controlled entities for the half year ended 31 March 2021.

19. Investments in Associates[1]

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Share of associates' profit/(loss)	**(242)**	20	135	large	large

Contributions to profit[2]	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 %	Sep 20 %	Mar 20 %
P.T. Bank Pan Indonesia	**65**	(19)	74	**39**	39	39
AMMB Holdings Berhad[3,4]	**(307)**	41	61	**24**	24	24
Other associates	**-**	(2)	-	**n/a**	n/a	n/a
Share of associates' profit/(loss)	**(242)**	20	135			

1. *At 31 March 2020, the Group recorded an impairment charge of $815 million in Other operating income with AmBank impaired by $595 million and PT Panin impaired by $220 million.*
2. *Contributions to profit reflect the IFRS equivalent results adjusted to align with the Group's financial year end and accounting policies which may differ from the published results of these entities. In the September 2020 half, the Group recognised an adjustment of $68 million to the equity accounted earnings of PT Panin. When the Group adopted AASB 9 Financial Instruments on 1 October 2018, an estimate of PT Panin's transition adjustment was recognised through opening retained earnings to align accounting policies. PT Panin adopted AASB 9 during the September 2020 half recognising a transition adjustment in retained earnings. The adjustment of $68 million represents the Group's equity accounted share of the transition adjustment net of amounts previously recognised by the Group on 1 October 2018.*
3. *Following AmBank's agreement with the Malaysian Ministry of Finance to resolve potential claims relating to its involvement with 1Malaysia Development Berhad, the Group recognised a $212 million reduction in equity accounted earnings reflecting its share of the settlement provision during the March 2021 half, with a corresponding decrease in the carrying value of the investment.*
4. *During the March 2021 half, AmBank partially impaired goodwill carried on its balance sheet and the Group recognised a $135 million reduction in equity accounted earnings reflecting its share of the impairment recognised by AmBank, with a corresponding decrease in the carrying value of the investment.*

20. Related party disclosure

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 2020.

21. 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 (refer to Note 12) 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 2020 ANZ Annual Financial Report for a description of contingent liabilities and contingent assets as at 30 September 2020. A summary of some of those contingent liabilities, and new contingent liabilities that have arisen in the current reporting period, is set out below.

- **Regulatory and customer exposures**

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

- **Benchmark/rate actions**

  In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company – one action relating to the bank bill swap rate (BBSW), and one action relating to the Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR). The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on BBSW or SIBOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including the Company, violated US anti-trust laws and (in the BBSW case only) anti-racketeering laws, the Commodity Exchange Act, and unjust enrichment principles. In March 2021, the Company reached an agreement to settle the BBSW class action. The settlement is without admission of liability and remains subject to negotiation and execution of complete settlement terms as well as court approval. The financial impact of the settlement is not material and has been fully provided at 31 March 2021. The separate class action in relation to SIBOR is ongoing and is being defended.

  In February 2017, the South African Competition Commission commenced proceedings against local and international banks including the Company alleging breaches of the cartel provisions of the South African Competition Act in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain.

21. Contingent liabilities and contingent assets, cont'd

- **Capital raising actions**

  In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against the Company and a senior employee alleging that they were involved in cartel conduct by the joint lead managers of the Company's August 2015 underwritten institutional equity placement of approximately 80.8 million ordinary shares. The Company and its senior employee are defending the allegations. The trial is currently scheduled to start in April 2022.

  In September 2018, the Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings against the Company alleging failure to comply with continuous disclosure obligations in connection with the Company's August 2015 underwritten institutional equity placement. ASIC alleges the Company should have advised the market that the joint lead managers took up approximately 25.5 million ordinary shares of the placement. The Company is defending the allegations.

- **Consumer credit insurance litigation**

  In February 2020, a class action was brought against the Company alleging breaches of financial advice obligations, misleading or deceptive conduct and unconscionable conduct in relation to the distribution of consumer credit insurance products. The issuers of the insurance products, QBE and OnePath Life, are also defendants to the claim. The Company is defending the allegations.

- **Esanda dealer car loan litigation**

  In August 2020, a class action was brought against the Company alleging unfair conduct, misleading or deceptive conduct and equitable mistake in relation to the use of flex commissions in dealer arranged Esanda car loans. The Company is defending the allegations.

- **OnePath superannuation litigation**

  In December 2020, a class action was brought against OnePath Custodians, OnePath Life and the Company alleging that OnePath Custodians breached its obligations under superannuation legislation, and its duties as trustee, in respect of superannuation investments and fees. The claim also alleges that the Company was involved in some of OnePath Custodians' investment breaches. The Company is defending the allegations.

- **Royal Commission**

  The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report on 4 February 2019. The findings and recommendations of the Commission are resulting in additional costs and may lead to 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.

22. Significant events since balance date

On 26 April 2021, the Group posted notice that it will exercise its option to redeem wholesale A$700,000,000 floating rate subordinated notes due May 2026. The notes will be redeemed on 17 May 2021 for their par value of $700 million.

Other than the matter above, there have been no other significant events from 31 March 2021 to the date of signing this report that have not been adjusted or disclosed.

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 2021 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 2021

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 are not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 31 March 2021 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 2021;
- 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 22 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 the Code

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 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 2021 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

KPMG

Martin McGrath
Partner

Melbourne
4 May 2021

KPMG

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 2021, 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 2021